


**Road
Accident
Fund**

COMPASSION
ACCOUNTABILITY

ABILITY

RESPECT

EXCELLENCE

INTEGRITY

ANNUAL REPORT

2020 -2021

I care

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THE YEAR 2020/21 AT A GLANCE

- Number of permanent employees increased by eight from 2,789 in 2019/20 to 2,797 in 2020/21.
- Total revenue during the 2020/21 financial year increased to R42.25 billion from R41.24 billion in the previous financial year, mainly due to the 9 cents per litre increase in the RAF Fuel Levy from the beginning of the financial year.
- During the 2020/21 financial year, the RAF Fuel Levy was set at 207 c/l from 198 c/l during the 2019/20 financial year.
- The total amount of claims paid decreased by 10% to R35.29 billion from R39.16 billion during the previous financial year.
- The RAF registered 156,313 new claims and finalised 99,795 claims in the 2020/21 financial year.
- Claims liabilities increased by 10% to R29.57 billion from R26.98 billion in the previous financial year.
- 130,709 calls were responded to by the Call Centre compared to 435,651 in the previous financial year.
- In 2019/20, personal claims finalised decreased from 80,370 to 27,890 in the 2020/21 financial year.
- Average value per claim increased from 138,010 in 2019/2020 to 235,141 in the 2020/21 financial year.
- Average claimant legal and other costs per claim increased from 176,463 in 2019/20 to 192,098 in the 2020/21 financial year.
- Average legal and other costs per claim decreased from 38,048 in 2019/20 to 25,820 in the 2020/21 financial year.
- Average funeral costs decreased from 18,521 in 2019/20 to 17,448 in the 2020/21 financial year.
- Average loss-of-support claims increased from 450,307 in 2019/20 to 639,006 in the 2020/21 financial year.
- Average loss-of-earnings claims increased from R826,007 in 2019/20 to R1,084 369 in the 2020/21 financial year.
- Average general damages claims increased from R482,291 in 2019/20 to R516,097 in 2020/21.
- Average medical claims increased from R18,568 in 2019/20 to R32,546 in 2020/21.
- Supplier claims finalised decreased from 178,012 in 2019/20 to 71,905 in 2020/21.
- Cost-to-income ratio for the financial year was 20% versus 29% in 2019/20.
- Cash expenditure on claims amounted to 84% of the net RAF Fuel Levy. This is due to the high rate of claims settled as well as payments strictly managed via the RAF's Cash Management Strategy.

(Statistics represented on this page are in line with the numbers and amounts mentioned elsewhere in this report.)

PART A

1. GENERAL INFORMATION

Registered name: Road Accident Fund

Physical address: Eco Glades Office Park 2
420 Witch-hazel Avenue

Centurion

0046

Postal address: Private Bag X178

Centurion

0046

Telephone number: 0860 235 523

(Customer Care Share Call Number)

Website: www.raf.co.za

External auditors: Auditor-General of South Africa

Bankers: Absa Bank

Company Secretary: Ms. JR Cornelius

2. LIST OF ABBREVIATIONS/ACRONYMS

ACFO	Acting Chief Financial Officer
ADP	Accelerated Directorship Programme
AGSA	Auditor-General of South Africa
Amendment Act	RAF Amendment Act, 2005 (Act No. 10 of 2005)
APP	Annual Performance Plan
APs	Assurance Providers
ASB	Accounting Standards Board
AVE	Advertising Value Equivalency
BAC	Bid Adjudication Committee
B-BBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
BoT	Pension Fund Board of Trustees
CAE	Chief Audit Executive
CBO	Community-Based Organisation
CBRTA	Cross-Border Road Traffic Agency
CEF	Central Energy Fund
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGICTPF	Corporate Governance of ICT Policy Framework
CHCO	Chief Human Capital Officer
CIA	Change Impact Assessment
CIME	Certified Independent Medical Examiners
CIO	Chief Information Officer
CIPC	Companies and Intellectual Property Commission
CMO	Chief Marketing Officer
COO	Chief Operations Officer
CPI	Consumer Price Index
CRMP	Compliance Risk Management Plan
CS	Company Secretary
CSO	Chief Strategy Officer
CSR	Corporate Social Responsibility
CVS	Crash Verification System
DAM	Database Activity Monitoring
DG	Director-General
DHA	Department of Home Affairs
DMP	Demand Management Plan
DoE	Department of Education
DoH	Department of Health
DoJ	Department of Justice
DoT	Department of Transport
DR	Disaster Recovery
EA	Enterprise Architecture
EAP	Employee Assistance Programme
EBSCO	Elton B Stephens Co. Information Systems International
ECM	Enterprise Content Management
EE	Employment Equity
EPA	Ethics Programme of Action
ERA	Ethics Risk Assessment
ES	Executive Summary
EWS	Employee Wellness Services

EXCO	Executive Management Committee
FAR	Fixed Asset Register
FID	Forensic Investigation Department
GM	General Manager
GRAP	Generally Recognised Accounting Practice
HC	Human Capital
HIV	Human Immunodeficiency Virus
HPCSA	Health Professions Council of South Africa
HR	Human Resources
HRA	Health Risk Assessment
HSC	Hospital Service Centre
IAM	Identity and Access Management
ICA	Information Collection Agent
ICAS	Independent Counselling and Advisory Services
ICMS	Integrated Claims Management System
ICT	Information and Communication Technology
IESBA	International Ethics Standards Board for Accountants
IFRS	International Financial Reporting Standards
ISA	International Standards of Auditing
ISPIIA	International Standards for the Professional Practice of Internal Auditing
IT	Information Technology
King IV	King Code on Corporate Governance IV
LMS	Litigation Management System
MAP	Management Advanced Programme
MBA	Master of Business Administration
MDP	Management Development Programme
MoU	Memorandum of Understanding
MVA	Motor Vehicle Accident
NA	National Assembly
NCRF	National Community Radio Forum
NDOH	National Department of Health
NDP	National Development Plan
NEAP	National Economically Active Population
NGO	Non-Governmental Organisation
NIAP	Nurse-based Initiation Project
NMDP	New Management Development Programme
NSD	National Skills Development
NT	National Treasury
OCR	Liability for Outstanding Claims Reported
OHS	Occupational Health and Safety
OPSIT	Operations, Information Technology Committee
PA	Prudential Authority
PAIA	Promotion of Access to Information Act, 2000 (Act No. 2 of 2000)
PCoT	Portfolio Committee on Transport
PEEC	Provincial Efficiency Enhancement Committee
PFMA	Public Finance Management Act, 1999 (Act No. 1 of 1999)
PMO	Programme Management Office
POPI Act	Protection of Personal Information Act, 2013 (Act No. 3 of 2013)
QA	Quality Assurance

RABS	Road Accident Benefit Scheme
RABSA	Road Accident Benefit Scheme Administrator
RAF	Road Accident Fund
RAF Act	Road Accident Fund Act, 1996 (Act No. 56 of 1996)
RGAC	Risk Governance and Actuarial Committee
REMCO	Remuneration and Human Resources Committee
RMC	Risk Management Committee
RNYP	Requested but Not Yet Paid (Claims)
RTMC	Road Traffic Management Corporation
SABC	South African Broadcasting Corporation
SADC	Southern African Development Community
SALGA	South African Local Government Association
SANTACO	South African National Taxi Association
SAOPA	South African Orthotic and Prosthetic Association
SAPO	South African Post Office
SAPS	South African Police Service
SARS	South African Revenue Service
SASSA	South African Social Security Agency
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
SDM	Sensitive Data Masking
SDM	Social and Digital Media
SED	Socio-economic Development
SM	Senior Manager
SMDP	Senior Management Development Programme
SMRs	Statutory Medical Reports
SOE	State-Owned Entity
SONA	State of the Nation Address
SOP	Standard Operating Procedure
SRM	Stakeholder Relations Management
TEC	Total Employment Cost
Transitional Act	RAF (Transitional Provisions) Act, 2012 (Act No. 15 of 2012)
TSTF	Transport Sector Transformation Forum
UDM	Unstructured Data Management
UIF	Unemployment Insurance Fund
UN	United Nations
Unisa	University of South Africa
WICs	Walk-in Service Centres
WHO	World Health Organization
YDDP	Youth Driver Development Programme

3. SCOPE OF THE REPORT

3.1 INTRODUCTION

The Road Accident Fund (RAF) welcomes the opportunity to present its Annual Report for the year ending 31 March 2021 in line with the National Treasury Annual Report Guide for Public Entities, the King Code on Corporate Governance for South Africa 2016 (King IV), and the Protocol on Corporate Governance in the Public Sector (2002). In terms of the protocol, corporate governance “embodies processes and systems by which corporate enterprises are directed, controlled and held to account”.¹ According to the National Treasury (NT), oversight entails “reviewing, monitoring and overseeing the affairs, practices, activities, behaviour and conduct of an administrative authority to ensure that it meets its objectives”.²

3.2 REPORTING CYCLE

The objective of this report is to provide stakeholders with an integrated view of the RAF’s organisational, operational and financial performance for the financial year 01 April 2020 to 31 March 2021. The report demonstrates the RAF’s commitment to integrity, transparency and accountability and provides a complete and balanced view of its performance, including the successes and challenges during the 2020/21 financial year.

The RAF remains committed to being accountable to its stakeholders. It defines stakeholders as “persons, groups or organisations that have a direct stake in our business, since they can affect or be affected by our activities, objectives and policies”. The way in which the organisation engages with and responds to its stakeholders is described under the heading ‘Social Responsibility’ in Part C of this report.

3.3 REPORTING BOUNDARY

This Annual Report covers organisational, operational and financial performance, including the audited financial results for the period 01 April 2020 to 31 March 2021 in terms of section 55(1) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). The narrative of the report is structured around the NT Annual Report Guide for Public Entities. In addition, the report covers the social, environmental and broader economic impacts of the organisation’s activities in Part C: Social Responsibility. The RAF acknowledges that its sustainability platform represents the beginning of a journey towards the maturation of its sustainability management and is inextricably linked to its business objectives.

3.4 REPORTING PRINCIPLES

The reporting principles applied are in line with the PFMA and South African Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board, NT Guidelines, and King IV (to the extent possible).

3.5 SUPPORTING DOCUMENTS

All documentation supporting the contents of this report is available for inspection at the RAF’s offices.

3.6 AUDIENCE

The stakeholders addressed by this report include, among others, the Parliament of the Republic of South Africa, the Executive Authority, national, provincial and local government, industry-related organisations, trade unions, employees, suppliers, existing and prospective claimants (local and foreign), the media, and the public.

¹ Department of Public Enterprises. 2002. *Protocol on Corporate Governance in the Public Sector*, p.3.

² National Treasury. 2005. *Governance Oversight Role Over State-Owned Entities*, pp. 5–6.

FOREWORD BY THE MINISTER

I am pleased to present the 2020/2021 Road Accident Fund Annual Report in compliance with section 55 of the PFMA. This Annual Report reflects on the first year of implementation of the 2020/25 Strategic Plan adopted by Parliament.

The RAF is an entity of the Department of Transport's (DoT) with a very critical socio-economic mandate, of paying compensation to road accident victims for loss or damage wrongfully caused by the driving of motor vehicles, in line with Section (3) of the RAF Act.

The country's high accident rate is a grave concern and remains the Fund's biggest cost driver. In South Africa more than 39 people die daily on the roads due to road traffic crashes.

When I appointed the RAF Board towards the end of the 2019/20 FY, they inherited a financially unsustainable Fund with a highly ineffective operating model. The Fund had been technically insolvent since 1981. Some of the operational challenges included the following;

- The outstanding claims were increasing year on year because of increased registration of claims and slow settlement. The average turnaround time to settle a claim at the time was just over five years.
- The operating model was highly litigious and resulted in the significant portion of the revenue spent on administrative costs than the claimant. These administrative costs included legal, medical, and actuarial costs.
- The RAF claims liability and the amount requested but not yet paid (RNYP) had been escalating for several years.
- Business processes were highly manual with poor ICT infrastructure environment.

I gave the Board a clear mandate, to turnaround the RAF and put it on a financially sustainable path.

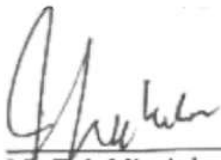
The mandated I gave to the Board, which was incorporated into the Shareholder Compact, included the following:

- Reduction in legal costs through the implementation of the robust medico-assessment model to reduce legal cost.
- Revisions of structure and business processes with the primary focus on re-engineering the claims business processes, which must result in removal of long- winded bureaucratic processes.
- Integrated Claims Assessment System to improve on performance management and take decisive steps to root out corruption.
- Rehabilitation Network which focuses on introducing stringent pre-authorisation processes.
- Revision of Supply Chain Management Structure which must translate into a comprehensive SCM plan in the claims environment, and improved contract management of providers.

The overarching objective was to tackle the ever-growing actuarial liability RAF was confronted with. Realising these objectives meant that the Board had to revise the RAF business model and adopt a new one that will enable the Fund to reduce the liability in a sustainable way guided by policy and other applicable imperatives.

The 2020-2025 RAF Strategic Plan enable the Board to take great strides towards addressing the legacy challenges of the Fund. As reported in the audited performance information, the implementation of the new operating model resulted in the reduction of the administrative costs, particularly the legal costs, by a little more than 40%.

In conclusion, I have agreed with the Board that an alternative dispute resolution process to address the dispute with the AGSA regarding the decision to change the Accounting Policy should be pursued. Notwithstanding the challenges the Board has encountered in implementing the strategic plan, I am confident that they are on the right track to transform the Fund into an operationally and financially sustainable entity.



Mr F A Mbalula, MP
Minister of Transport

DATE: 04 Nov. 2022

4. FOREWORD BY THE CHAIRPERSON

INTRODUCTION

On behalf of the Board of the Road Accident Fund (RAF), it is my privilege to present the organisation's Annual Report and the Annual Financial Statements for the financial year ending 31 March 2021; the year the country was brought to a standstill as a result of the Coronavirus which led to a national lockdown.

The report has been prepared in accordance with the King Report on Corporate Governance for South Africa 2016 (King IV), which states that a report is, "a concise communication about how an organisation's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term."

The RAF's Annual Report for 2020/21 provides a holistic summary of the Fund's performance in terms of its operations, finances, governance, and sustainability, as well as its role as one of the country's vital public entities.

OVERVIEW AND PERFORMANCE

The COVID-19 pandemic continued to affect South Africa in the same manner it affected the rest of the world, and subsequently had an impact on the RAF. It impacted road accident volumes, fuel levy, and operations due to the organisation's claims procedure being in the main manual. The number of accidents was fewer as travel was limited, which had implications for RAF claims.

CHANGE IN ACCOUNTING POLICY

Following an investigation into the claims liability, which at the reporting period ended 31 March 2020 was R330 billion, the Board concluded that applying the IFRS 4 Insurance Contracts standard to the Social Benefit activities did not result in reliable and relevant information. That is to say, the RAF is a Social Benefit Fund, and not an insurance company which manages insurance contracts. Furthermore, the Fund does not collect a risk-based premium from road users and it is not a fully funded Fund.

The claims liability is calculated on a risk basis while there are no matching assets. This results in the RAF being presented as a technically insolvent institution. This misleads the users of financial statements. It also affects the going concern principle on the preparation of the Annual Financial Statements, unnecessarily. The level of uncertainty that exists when measuring the liability is significant.

The Board is comfortable with due process followed by Management that led to the identification of the International Public Sector Accounting Standards (IPSAS) 42, Social Benefits, as the appropriate standard that must be used to develop the Accounting Policies the RAF applies to recognise, measure, and disclose its liabilities and expenditure related to Social Benefits in the Annual Financial Statements. Liabilities for motor vehicle accident claims will only be recognised in the Annual Financial Statements when there is no other alternative to settling the obligation other than an outflow of economic benefits, which is in line with the RAF Act.

Liabilities are recognised in the Annual Financial Statements only when it is established that the claimant meets the eligibility criteria to receive a Social Benefit payment. As a result, the level of uncertainty that exists will be significantly reduced as the number of open claims will always be known. Estimation is therefore limited to the claims that are eligible and a reasonable estimate can be made. The operations of the RAF will be presented as Social Benefit activities, which is a more appropriate, reliable, and relevant presentation of the Fund's activities.

Following extensive consultations with relevant experts, the Board has thus endorsed a voluntary change in Accounting Policy in the 2020/21 financial year to remedy the unintended consequences which resulted from reporting the Financial Statements using the IFRS Insurance Contract Standard, which not only misled the users of the Fund's Financial Statements, but also heightened its reputational risk profile. The RAF will continue to monitor the risk-based actuarial liability valuation as part of its risk management activities.

KEY CHALLENGES

The Board paid attention to the increasing claims liability of the Fund both in the short term and long term.

It was discovered that the contributing factor in the increase of the long-term liability is the treatment of the RAF as an insurance entity as opposed to a Social Benefits Entity.

The increase in the short-term liability (the Requested but Not Yet Paid [RNYP]) was driven by an inequitable payment approach which led to several challenges. Writs of execution with implementation of an effective payment strategy challenges were identified and rooted out.

Cost savings, in addition to that considered advisable by the NT, remained a daily imperative. As part of the RAF's commitment to combat fraud and corruption, both inside and outside of the institution, its Forensic Investigation Policy was designed to expose, curtail, and deter activities that could result in waste and mismanagement of resources.

RISK CULTURE

Risk management continued to be an integral part of good corporate governance at the RAF with risks viewed holistically. Eight risks that could threaten the achievement of the RAF's strategic goals and performance targets in the financial years ahead are identified as follows:

- Financial sustainability
- Fraud and corruption
- Information Communication Technology (ICT)
- Service delivery
- Reputational risk
- Regulatory framework
- People management
- Governance/leadership

We are placing full reliance on the revenue received from the fuel levy. As a result, concerns remain with regards to risks relating to financial sustainability, fraud and corruption, and ICT.

POLICY DEVELOPMENT

The enactment of the Protection of Personal Information Act, 2013 (Act No. 4 of 2013) (POPI) resulted in major changes to many RAF policies and the way in which the RAF processes personal information.

The Use of Official Languages Act, 2012 (Act No.12 of 2012) affects operations in terms of rendering service to stakeholders in their preferred official languages. As a result, the RAF has developed a Language Policy and established a fully functional Language Unit to achieve the legislative requirements of the Act.

LEGISLATIVE AMENDMENTS

The RAF drafted proposals for amendments to the RAF Act and regulations that focus on areas that contribute largely to the financial sustainability, ease of the administration of the Fund, as well as to address specific operational inefficiencies.

STRATEGIC DIRECTION

The organisation's 2020–2025 Strategic Plan (SP) was completed and submitted to the Department of Transport. The strategy is anchored on the following four strategic outcomes:

- Outcome 1: A transformed and sustainable RAF
- Outcome 2: System modernisation
- Outcome 3: Improved governance and strengthened control environment
- Outcome 4: Improved service delivery

ACKNOWLEDGEMENTS

I thank the members of the RAF Board for their relentless and outstanding contributions to the business of the Fund, despite challenges.

A special word of appreciation goes to the Minister of Transport, Mr Fikile Mbalula, and Deputy Minister, Ms Dikeledi Magadzi, for their commitment to the RAF's cause. In addition, we wish to thank the key role players in the DoT, in particular the Director-General, Mr Alec Moemi, for their leadership and strategic guidance, the Parliamentary Committee on Transport (PCoT), other government departments, state-owned entities (SOEs), and other stakeholders of the Fund.


The Board's sincere appreciation goes to the Executives, Management, and employees of the RAF, both at Head Office and in the regions, for their dedication towards the implementation of the RAF's mandate and ensuring service delivery reaches the claimants, in the main, making the Fund customer centric in its approach.

As the Board and the entity, we would like to pay our respects to the departed employees that served the RAF with diligence and unfortunately succumbed to COVID-19.

CONCLUSION

It is important to indicate, in respect of the statement of responsibility and confirmation of accuracy of the Annual Report, that the information and amounts disclosed in this Annual Report are consistent with the final approved Annual Financial Statements of the RAF. However, it is not consistent with the version of the Annual Financial Statements audited by the AGSA.

The RAF is committed to contributing to the creation of an effective, capable, and sustainable State that instils confidence in leadership and governance structures, acts decisively against fraud, corruption, as well as fruitless and wasteful expenditure.



TN Msibi (Nov 8, 2022 18:52 GMT+2)

MS THEMBELIHLE MSIBI

Chairperson of the Board

Date: October 2022

5. CHIEF EXECUTIVE OFFICER'S OVERVIEW

INTRODUCTION

The White Paper on the Road Accident Fund of 1998, as approved by Cabinet on 21 January 1998, states that *“the system has evolved from the original private insurance to public compensation. The demands of a new socio-economic and constitutional dispensation – and with them, the constraints on public spending – require a transition from a delict-based compensatory system to a system of affordable State Benefits.”*

The White Paper further states that *“the RAF in future will have elements of Social Welfare in the form of State Benefits and risk cover...The main objective of the RAF is to provide adequate medical care and benefits to road accident victims within an affordable and sustainable financial framework.”*

The Road Accident Fund (RAF) continues to play a vital role in the broader society, as a Social Benefit Fund, by paying compensation to road accident victims in line with Section (3) of the RAF Act which states that *“The object of the RAF shall be payment of compensation in accordance with this ACT for loss or damage wrongfully caused by the driving of motor vehicles.”*

As an organisation, we are further committed to the objectives defined in the National Development Plan (NDP) 2030 to create a country *“...where everybody feels free yet bounded to each other. The welfare of each of us is the welfare of all.”*

The RAF has, as part of its transformation journey, adopted a new vision which is *“An equitable and sustainable compensation system for motor vehicle accident victims”*, and a new mission which is *“To provide appropriate benefits to all qualifying road users within the borders of South Africa and support the safe use of our roads.”* Furthermore, new Values were adopted, those being Integrity, Compassion, Accountability, Respect and Excellence (I CARE). These Values will be reflected in the broader transformation agenda as well as the culture of the RAF in executing its mandate.

The RAF's Annual Report for the 2020/21 financial year provides context to the way the Fund has impacted on the socio-economic well-being of all accident victims of South African roads. As a schedule 3A national public entity, this report is presented in accordance with the provisions of the Public Finance Management Act, 1999 (PFMA), and GRAP.

This report reflects on the progress made during the past financial year to deliver on the strategic objectives as stated in the 2020/25 Strategic Plan as this is the first year of implementation. The four strategic outcomes are listed as follows:

- Outcome 1: A transformed and sustainable RAF
- Outcome 2: System modernisation
- Outcome 3: Improved governance and strengthened control environment
- Outcome 4: Improved service delivery

INEFFICIENT AND UNSUSTAINABLE OPERATING MODEL

The 2020/21 financial year was the year the Fund started with the implementation of its new operating model. The context of the service delivery challenges we inherited was that of a Fund which was both operationally and financially unsustainable.

At the core of the RAF's challenges has been its inefficient utilisation of resources and the high administrative costs driven by legal costs.

During the 2019/20 financial year, R12.4 billion (30%) of the R 41 billion annual revenue received in fuel levies was spent on administrative costs. Only R28.6 billion (70%) of this revenue was paid out to claimants, excluding contingency fees paid to legal practitioners. R10 billion of the administrative costs was spent on legal costs.

The Fund had operated without its own medical tariffs for years. This was despite the constitutional court judgement in 2010, which ordered the RAF to develop its own medical tariffs. This resulted in medical costs which were significantly higher, up to five times, than what other health care funders were paying for similar services.

Furthermore, the Fund spent just over R180 million per year on actuarial costs on an average of 18,000 actuarial calculations and about R200 million per year on claims assessors for what we considered substandard assessment reports.

Historic delays in settlement and payment of claims resulted in the amount owed to claimants (RNYP) increasing to R19.7 billion in November 2019 and closing at R16.3 billion as at the end of the 2019/20 financial year. This exposed the Fund to bank account attachments which in most cases almost crippled Fund operations. This posed a significant risk to the Fund, of a “day zero” scenario whereby the amounts of funds attached monthly would be equivalent to the monthly revenue received.

The inefficiency of RAF Operations is further hampered by a highly manualised system that is paper intense and requires physical processing of claims. This has resulted in claims taking an average of five years to be settled.

Whereas the RAF may have wanted to address the claims backlog, it was discovered that the majority of claims lodged did not have sufficient information to enable the settlement of claims as provided in section 4(1)(b) of the RAF Act. It has become apparent that most of these claims are invalid in terms of section 24(4), however, because the validation and verification were not done within 60 days, they are deemed valid in terms of section 24(5) of the RAF Act.

IMPLEMENTATION OF THE 2020–2025 STRATEGY

1. Reduction of Administrative Costs

a) Legal Costs

A 75% reduction of legal costs over the Medium-Term Strategic Framework (MTSF) period. A study by Professor Hennie Klopper concluded that whereas 88% of all civil trial matters in South African courts are RAF matters, 99% of those matters are settled on the doorsteps of the courts without the involvement of a judicial officer at a hefty cost of R10.6 billion. The reduction of these legal costs will involve focusing on settling claims in 120 days before summonses can be served on the RAF.

b) Medical Costs

A 30% reduction of medical costs over the MTSF period. This will be achieved by the implementation of the RAF medical tariffs and the better management of undertakings and the strict criteria for payment of loss and damages relating to medical expenses.

c) Actuarial Costs

Halving the actuarial costs will be achieved by insourcing of the function and capacitation of the Internal Actuarial Division.

d) Assessment and/or Investigation Costs

Halving the assessment costs will be achieved by insourcing of the function and establishment and resourcing of the Internal Claims Investigation Division.

e) Stratification of the Short-term Liability

This entailed the following:

- Efficient Management of the RNYP by eliminating manipulation and mismanagement of the payments system.
- Prioritising payment of the oldest debt in the RNYP first.
- Eliminating Fixed Allocations.
- Elimination and recovery of duplicate payments.
- Ensuring better sequencing of payments (capital and cost, followed by interest).

f) Management of the Long-term Liability

This will be achieved by assessing the drivers of the liability and the reduction in average settlement values.

g) Improved Liquidity Position

Raising a loan through the establishment of a Domestic Medium-Term Note (DMTN) Programme as provided for in section 5(1)(b) of the RAF Act. Applying for Rule 45A to suspend court orders that were issued in less than 180 days.

ACHIEVEMENTS

As evidenced by the excellent financial results reported above, there has also been very good progress registered in the implementation of the Strategic Plan and the 2020/21 Annual Performance Plan (APP). In this regard, results show an overall performance of 77.8%. This is despite the challenges brought about by COVID-19 and the protracted legal challenge against this new Strategic Plan by the Fund's former Panel Attorneys. Amongst the key notable achievements are:

- Finalisation and approval of the new Operating Model.
- The RAF Medical Tariffs were developed and published for comment. This will go a long way in reducing the high medical costs.
- The draft RAF Act Amendment Proposals were approved by the Board and submitted to the DoT for further processing. This will assist in optimising the current legislative framework.
- The RAF brought an application seeking an order, in terms of Rule 45A, to suspend, for a period of 180 days, the execution of writs of execution issued against the Fund, pursuant to court orders. This is expected to assist in improving the Fund's liquidity position and ensure that it implements a fair and equitable payment strategy.
- The RAF obtained a clean audit outcome from the Auditor-General for the 2019/20 financial year. This is an improvement from three consecutive years of unqualified audit outcomes.
- The Board has reviewed and approved the new macro-organisational structure, which is aligned with the new strategy.
- The SCM systems and processes were also reviewed and approved.

- The RAF has further intensified its fight against fraud and corruption, to this end, many RAF officials were suspended and/or dismissed for various acts of fraud, corruption and gross negligence in claims processing. There is a high number of RAF criminal matters with the Hawks at various stages of prosecution. Further, the Fund has reported many legal firms to the Legal Practice Council for various acts of unethical conduct.

CHALLENGES

The effects of the COVID-19 lockdown on RAF Operations and Revenue impacted on the RAF's service delivery as well. Similar to other non-essential services, the RAF had to completely shut down for at least three months in line with the COVID-19 National Disaster Regulations. As a result of manually driven operations, which requires the physical presence of employees and physical processing of documents, the impact was severe.

The effects of COVID-19 exacerbated the strain on the entity with minimal road use resulting in lower fuel volumes. For the month of May 2020, the RAF received R2,55 billion (versus R3,79 billion expected) which is R1,23 billion less than expected. For the month of June 2020, the RAF received R1,6 billion (versus R3,39 billion expected) which is a further R2,195 billion less than expected.

COVID-19 also impeded the RAF from going into the financial markets to raise funds for consolidation of the liability as markets remained depressed and credit spreads widened.

Despite the provisions of the service level agreement for files to be returned upon expiry of the contract on 31 May 2020 and the court order by Judge Davis, most law firms on the RAF Panel remained uncooperative and resisted the return of the files in their possession. This has hampered settlement of claim matters, especially claims that were already on the court roll or trial-ready.

Furthermore, the panel members defaulted on payments to medical experts, advocates and other service providers appointed through them.

The RAF has implemented control measures that led to the discovery of payment in duplicate to more than 200 law firms. 102 law firms resisted paying back these monies and were reported to the Legal Practice Council (LPC) for mismanagement of trust accounts.

The RAF continues to be a victim of crime syndicates involving legal practitioners, medical experts, actuaries, law enforcement and internal staff members. In most instances, these involve collusion to defraud the RAF of millions of rands. The RAF continues to collaborate with investigative and law enforcement agencies to reduce instances of fraud and corruption.

The dispute with the AGSA on the new Accounting Policy of the RAF and lack of efficacy of the Dispute Resolution mechanism has resulted in the Disclaimer of Audit Opinion which management disagrees with. This has also unfortunately overshadowed notable achievements made by the RAF in this first year of strategy implementation.

In conclusion, it is important to indicate, in respect of the statement of responsibility and confirmation of accuracy of the Annual Report, that the information and amounts disclosed in this Annual Report are consistent with the final approved Annual Financial Statements of the RAF, however, it is not consistent with the version of the Annual Financial Statements audited by the AGSA.

Acknowledgements

We wish to express a sincere word of appreciation to the Minister of Transport, Honourable Fikile Mbalula, and Deputy Minister of Transport, Honourable Dikeledi Magadzi, for their unwavering support to the RAF. Our interactions with the PCoT have been highly productive and we thank the Chairperson,

Honourable Mosebenzi Zwane and Honourable Members of the Committee for their oversight, guidance and invaluable inputs during the year.

Our appreciation also goes to the RAF Board, under the capable leadership of Ms Thembelihle Msibi, Management and staff for their continued diligence and loyalty towards the organisation. We want to also recognise the team for making extensive progress in meeting our targets within a very difficult and constrained environment. We will continue with the process to transform the organisation and deliver tangible results.

Our appreciation is also extended to the thousands of claimants, legal practitioners, healthcare providers, caregivers, corporate suppliers and creditors who patiently joined hands with the Fund in ensuring that we achieve our vision and mission.

We especially recognise those who have lost their lives, been injured, or lost loved ones in motor vehicle accidents during the year. The RAF remains focused on our primary responsibility to alleviate the suffering of those affected by road crashes. We implore all South Africans to use our roads safely and responsibly to avoid becoming victims of road crashes. Let us not meet by accident!

As the CEO and management team, we would like to convey our condolences to the families who lost loved ones who succumbed to COVID-19 and were part of the RAF family as employees.



Collins Letsoalo (Nov 8, 2022 16:43 GMT+2)

MR COLLINS LETSOALO

Chief Executive Officer

Date: 08 November 2022

6. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of our knowledge and belief, we confirm the following:

All information and amounts disclosed in this Annual Report are consistent with the Annual Financial Statements of the RAF. ***(Whereas the information and amounts disclosed in this Annual Report are consistent with the Annual Financial Statements of the RAF, it is not consistent with the version of the Annual Financial Statements audited by the AGSA.)***

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

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

The Annual Financial Statements (Part E) have been prepared in accordance with the GRAP Standards applicable to the RAF.

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

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

In our opinion, this Annual Report fairly reflects the Review of Operations, the Performance Information, the Human Resources Information and the financial affairs of the RAF for the financial year ended 31 March 2021.

Yours faithfully


Collins Letsoalo (Nov 8, 2022 16:43 GMT+2)

MR. COLLINS LETSOALO
Chief Executive Officer
Date: Nov 8, 2022


TN Msibi (Nov 8, 2022 18:52 GMT+2)

MS. THEMBELIHLE MSIBI
Chairperson of the Board
Date: Nov 8, 2022

7. STRATEGIC OVERVIEW

VISION, MISSION AND VALUES OF THE RAF

VISION

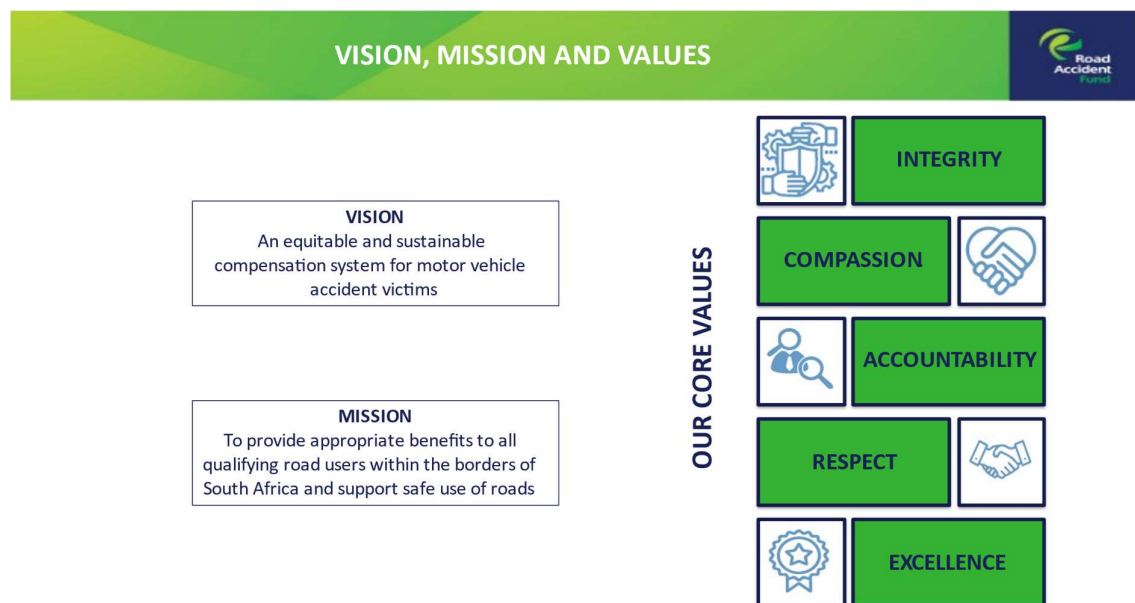
An equitable and sustainable compensation system for motor vehicle accident victims.

MISSION

To provide appropriate benefits to all qualifying road users within the borders of South Africa and to support the safe use of our roads.

CORE VALUES

The following value statements represent the heart of the desired corporate culture to which all in the RAF family owe allegiance and will measure how well the organisation executes its mandate as leadership, staff and service providers (who act on behalf of the RAF):



8. LEGISLATIVE AND OTHER MANDATES

SCHEDULE IN TERMS OF THE PFMA

The RAF is a juristic person established by an Act of Parliament, namely the RAF Act. Section 3 of the RAF Act stipulates that ‘the object of the Fund shall be the payment of compensation in accordance with this Act for loss or damage wrongfully caused by the driving of motor vehicles. The RAF is a national public entity according to schedule 3A of the PFMA.

POLICY FRAMEWORKS GOVERNING THE RAF

The following are, among others, relevant and applicable legislation and documents to the RAF:

- Apportionment of Damages Act, 1956 (Act No. 34 of 1956)
- Basic Conditions of Employment Act, 1977 (Act No. 75 of 1977);
- Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003)
- Compensation for Occupational Injuries and Diseases Act, 1993 (Act No. 130 of 1993)
- Constitution of the Republic of South Africa, 1996
- Contingency Fees Act, 1977 (Act No. 66 of 1977)
- Control of Access to Public Premises and Vehicle Act, 1985 (Act No. 53 of 1985)
- Corporate Governance of Information Communication Technology Policy Framework (CGICTPF), 2012
- Customs and Excise Act, 1964 (Act No. 91 of 1964)
- Disaster Management Act, 2002 (Act No. 57 of 2002)
- Electronic Communications and Transaction Act, 2002 (Act No. 25 of 2002)
- Employment Equity Act, 1998 (Act No. 55 of 1998)
- Income Tax Act, 1962 (Act No. 58 of 1962)
- King Report on Corporate Governance for South Africa, 2016 (King IV 2016)
- Labour Relations Act, 1995 (Act No. 66 of 1995)
- Magistrate Court Act, 1944 (Act No. 32 of 1944)
- Minimum Information Security Standards, 1996
- National Archives and Records Service of South Africa Act, 1996 (Act No. 43 of 1996)
- National Environmental Management Waste Act, 2008 (Act No. 59 of 2008)
- Occupational Health and Safety Act, 1993 (Act No. 85 of 1993)
- Pension Funds Act, 1956 (Act No. 24 of 1956)
- Public Finance Management Act, 1999 (Act No. 1 of 1999)
- Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)
- Prescribed Rate of Interest Act, 1975 (Act No. 55 of 1975)
- Prescription Act, 1969 (Act No. 68 of 1969)
- Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004)
- Promotion of Access to Information Act, 2000 (Act No. 2 of 2000)
- Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000);
- Promotion of Equality and Prevention of Unfair Discrimination Act, 2000 (Act No. 4 of 2000)
- Protected Disclosures Act, 2000 (Act No. 26 of 2000)
- Protection of Personal Information Act, 2013 (Act No. 4 of 2013)
- Public Audit Act, 2004 (Act No. 25 of 2004)
- Road Accident Fund Act, 1996 (Act No. 56 of 1996)
- Road Accident Fund (Transitional Provisions) Act, 2012 (Act No. 15 of 2012)
- Road Accident Fund Amendment Act, 2005 (Act No. 19 of 2005)
- Skills Development Act, 1998 (Act No. 97 of 1998)

- Supreme Court Act, 1959 (Act No. 59 of 1959)
- Use of Official Languages Act, 2012 (Act No. 12 of 2012)

MANDATE OF THE RAF

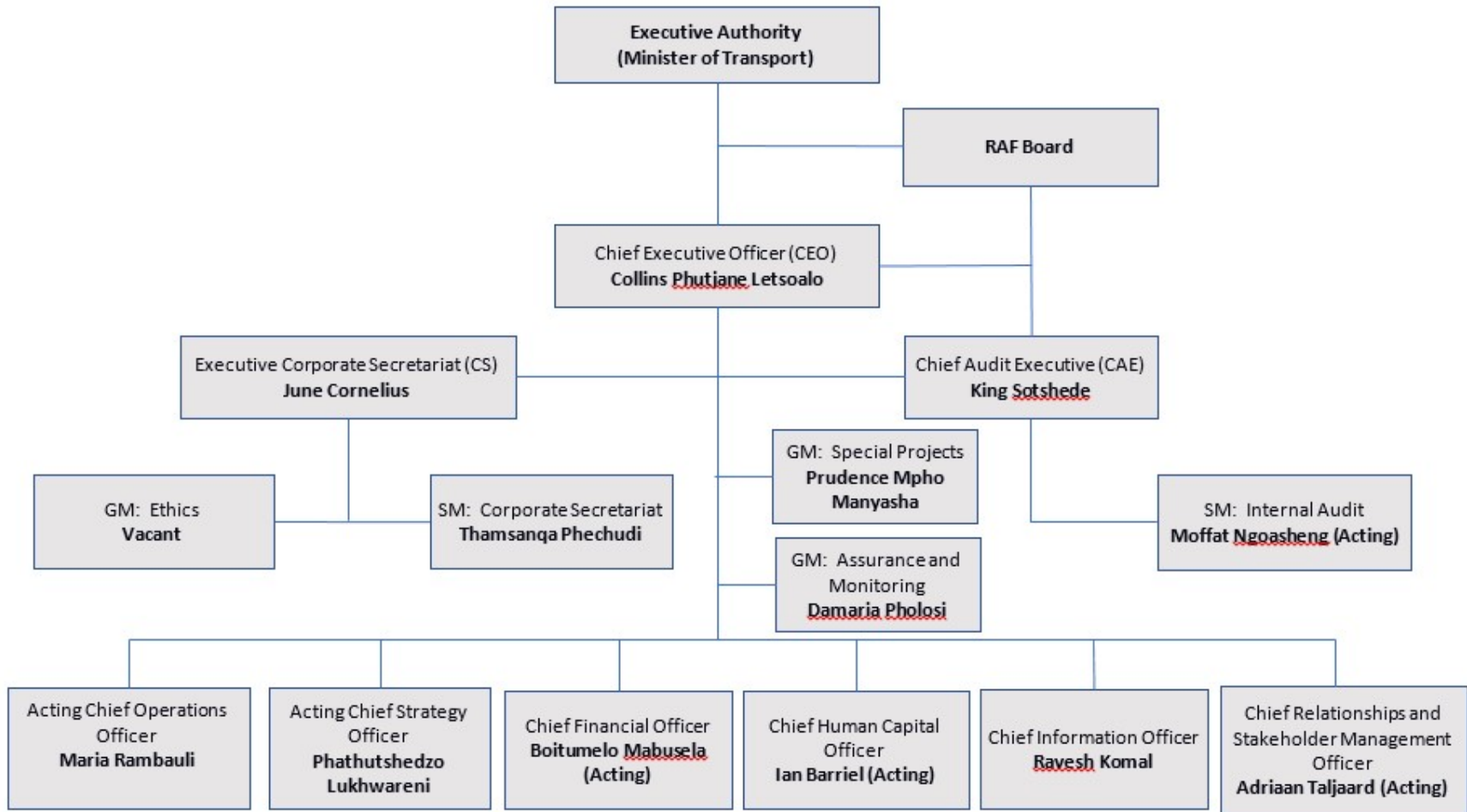
The RAF is a juristic person established by an Act of Parliament, namely the Road Accident Fund Act, 1996 (Act No. 56 of 1996), as amended (the RAF Act).

The object of the Fund is the payment of compensation in accordance with the Act for loss or damage wrongfully caused by the driving of a motor vehicle.

THE ROLE OF THE RAF IN THE WIDER GOVERNMENT AND NATIONAL AGENDA

The RAF has a significant role in helping to achieve the objectives of the NDP. In a country with such high levels of poverty and unemployment, motor vehicle accidents only serve to worsen socio-economic challenges. The payment of compensation to victims of motor vehicle accidents for death and injury benefits is thus critical in improving the socio-economic conditions of the country.

ORGANISATIONAL STRUCTURE



PART B

PERFORMANCE INFORMATION

1. AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General of South Africa (AGSA) currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to Parliament, with material findings being reported under the Report of the Audit of the Annual Performance Report section of the Auditor-General's Report.

Refer to page 132 Report of the Auditor-General to Parliament on the Road Accident Fund.

2. SITUATIONAL ANALYSIS

2.1 SERVICE DELIVERY ENVIRONMENT

The ability of the RAF to operate efficiently and effectively is influenced by general economic conditions and environmental factors, and by the extent to which it manages its costs effectively. The major influencers are illustrated in the figure below:

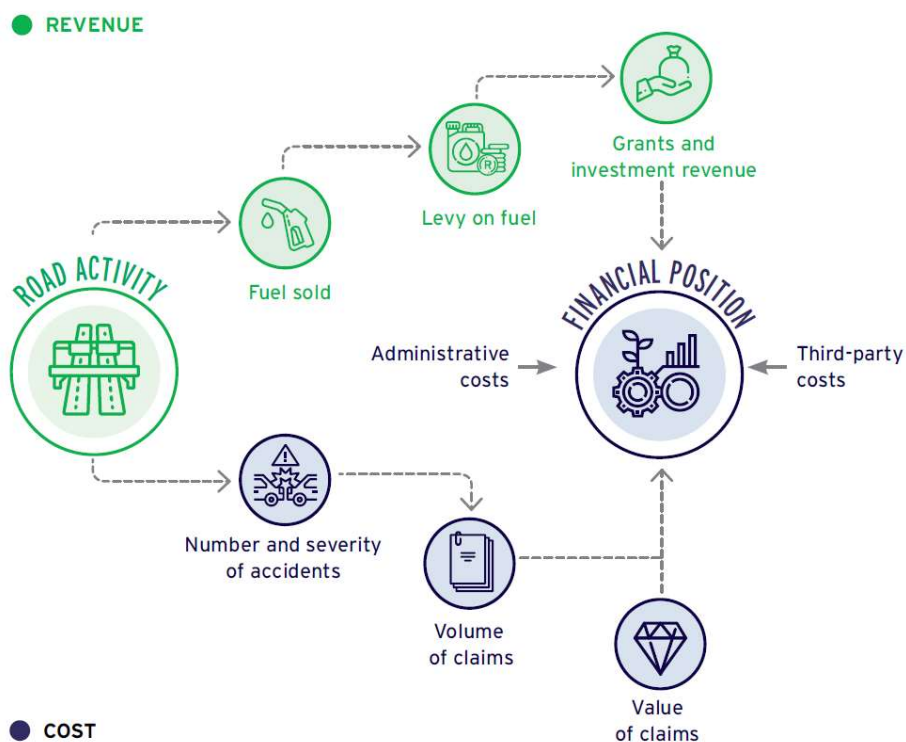


FIGURE 1: Factors influencing the RAF's financial position

The primary source of income for the RAF compensation scheme is a levy raised on fuel. The levy is measured in terms of cents per litre (c/l) on petrol and diesel fuel sold in South Africa and forms part of the general fuel tax regulated by government.

The fuel levy per litre is set by the NT on a yearly basis, whereas total fuel sales are influenced by many macro-economic factors. On an annual basis, the RAF requests the NT for an increase in the RAF Fuel Levy, based on a financial model and a calculation of its costs during the coming year.

The full extent of the RAF Fuel Levy requested is seldom granted, because the NT has historically set the levy based on a pay-as-you go principle, rather than with the purpose of establishing a fully-funded position for the RAF. During the 2020/21 financial year, the RAF Fuel Levy was set at 207 c/l from 198 c/l in 2019/20.

The RAF is not involved in the collection of its fuel levy. SARS administers the collection of the fuel levy and pays it to the RAF, in accordance with provisions of the Customs and Excise Act, 1964 (Act No. 91 of 1964) and the RAF Act.

The two main variables that determine the income of the RAF are the volume of petrol and diesel sold per annum and the rate of the levy. The RAF Fuel Levy, which is used only for the specific purposes provided for in legislation, can be viewed as a compulsory contribution to social security benefits.

The costs that the RAF incurs are as a result of road accidents. The volume and severity of accidents influence the volume and average value of claims made against the RAF.

In addition, the RAF's costs consist of third-party costs (e.g. attorney costs, medical and/or legal expert costs) and administration costs.

Claims expenditure comprises the RAF's largest expense item. Liquidity is determined by the cash available after claims and other expenses have been paid out for a specific period. Liability is largely composed of claims liability offers not yet requested, and claims requested but not paid that need to be settled and paid along with their associated costs. This is graphically represented as follows:



FIGURE 2: Key value drivers

Whilst the value drivers presented may appear conceptually simple, they are driven by multiple other factors. Claims expenditure is influenced, for example, by whether a claimant chooses to claim directly or be represented by an attorney, the awards made by courts that determine precedent, the number of expert witnesses called, and the time taken from the date of accident to the date of finalisation of the claim.

Road crashes have adverse implications for economic growth, as they affect active members of our society economically, as well as those who are not.

2.2 ORGANISATIONAL ENVIRONMENT

During the year under review, the RAF's national service footprint consisted of 97 HCSs, five CSCs, five WICs and five regional offices across the country, details of which are available on the RAF website, www.raf.co.za. Segregated functional areas yielded an improvement in Operations, as is reflected in claim numbers. The RAF is now present in most of the larger hospitals where claims can be originated immediately on admission of motor vehicle accident victims.

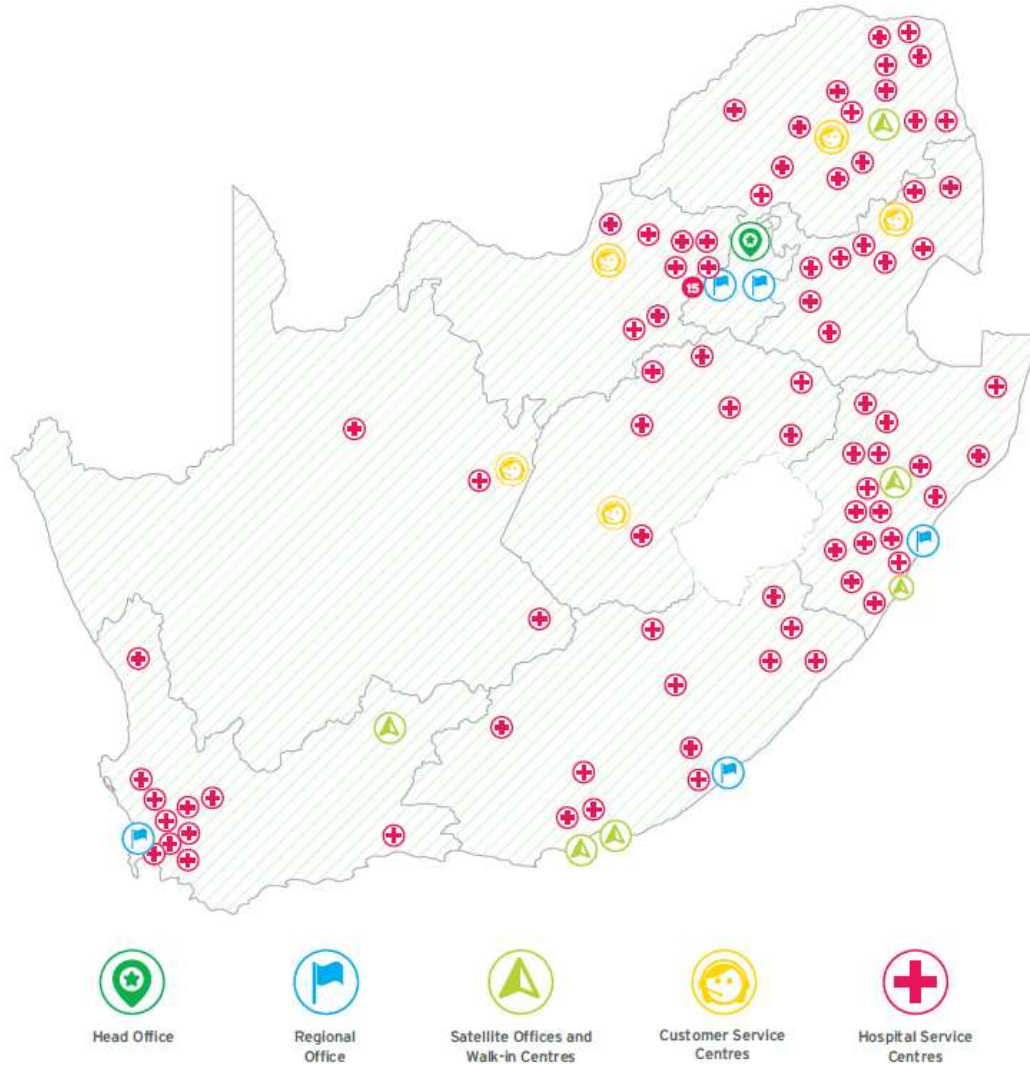


FIGURE 3: RAF Footprint

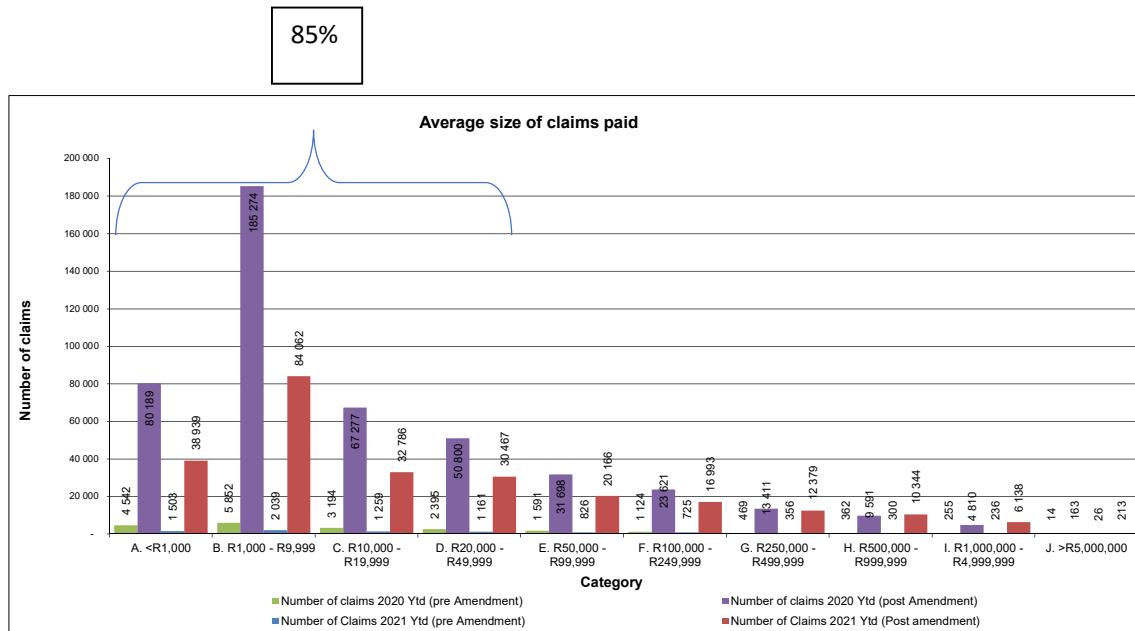
OPERATING ENVIRONMENT

Operations and Finance are the core business functions of the RAF. Below follows a comprehensive overview of both historical and current trends in these areas.

CLAIMS ANALYSIS

Of the total claims finalised in the financial year, a large number of claim payments were at values less than R1,000 and less than R10,000 (Graph 1). This is because of the accelerated approach to supplier

claims, which allowed for hospitals and other service providers to be paid directly by the RAF. Thus the RAF managed to reduce outstanding supplier claims more effectively than those of personal claims. (It is important to note that the graph below reflects payments per category and not finalised claims.)



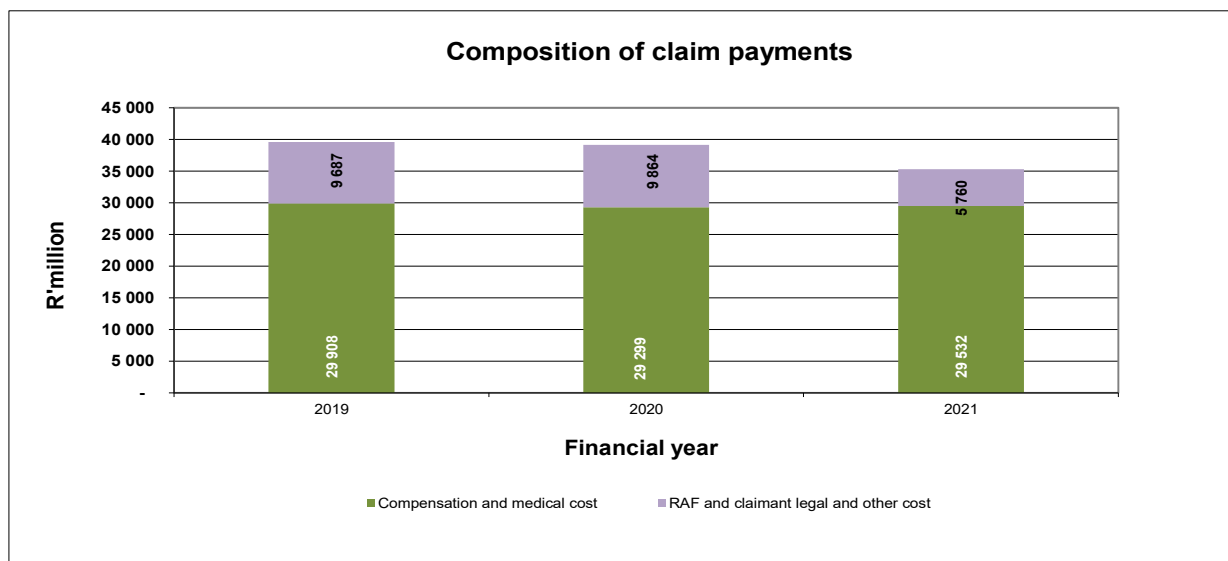
GRAPH 1: Average size of claims paid

During the financial year, the RAF continued to receive and settle high volumes of small claims, with an average of 85% (pre-Amendment and post-Amendment Act claims) being for settlement values below R50,000.

CLAIMS VALUES

Of the R35.3 billion (2019/20: R39.2 billion) paid out in respect of claims for the 2020/21 financial year, R29,5 billion (i.e. 83.7%) (2019/20: R29.3 billion (i.e. 74.8%) represented compensation payout.

The balance of 16.3% (2019/20: 25.2%) comprised legal and other expert fees. The year under review reflects a decrease in legal and other expert fees when compared to total claims expenditure.



GRAPH 2: Composition of claim payments

CLAIM STATISTICS

Statistics relating to claims for the current and previous financial years are reflected below.

	Reference	Units	31 March 2021	31 March 2020	31 March 2019
New claims registered	1	No.	156 313	303 695	328 173
Personal claims		No.	51 306	102 086	103 423
Supplier claims		No.	105 007	201 609	224 750
Total: Increase / (decrease)		%	(49)	(7)	21
Personal claims: Increase / (decrease)		%	(50)	(1)	12
Supplier claims: Increase / (decrease)		%	(48)	(10)	25
Claims finalised	2	No.	99 795	258 382	229 534
Personal claims		No.	27 890	80 370	29 230
Supplier claims		No.	71 905	178 012	200 304
Total: Increase / (decrease)		%	(61)	13	13
Personal claims: Increase / (decrease)		%	(65)	175	(31)
Supplier claims: Increase / (decrease)		%	(60)	(11)	24

DEFINITIONS

New claims registered

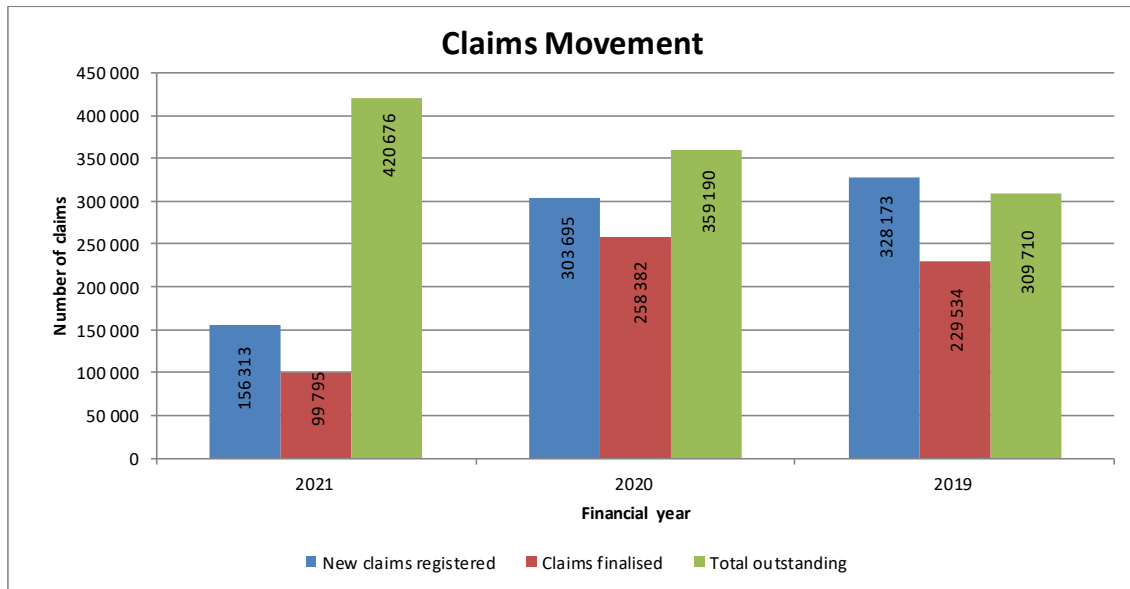
Claims received and registered during the financial year.

Claims finalised

Claims processed in the supplier and personal claim categories with finalised status.

Claims outstanding

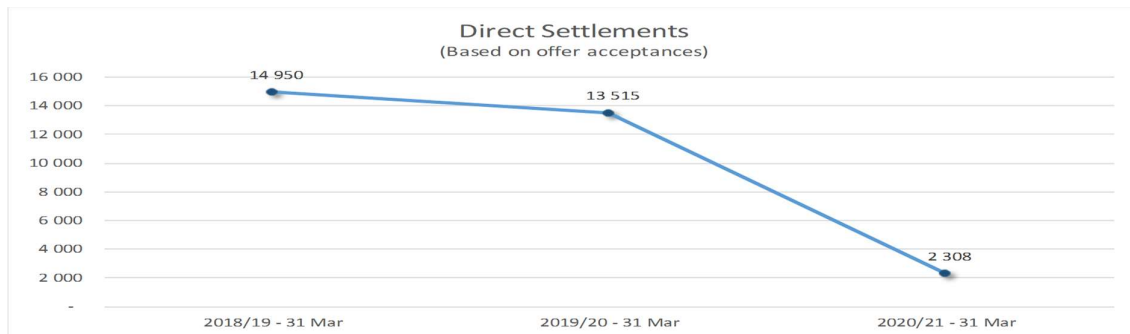
Claims where compensation has not been paid, as well as claims where compensation has been paid, but legal cost payments are awaited (which are not solely under the control of the RAF).



GRAPH 3: Claims registered/finalised/outstanding

From the table above and Graph 3, a decrease can be observed in new claims registered. 147,382 fewer claims were registered during the 2020/21 financial year compared to the previous financial year (personal claims: 50,780 fewer and supplier claims: 96,602 fewer, respectively). Despite registering 49% less claims during the financial year, it is noteworthy that the number of new personal claims registered decreased significantly by 50% (from 102,086 during the 2019/20 financial year to 51,306 at 31 March 2021). Supplier claims decreased significantly by 48% (from 201,609 at the end of the 2019/20 financial year to 105,007 as at 31 March 2021).

A decline of 61% in total finalised claims was experienced during the financial year. Of the total of 99,795 finalised claims, 27,890 were personal claims and 71,905 were supplier claims compared to 80,370 personal claims and 178,012 supplier claims during the 2019/20 financial year. The decrease in finalised claims was mainly influenced by a 60% decrease in supplier claims, and a decrease of 65% in personal claims that comprised direct personal claims and represented personal claims.



GRAPH 4: Claims – Direct settlements

Direct claim settlements have been inconsistent. Although an upward trend in direct settlements was experienced, with a peak in 2018/19, there has been a flattening in direct claims settlements due to a change in strategic direction to stop actively originating direct claims.

OUTSTANDING CLAIMS ANALYSIS Personal / Supplier, Direct / Represented, Post Amendment Act / Pre Amendment Act

Outstanding claims	No Compensation			Compensation paid	Total awaiting compensation or legal cost payment
	Open	Reopened	Subtotal	Legal costs awaited	
Outstanding claims as at 31 March 2020					
Personal claims					
	278 017	2 404	280 421	46 457	326 878
Direct claims	83 015	148	83 163	8 497	91 660
Represented claims	195 002	2 256	197 258	37 960	235 218
	278 017	2 404	280 421	46 457	326 878
Pre-Amendment Act claims	3 888	1 063	4 951	6 049	11 000
Post-Amendment Act claims	274 129	1 341	275 470	40 408	315 878
Supplier claims					
	16 697	12	16 709	15 603	32 312
Direct claims	11 704	2	11 706	11 801	23 507
Represented claims	4 993	10	5 003	3 802	8 805
	16 697	12	16 709	15 603	32 312
Pre-Amendment Act claims	10	9	19	45	64
Post-Amendment Act claims	16 687	3	16 690	15 558	32 248
Total	294 714	2 416	297 130	62 060	359 190
Movement during the year					
Personal claims					
	23 153	302	23 455	10 167	33 622
Direct claims	-2 178	0	-2 178	-103	-2 281
Represented claims	25 331	302	25 633	10 270	35 903
	23 153	302	23 455	10 167	33 622
Pre-Amendment Act claims	-86	72	-14	659	645
Post-Amendment Act claims	23 239	230	23 469	9 508	32 977
Supplier claims					
	29 670	2	29 672	-1 808	27 864
Direct claims	21 560	2	21 562	854	22 416
Represented claims	8 110	0	8 110	-2 662	5 448
	29 670	2	29 672	-1 808	27 864
Pre-Amendment Act claims	22	0	22	-20	2
Post-Amendment Act claims	29 648	2	29 650	-1 788	27 862
Total	52 823	304	53 127	8 359	61 486
Outstanding claims as at 31 March 2021					
Personal claims					
	301 170	2 706	303 876	56 624	360 500
Direct claims	80 837	148	80 985	8 394	89 379
Represented claims	220 333	2 558	222 891	48 230	271 121
	301 170	2 706	303 876	56 624	360 500
Pre-Amendment Act claims	3 802	1 135	4 937	6 708	11 645
Post-Amendment Act claims	297 368	1 571	298 939	49 916	348 855
Supplier claims					
	46 367	14	46 381	13 795	60 176
Direct claims	33 264	4	33 268	12 655	45 923
Represented claims	13 103	10	13 113	1 140	14 253
	46 367	14	46 381	13 795	60 176
Pre-Amendment Act claims	32	9	41	25	66
Post-Amendment Act claims	46 335	5	46 340	13 770	60 110
Total	347 537	2 720	350 257	70 419	420 676

From the Outstanding Claims Analysis table above, it can be deduced that a total number of 420,676 claims were still outstanding on 31 March 2021 (Graph 3) (personal claims: 360,500 and supplier claims: 60,176).

Outstanding claims increased by almost 17% from 359,190 at the end of the previous financial year.

This was consequently influenced by an increase of 18% in the number of open and reopened claims totalling 350,257 (2019/20: 297,130) where compensation had not been paid and legal cost claims totalling 70,419 (2019/20: 62,060) were still outstanding at the end of the financial year.

Reopened claims at the end of the current financial year stood at 2,720 (2019/20: 2,416).

Outstanding claims are further broken down into supplier, non-supplier, direct and represented claims, as well as post-Amendment and pre-Amendment Act claims, as indicated in the table below.

REPUDIATED CLAIMS

Repudiated claims increased from 85,851 in 2019/20 to 92,685 in the current financial year. The increase can be attributed to improved due diligence in claims investigations.

CLAIMS CATEGORIES AND AVERAGES

Individual claims requested for payments/settlements per claims category:

Claim pay-/settlements	Ref	Units (Rounded)	31-Mar-21	31-Mar-20	31-Mar-19
All claims	1	R'million	35 500	44 000	42 600
Average value per claim		Rand	235 141	138 010	114 008
Total individual claim pay-/settlements		Number	151 176	318 576	374 036
Personal claims	2	R'million	34 200	42 100	40 400
Average value per claim		Rand	396 218	279 950	266 762
Total individual claim pay-/settlements		Number	86 502	150 370	151 580
Supplier claims	3	R'million	1 300	1 900	2 200
Average value per claim		Rand	19 698	11 120	9 922
Total individual claim pay-/settlements		Number	64 674	168 206	222 456

Claim pay-/settlements per heads of damage					
Claim pay-/settlements	Ref	Units (Rounded)	31-Mar-21	31-Mar-20	31-Mar-19
General damages	4	R'million	7 700	9 400	9 200
Average value per claim		Rand	516 097	482 291	462 130
Total individual claim pay-/settlements		Number	14 972	19 588	19 947
Loss of earnings	5	R'million	18 400	17 200	15 900
Average value per claim		Rand	1 084 369	826 007	767 506
Total individual claim pay-/settlements		Number	16 943	20 791	20 702
Loss of support	6	R'million	2 000	3 000	3 500
Average value per claim		Rand	639 006	450 307	412 464
Total individual claim pay-/settlements		Number	3 182	6 698	8 415
Medical compensation	7	R'million	2 400	3 400	3 600
Average value per claim		Rand	32 546	18 568	15 392
Total individual claim pay-/settlements		Number	73 970	180 443	234 146
Funeral costs	8	R'million	33	160	160
Average value per claim		Rand	17 448	18 521	18 117
Total individual claim pay-/settlements		Number	1 877	8 495	8 945
RAF's legal and other costs	9	R'million	1 400	4 500	4 600
Average value per claim		Rand	25 820	38 048	37 974
Total individual claim pay-/settlements		Number	53 245	119 178	120 615
Claimants' legal and other costs	10	R'million	3 600	6 300	5 700
Average value per claim		Rand	192 098	176 463	154 774
Total individual claim pay-/settlements		Number	18 740	35 630	36 950

Claims settled by the RAF differ materially when the composition of the claims is considered.

DEFINITIONS

1. All claim payments

All claims settled, requested and paid by the RAF.

2. Personal claims

A personal claim is a claim submitted by any person, 'the third party', for any loss or damage which the said person has suffered as a result of any bodily injury to him/her, or the death of, or any bodily injury to any other person.

3. Supplier claims

A supplier claim is a claim submitted directly to the RAF by a person/institution that provided medical treatment and accommodation to the victim of an accident.

4. General damages

General damages represent compensation paid by the RAF for loss of amenities of life, pain and suffering, disability and disfigurement.

5. Loss of earnings

Loss of earnings represents past and future loss of earnings incurred by the accident victim as a result of a motor vehicle accident.

6. Loss of support

Loss of support represents past and future loss of support incurred by the accident victim's family as a result of a motor vehicle accident.

7. Medical compensation

Medical compensation represents past and future medical costs incurred by the accident victim as a result of a motor vehicle accident.

8. Funeral costs

Funeral costs represent the cost of burial or cremation of the accident victim arising from a motor vehicle accident.

9. RAF's legal and other costs

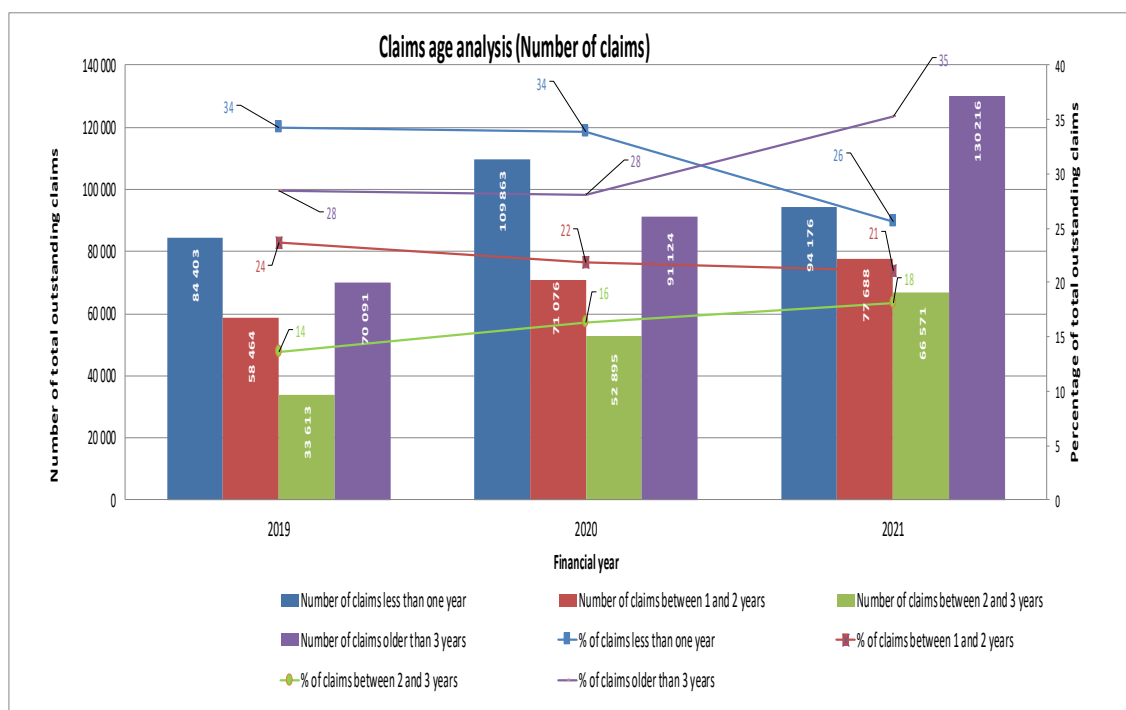
The RAF's legal and other costs are expenses paid to experts and the panel of attorneys who represent the RAF in legal cases against the organisation.

10. Claimants' legal and other costs

Claimants' legal and other costs are expenses paid to accident victims' attorneys and experts for their assistance provided to the accident victim in lodging a claim with the RAF.

AGE ANALYSIS OF CLAIMS

Claims aged less than one year decreased to 26% in 2021 compared with the previous financial year. The age analysis of older claims can be ascribed to remaining cash constraints, together with complications faced when claims that require extensive expert opinion and time in court are litigated (Graph 4).



GRAPH 4: Age analysis of claims in number and percentage

STATEMENT OF FINANCIAL POSITION

FINANCIAL ANALYSIS

The RAF's summarised financial and operational results for the current and past financial years are reflected below:

Statement of Financial Position	31 March 2021	31 March 2020 Restated	31 March 2019 Restated
	R'million	R'million	R'million
Assets			
Current Assets			
Cash and cash equivalents	4,684	1,351	908
Receivables from non-exchange transactions	10,315	8,852	9,851
Receivables from exchange transactions	21	3	7
Other financial assets	423	658	287
Consumable stock	5	5	6
	15,448	10,869	11 060
Non-current Assets			
Property, plant and equipment	174	189	206
Intangible assets	41	59	66
	215	248	272
Total Assets	15,663	11,117	11,332
Liabilities			
Current Liabilities			

Payables from exchange transactions	332	117	210
Other financial liabilities	51	31	52
Claims liabilities	29,572	26,987	21,280
Other provision	1,482	1,548	1,092
Operating lease liability	0	1	2
	31,437	28,684	22,636
Non-current Liabilities			
Claims liabilities	0	0	0
Employee benefit obligation	56	53	63
Operating lease liability	4	1	1
	60	54	64
Total Liabilities	31,497	28,738	22,700
Net Liabilities	(15,834)	(17,621)	(11,368)
Reserves			
Revaluation reserve	102	98	93
Accumulated deficit	(15,936)	(17,719)	(11,461)
Total Net Liabilities	(15,834)	(17,621)	(11,368)

STATEMENT OF FINANCIAL PERFORMANCE

	R'million	R'million Restated	R'million Restated
Revenue			
Revenue from Exchange Transactions			
- Investment revenue and other income	160	63	100
Revenue from Non-exchange Transactions			
- Net fuel levies	42,089	41,178	43,139
Total Revenue	42,249	41,241	43,239
Expenditure:			
- Claims expenditure	(35,292)	(39,163)	(39,595)
- Depreciation and amortisation	(50)	(52)	(50)
- Employee costs	(1,941)	(1,753)	(1,735)
- Finance costs	(62)	(265)	(292)
- Reinsurance premiums	(4)	(24)	(22)
- Loss on disposal of assets and liabilities	(1)	(1)	(1)
- General expenses	(530)	(534)	(515)
Total Expenditure	(37,880)	(41,792)	(42 210)
Surplus/(Deficit) before net increase in claims liabilities	4,369	(551)	1,029
Net increase in claims liabilities	(2,586)	(5,707)	(2,950)
Surplus/(Deficit) for the Year	1,783	(6,258)	(1,921)

CASH FLOW STATEMENT

	R'million	R'million	R'million
Net Cash Flows from Operating Activities	3,346	467	(585)
Cash Flows from Investing Activities	(13)	(24)	(74)
Increase/(Decrease) in Cash and Cash Equivalents	3,333	443	(659)
Cash and cash equivalents at the beginning of the year	1,351	908	1 567
Cash and Cash Equivalents at the End of the Year	4,684	1,351	908

FINANCIAL RATIOS

Financial Ratios	Ref.	Units	31 March 2021	31 March 2020 Restated	31 March 2019 Restated
Profitability					
(Deficit)/surplus to revenue	1	%	4%	(15%)	(4%)
Operating (deficit)/surplus to revenue	2	%	10%	(1%)	2%
Return on average equity	3	%	11%	(43%)	(17%)
Return on average total assets	4	%	13%	(56%)	(17%)
Cost-to-income ratio	5	%	20%	29%	29%
Liquidity					
Cash-to-claims-cover ratio	6	Months	1.59	0.41	0.26
Current ratio	7	Ratio	0.49	0.38	0.49
Net working capital	8	R'm	(15,989)	(17,815)	(11,576)
Net working capital, (Excluding claims liability)	9	R'm	13,583	9,172	9,704
Solvency					
Total assets to total liabilities	10	%	50%	39%	50%

DEFINITIONS

1. (Deficit)/surplus to revenue

Total deficit or surplus as a percentage of revenue.

2. Operating (deficit)/surplus to revenue

Total deficit or surplus before liability for outstanding claims as a percentage of revenue.

3. Return on average equity

Total deficit or surplus for the financial year as a percentage of average net deficits at year-end.

4. Return on average total assets

Total deficit or surplus for the financial year as a percentage of average total assets during the financial year.

5. Cost-to-income ratio

Total administration and human resources costs, including RAF and claimant legal and expert costs as a percentage of total income during the financial year.

6. Cash-to-claims-cover ratio

Cash and cash equivalents at the end of the financial year divided by average monthly claims expenditure for the financial year (compensation and legal costs).

7. Current ratio

Total current assets divided by total current liabilities.

8. Net working capital

Current assets minus current liabilities.

9. Net working capital (excluding current portion of claims liability)

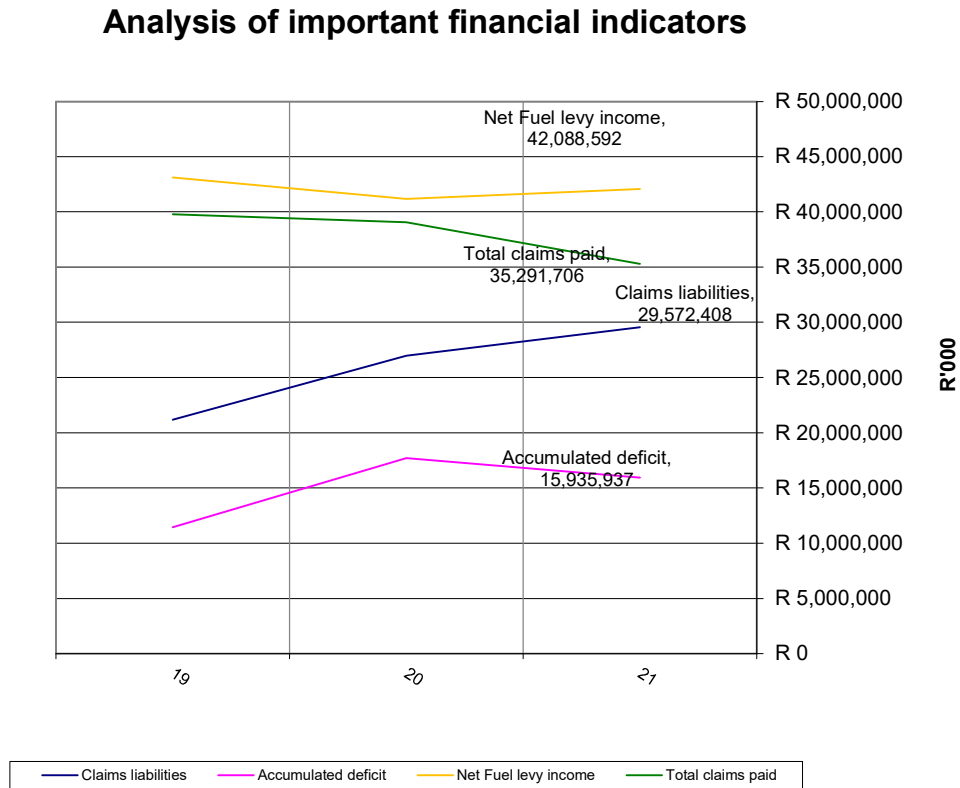
Current assets minus current liabilities (excluding current portion of claims liability).

10. Total assets to total liabilities

Total assets as a percentage of total liabilities.

FINANCIAL POSITION

GRAPH 5: The widening gap between income and deficit



FINANCIAL HEALTH

PROFITABILITY

The RAF recorded a surplus of R1.8 billion for the 2020/21 financial year (2019/20: deficit R6.3 billion) (Graph 6). This was largely due to lower claims expenditure of R37.9 billion (2019/20: R44.9 billion), as well as total revenue which grew by R1 billion from R41.2 billion to R42.2 billion for the year under review. Savings in operating expenditure and finance costs were also accomplished.

Lower economic activity due to the COVID-19 lockdown resulted in reduction of claims expenditure (paid portion). The claims expenditure totalled an amount of R35.3 billion (2019/20: R39.2 billion) being far lower than the revenue received from fuel levies of R42.1 billion (2019/20: R41.2 billion).

Cash and cash equivalents at 31 March 2021 were R4.68 billion (31 March 2019: R1.35 billion). The higher amount of cash and cash equivalents as at 31 March 2021 was due to a change in the claims payment strategy during the 2021 financial year. This was a result of the court judgement in favour of the RAF to pay claims in 180 days after the date of settlement of a claim, hence an increase of investment income in the 2021 financial year. High volumes of claims payouts were processed towards the financial year-end, considering that the actual fuel levy is received approximately one week before the end of the month.

SOLVENCY AND CAPITALISATION

The RAF remains under-capitalised, with liabilities exceeding assets by R15.8 billion (2019/20: R17.6 billion) (Graph 8). The solvency ratio of the RAF is 0.50:1 (current ratio: 0.49:1). This provides a clear perspective of how unsustainable the current compensation system is in that the RAF has only 50 cents (current ratio: 49 cents) worth of assets for every R1 of its liabilities. Hence the RAF does not have sufficient cash or near-cash assets to cover its short-term liabilities.

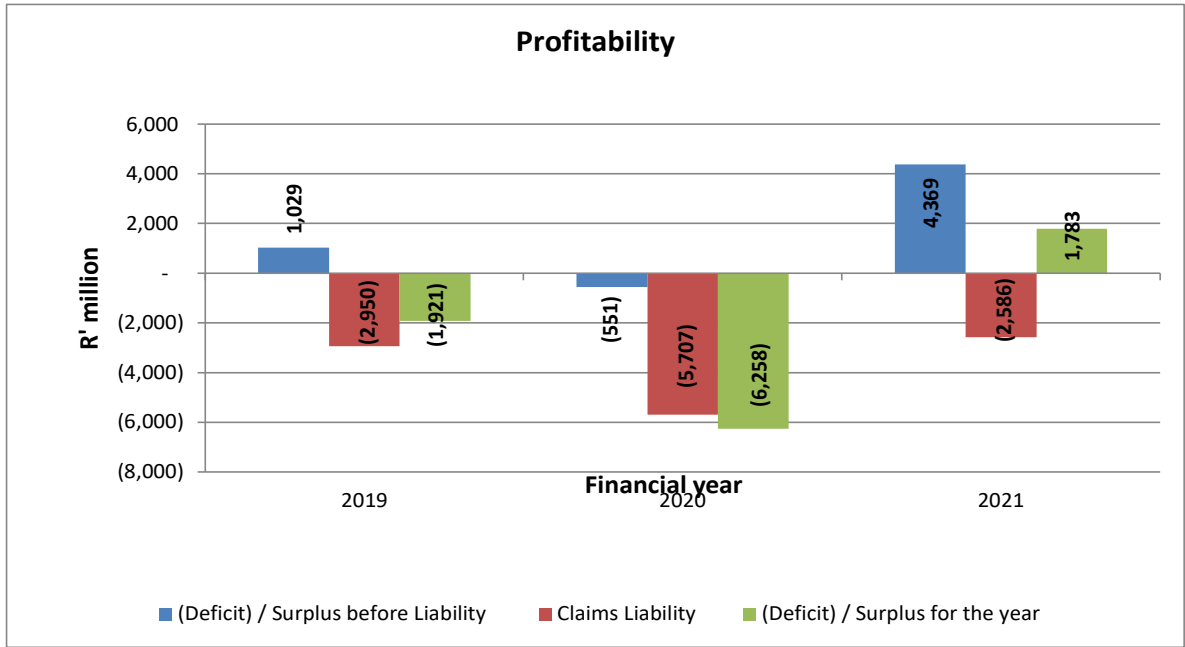
The RAF Fuel Levy increased by 9 c/l to 207 c/l in the 2020/21 financial year and stood at 198 c/l during the 2019/20 financial year. In view of a fuel levy that is totally disproportionate compared to its liabilities, the RAF implemented measures to address cash demands through the execution of a well-founded Cash Management Strategy, which aimed to sustain payments to all its creditors. Similarly, as during the previous financial years, claims creditors had to wait for payments in accordance with payment schedules strictly enforced and adhered to by the RAF.

Efforts to secure additional funding for the RAF are ongoing. The RAF's liquidity challenges are known and discussed at a high level between the RAF and all relevant stakeholders, i.e. the PCoT, the DoT, the NT, SARS, the Department of Health (DoH), the Department of Justice (DoJ), the Prudential Authority (PA) and the AGSA. Other stakeholders were informed of the RAF's financial position through meetings, communication, media releases and the Call Centre.

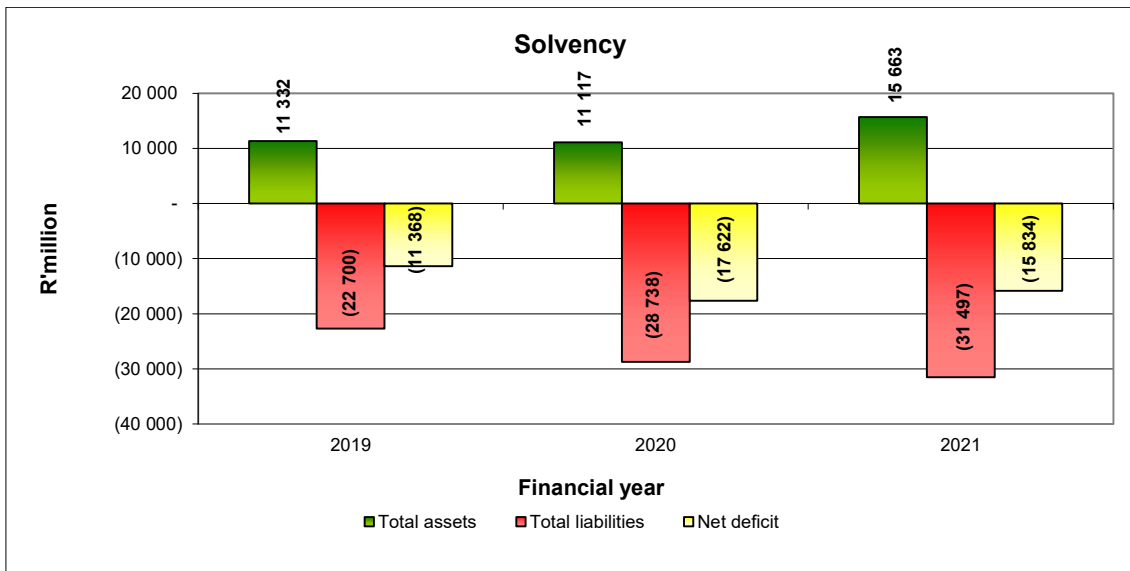
Regardless of increases in the RAF Fuel Levy of 9 c/l (5%) in 2020/21 and 5 c/l (3%) during 2019/20, the income required by the RAF for sustained settlement of claims and the RAF Fuel Levy determined by the NT inclusive of annual inflationary adjustments, are clearly not feasible.

Total assets are higher, mainly because of receivables from non-exchange transactions (RAF Fuel Levy) and higher cash balances. Total liabilities were higher, attributable mainly to the increase in the claims liability.

Overall, the net deficit has decreased substantially compared to the previous reporting period. The RAF had an operational surplus of R1.8 billion for 2020/21 (2019/20: a R6.3 billion deficit). This is attributed to lower claims expenditure of R37.9 billion (2019/20 R44.90 billion). Notably, there is a decline in the accumulated deficit of 10% compared to the previous reporting period.



GRAPH 6: Profitability of the RAF



GRAPH :7 Solvency of the RAF

The operational surplus can mainly be ascribed to the following factors:

A total revenue of R42.25 billion, mainly as a result of a R1 billion increase in the RAF's revenue from fuel levies (net of diesel refund) which can be broken down to 207 c/l. The RAF Fuel Levy income during a financial year is impacted by total fuel volumes (petrol and diesel) consumed, which have decreased by 12% during the financial year. A trend from prior years has, however, been observed in accordance with which the total volumes of petrol are on the decline, whereas the total volumes of diesel are on the incline. The RAF Fuel Levy income is further impacted by diesel refund recoupments from gross fuel levies. During the financial year, diesel refunds decreased in terms of the percentage of gross fuel levies to 9% from 10% in the previous financial year.

Total operational expenditure (excluding the net increase in claims offers not yet requested for payment) at R37.9 billion, of which claims expenditure decreased by R7 billion year-on-year. This was driven by a 10% decrease in claims paid, as well as savings in operating expenditure accomplished and employee costs remaining steady. Claims expenditure (excl. net increase in claims offers not yet requested for payment) contributed to 94% of total expenditure, employee costs 5% and administrative expenditure 1%.

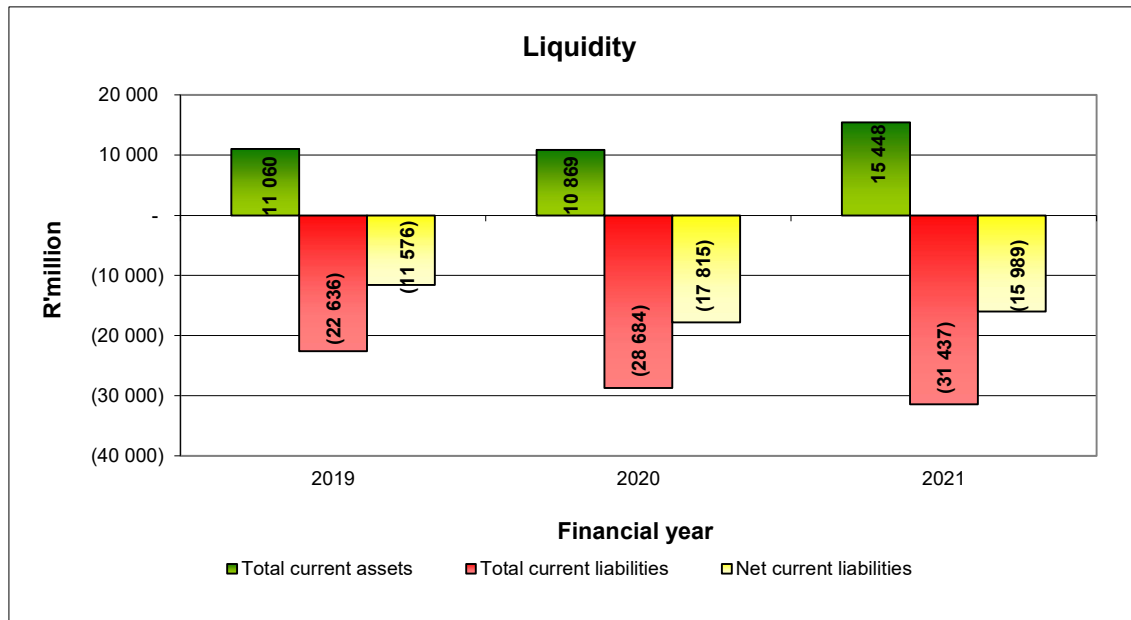
LIQUIDITY AND CASH HOLDINGS

As at 31 March 2021, current liabilities of the RAF exceeded current assets by R15.99 billion (2019/20: R17.81 billion) (Graph 9).

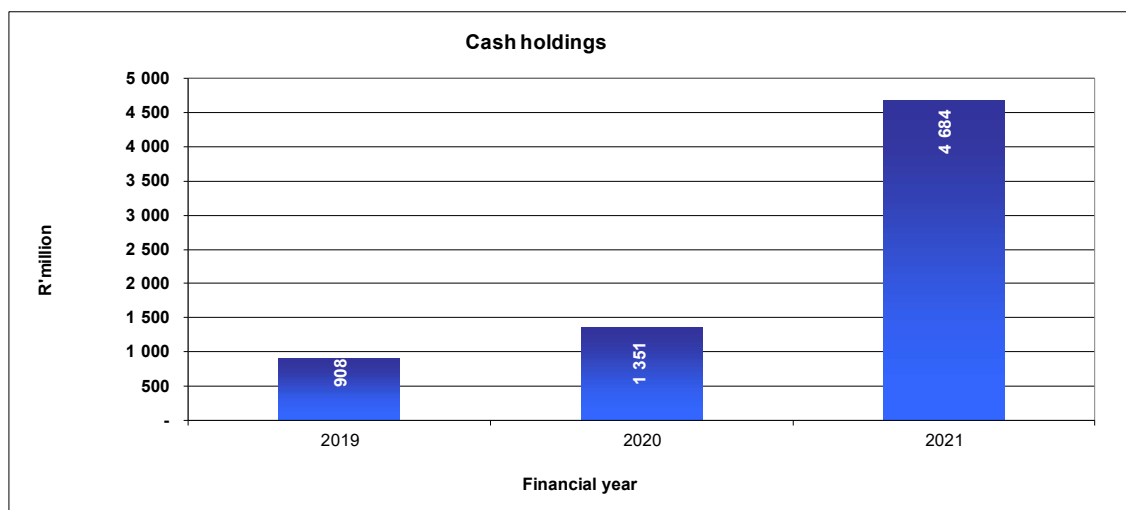
Liquidity is managed daily in line with available cash reserves in accordance with the approved Cash Management Strategy.

Compliance is strictly adhered to and communicated to stakeholders. The NT has granted the RAF multi-year approval for the retention of cash and cash equivalents at financial year-end for payment of claims. It is evident from the graphs below that the RAF's liquidity position is unsustainable. For the period ended 31 March 2021, the cash balance stood at R4.68 billion. A higher actual cash balance for the year under review compared to the budget, due to lower-than-expected claim payments. (The ideal scenario is to have sufficient cash resources to pay claims for at least two months in advance.)

The balance partially reflects the RAF Fuel Levy that was received on 24 May 2021. The cash balance, short-term in nature, would therefore be applied to fund RAF operations in the first month of the new financial year, i.e. April 2021 (Graph 9).



GRAPH 8: Liquidity of the RAF



GRAPH 9: Cash holdings of the RAF

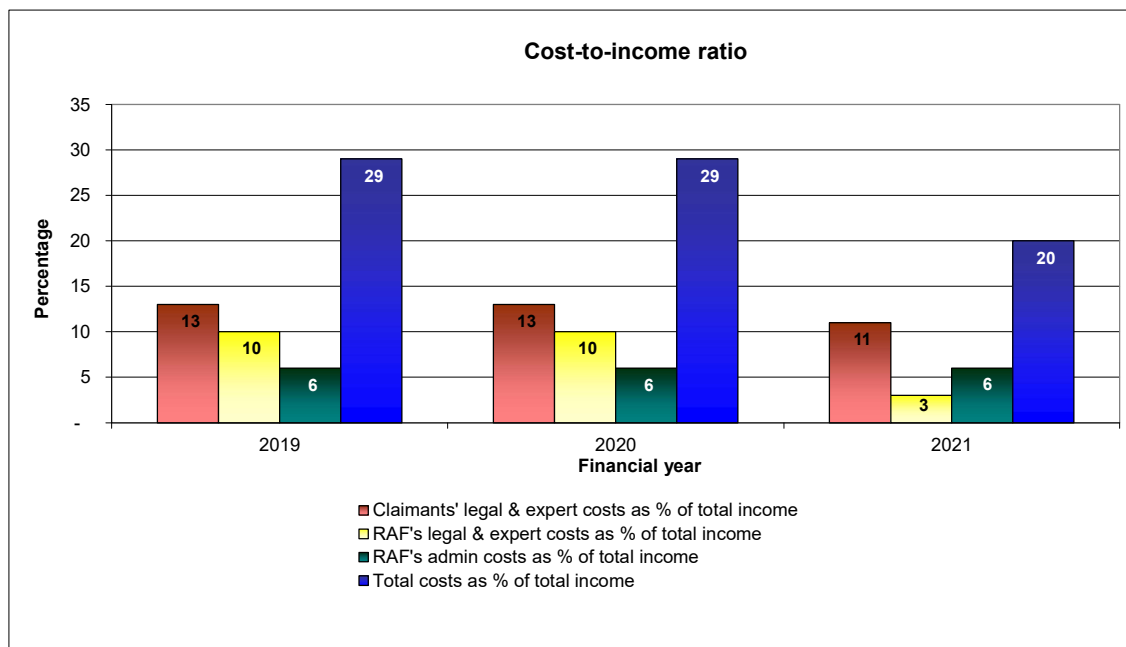
COST OF SERVICE DELIVERY

The cost-to-income ratio for the financial year was 20% (2019/20: 29%): Administration costs stabilised at 6% (2019/20: 6%); RAF legal and expert costs decreased to 3% (2019/20: 10%); and claimants' legal and expert costs decreased to 11% compared to 13% in the 2019/20 financial year (Graph 11). The costs of administering the RAF are contained in line with the RAF's focus on cost-reduction measures to improve efficiencies. However, the current liquidity constraints have seen legal and finance costs declining by 43% due to cancellation of Panel Attorneys' contracts, thus increasing the availability of funds for the payment of compensation.

Cost savings, in addition to that considered advisable by the NT, remained a daily imperative. Delayed spending, underspending and delays in the SCM processes further yielded real savings during the year. Any funding not utilised for general expenditure was further channelled to the settlement of claims. Initiatives were explored on an ongoing basis in the Operations Department to reduce costs, or ensure a more efficient approach to the processing of claims.

As part of the RAF's commitment to combat fraud and corruption, both inside and outside of the institution, its Forensic Investigation Policy was designed to expose, curtail and deter activities that could result in waste and mismanagement of resources.

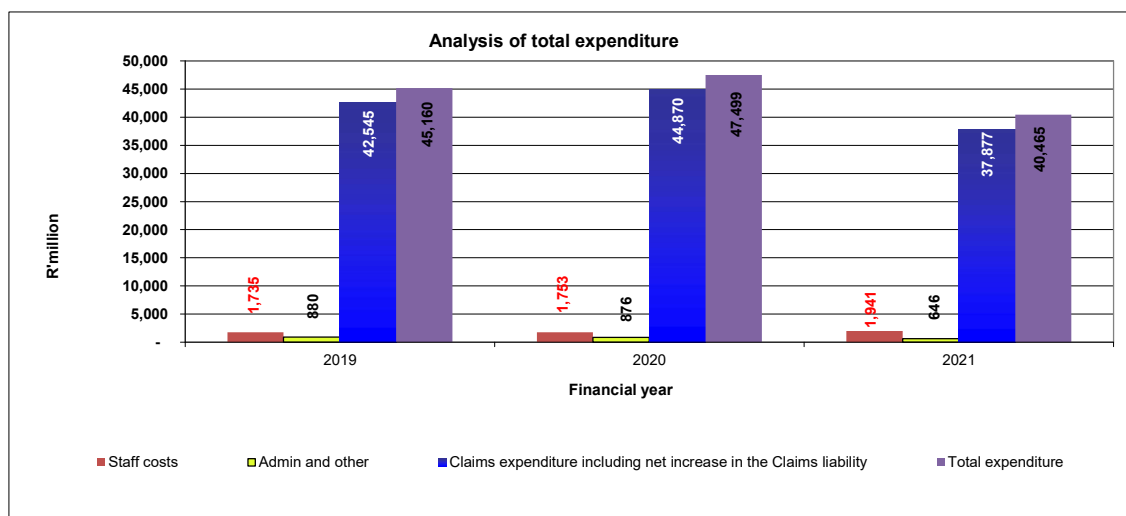
Internal measures, such as enhancements to operational claims systems and processes have generated cost reductions in some areas.



GRAPH 10: Cost-to-income ratio

TOTAL EXPENDITURE

Total RAF expenditure (including the net increase in claims liability) decreased by 15% to R40.47 billion (2019/20: R47.50 billion) (Graph 12).



GRAPH 11: Expenditure

EMPLOYEE COSTS

Employee costs as at 31 March 2021 increased by 11% to R1.94 billion compared to the previous reporting period (2019/20: R1.75 billion). The increase was a result of salary increases for the year under review. In the 2019/20 financial year, costs were kept under control due to the moratorium on annual salary increases as well as COVID-19-related decreases in other employee-related costs.

The permanent staff complement increased by 0.29% to 2,797 from 2,789 in the previous financial year.

ADMINISTRATION AND OTHER COSTS

Total administration and other costs (including finance costs) decreased by 26% to R646 million compared to R876 million over the corresponding period in the 2019/20 financial year. The variance was mainly due to a decrease in claims-related finance costs of R62 million compared to R265 million at the end of the previous financial year. Claims-related finance costs increased significantly over the past financial years due to interest claimed by service providers on delayed claims payments following the RAF's liquidity constraints. The amount has dropped significantly in 2020/21 due to lower economic activity during the COVID-19 pandemic but is expected to increase. When finance costs are excluded, the picture appears different. Therefore, administration costs (exclusive of finance costs) were R584 million and 4% lower compared to the R611 million in the 2019/20 financial year.

TOTAL CLAIMS EXPENDITURE AND GROWTH IN THE CLAIMS LIABILITY

At R37.9 billion, total claims expenditure (inclusive of the net increase in claims liability) for the reporting period was 16% lower compared to the corresponding period in the previous financial year (2019/20: R44.9 billion).

There was a 10% decrease in claims expenditure (excluding the net increase in claims liability), R35.3 billion compared to R39.2 billion in the previous financial year.

This, along with a 10% growth in the claims liability adjustment over the previous financial year, is explained below.

CLAIMS PROCESSING AND PAYMENT AMOUNTS

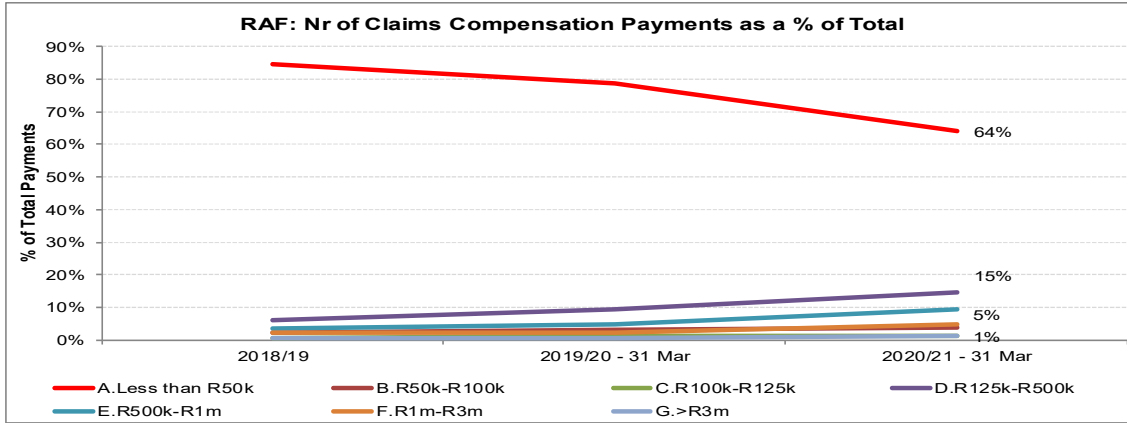
Claims expenditure (excluding the net increase in claims liability) for the year was 10% lower than in the 2019/20 financial year.

This downward trend in claims expenditure was the result of an amount of R35.3 billion paid along with a net increase of R4 billion in claims offers not yet requested for payment at financial year-end. As at 31 March 2021, R14.9 billion worth of claims were processed, but were awaiting payment, compared to R16.3 billion in the 2019/20 financial year. The above can be ascribed to stable productivity within claims handling processes, notwithstanding the straining effect of the COVID-19 regulations on the operations of the RAF. The decline is therefore temporary in nature as savings in operating expenditure as well as a steady employee cost were accomplished.

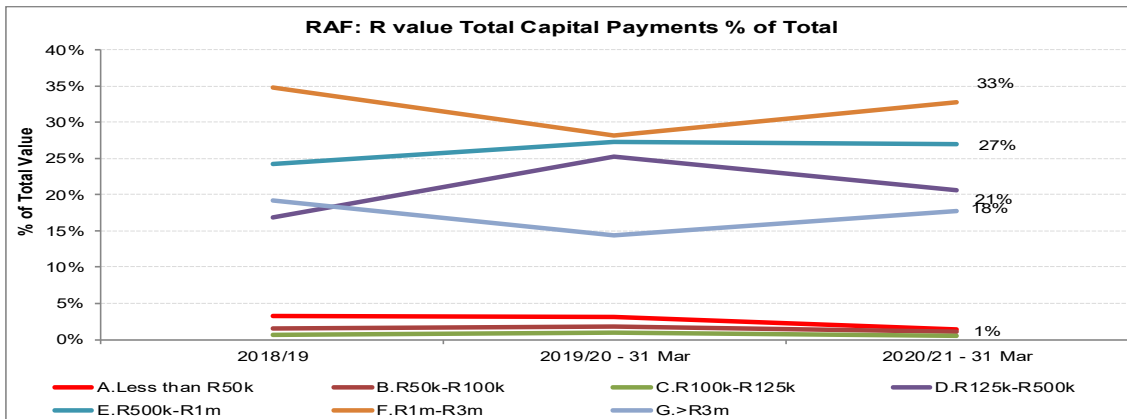
CHANGE IN THE COMPOSITION OF THE CLAIMS EXPENDITURE

The increase in the claims liability during the 2020/21 financial year was mainly driven by a 37% increase in the claims offers not yet requested for payment when compared to the 2019/20 financial year. The total value of the claims liability for both RNYP and claims offers not yet requested for payment is R29.57 billion (2019/20: R26.99 billion). The claims liability is further elaborated on in Note 12 – Claims Liabilities in the Annual Financial Statements.

At an individual claim level, almost 64% of the total number of capital payments was for claims of less than R50,000 in value, but this represented only 1% of the overall spend (Graphs 12 and 13).

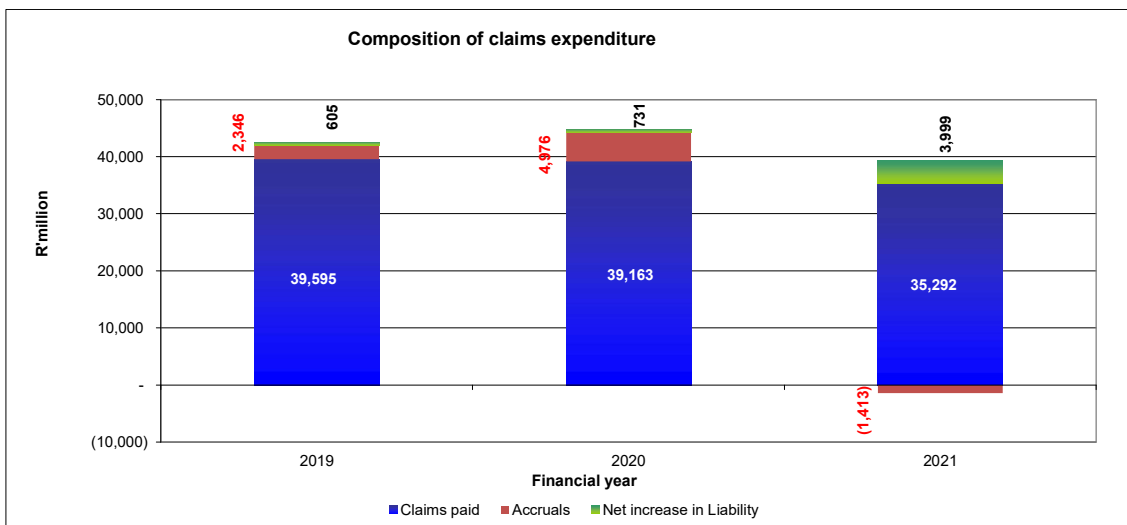


GRAPH 12: Number of capital claims as a % of compensation payments



GRAPH 13: Rand value of capital claims payments as a % of total

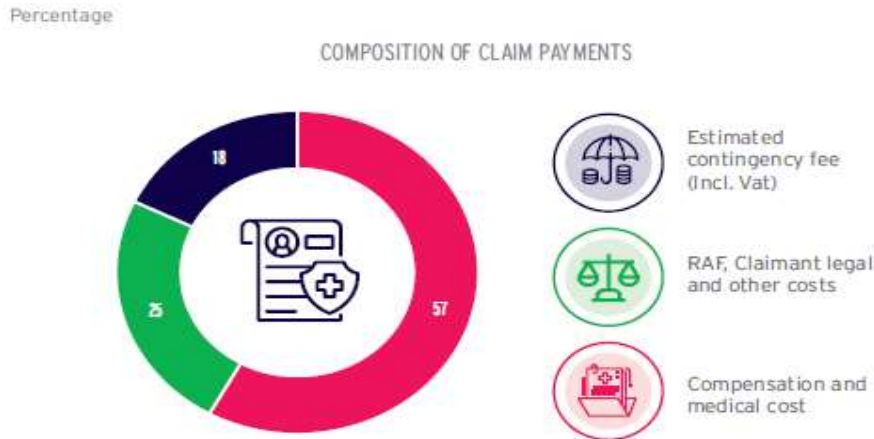
Notwithstanding the overall decrease in claims expenditure, higher as well as lower average claims values were experienced in some categories of claims due to increased movement towards higher cost claims coupled with higher-than-inflation increases in tariffs, costs and compensation.



GRAPH 14: Composition of claims expenditure

CONTINGENCY FEES

It is estimated that as much as 30% (33% incl. VAT) of all claims disbursements (excluding direct claims) processed by the RAF are paid to attorneys as opposed to claimants; even though contingency fees should not exceed 25%. The RAF remains convinced that the current legislative model is wasteful, with the cost of service delivery being disproportionately high in relation to the compensation paid and the RAF Fuel Levy received (Graph 15).



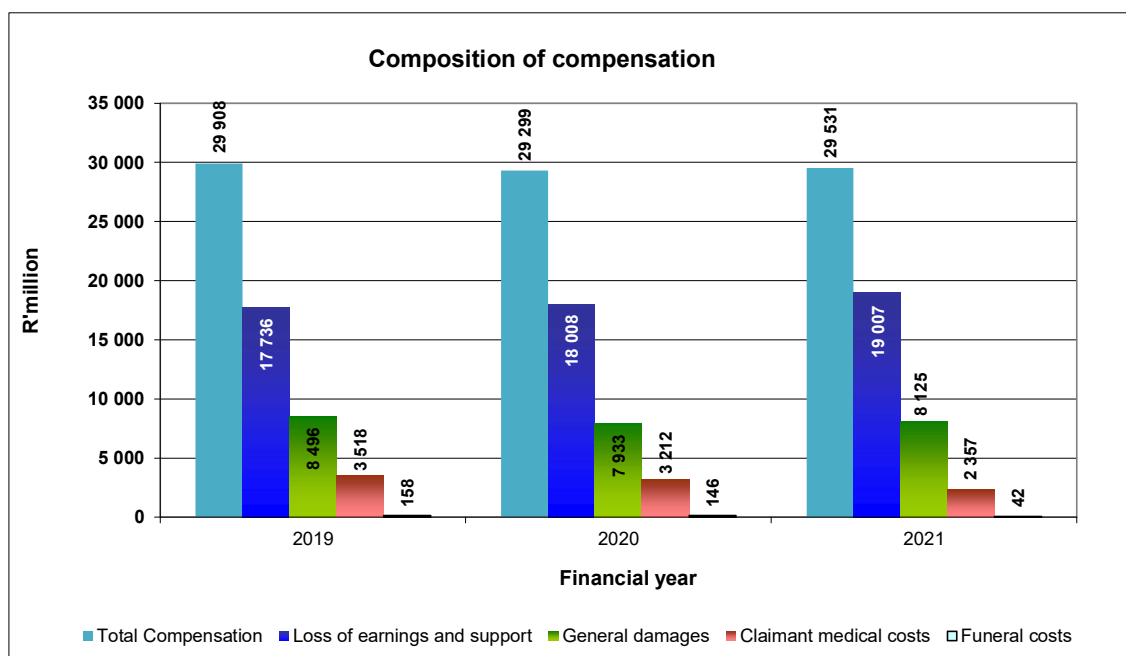
GRAPH 15: Composition of claim payments including estimated contingency fees

COMPOSITION OF CLAIMS PAID

For accidents that occurred after 01 August 2008, general damages are only paid if a serious injury has been sustained, which is in line with the RAF Amendment Act. The composition of the compensation portion of claims (Graph 17), however, indicates that a major component of claims paid is in respect of general damages and loss of amenities of life, as opposed to medical and funeral costs. From a total of R27 billion in compensation paid during the 2020/21 financial year, R8.1 billion (2019/20: R7.9 billion) was paid out towards general damages. This represents 28% (2019/20: 27%) of total compensation paid. General damages claims have stabilised in proportion to total payouts.

Medical payments (including undertaking payments) at a total of R2.4 billion (2019/20: R3.2 billion) represented 8% (2019/20: 11%) of total compensation paid.

Loss-of-earnings and loss-of-support payments of R19 billion (2019/20: R18 billion) represented 64% (2019/20: 62%) of total compensation paid, and funeral costs of R42 million (2019/20: R146 million) represented 0.1% (2019/20: 0.5%) of total compensation paid by the RAF.



GRAPH 16: Composition of compensation

UNDERTAKINGS

The RAF administers undertakings as per the RAF Act 1996, (Act No. 56 of 1996) (as amended). Section 17 (4) (a) states that:

- (4) Where a claim for compensation under subsection (1) –
- (a) includes a claim for the costs of the future accommodation of any person in a hospital or nursing home or treatment of, or rendering of a service or supplying of goods to him or her, the RAF or an agent shall be entitled, after furnishing the third party concerned with an undertaking to that effect or a competent court has directed the RAF or the agent to furnish such undertaking, to compensate the third party in respect of the said costs after the costs have been incurred and upon proof thereof.

Included in medical cost payments is the cost pertaining to certificates issued to claimants by the RAF to cover future medical treatments, known as 'undertakings'. The RAF compensates claimants for caregiving services rendered by caregivers on a monthly basis.

An undertaking is regarded as active if a claim is made against it during the year. The total number of undertaking certificates issued is reflected in the table below.

	2021	2020	2019
Total number of undertaking certificates issued	213,012	206,463	199,313
Number of active undertakings	11,395	10,729	9,013
% active undertakings of total undertakings	5.30%	5.20%	4.5%
Amount Paid (R'000)	R724,718	R935,540	R829,043

The number of active undertakings in respect of which payments were made averaged at 5% of all undertakings issued over a period of three financial years. This is in line with the nature of the instrument issued, since most injuries arising from motor vehicle accidents heal and do not represent chronic illnesses. In keeping with the need to provide support to road crash victims, the total of the number of active undertakings is viewed in a positive light.

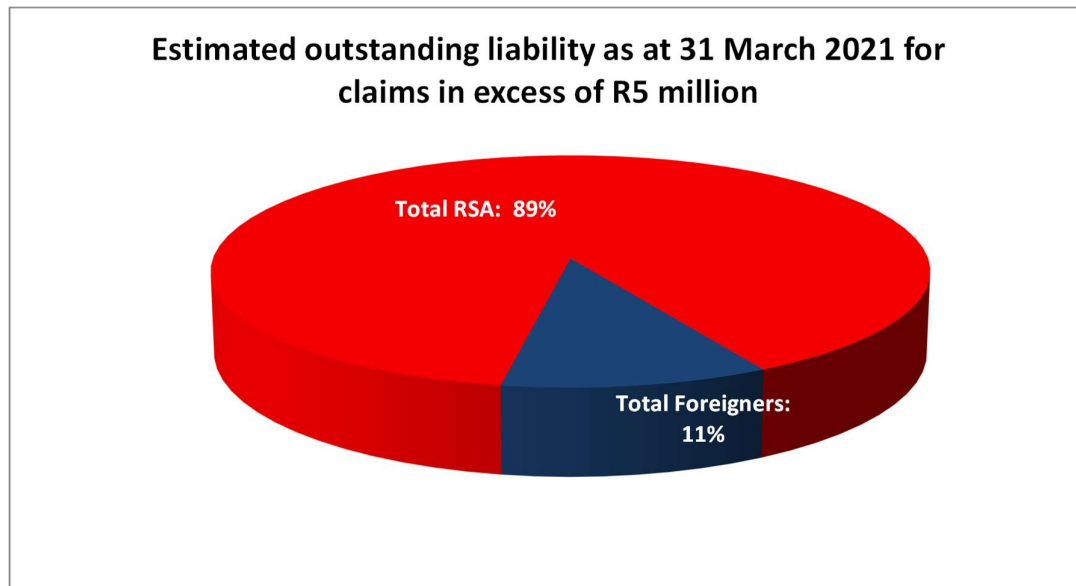
Payments in respect of all undertakings issued for the 2020/21 financial year amounted to R725 million.

FOREIGN CLAIMS

Claims by foreign visitors to South Africa continued to form a large proportion of high-value claims due to an increasing influx of foreign visitors to the country. Since the bulk of payments to foreign nationals are made in their currency of origin and they are accustomed to unlimited benefits regarding loss of earnings in their own countries, foreigners' claims have dominated high-value claims in the pre-Amendment Act dispensation.

With the promulgation of the RAF Amendment Act, loss-of-earnings and loss-of-support payments to foreigners have been capped at R160,000 per annum, adjusted for inflation on a quarterly basis since August 2008. As a result, the cap was R299,154 as at 31 March 2021. (This amount will increase to R302,731 with effect from 30 April 2021).

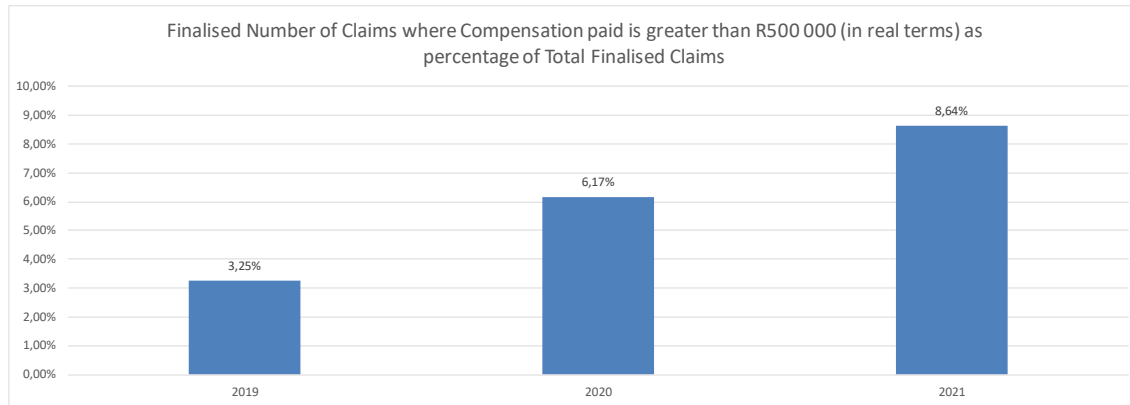
As at 31 March 2021, 11% (2019/20: 10%) of the value of the estimated liability of claims in excess of R5 million comprised claims by foreign nationals (Graph 18). It is important to note, however, that the actual claimed amounts can exceed the estimated value of the claim.



GRAPH 17: Estimated outstanding liability for claims >R5 million

HIGH-VALUE CLAIMS

Although the number of high-value claims (claims where compensation paid is greater than R500,000) as a percentage of the total claims finalised increased during the year, these claims represent a relatively small proportion of the total claims finalised, i.e., 8.64% of the total number finalised (2019/20: 6.17%) (Graph 18).



GRAPH 18: Number of claims compensated >R500,000 as a % of total claims finalised

2.3 KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

POLICY DEVELOPMENT

The enactment of the Protection of Personal Information Act, 2013 (Act No. 4 of 2013) (POPI) has resulted in major changes to many RAF policies and will greatly affect the way in which the RAF processes personal information.

The Use of Official Languages Act, 2012 (Act No.12 of 2012) continues to affect operations in terms of rendering service to stakeholders in their preferred official languages. This has resulted in the RAF developing a Language Policy and establishing a fully functional Language Unit to achieve the legislative requirements of the Act.

The RAF does a periodic review of its compliance in respect of any Act, standard or best practice. To keep abreast of all developments, the organisation continually updates its legislative universe. It tracks legislative developments and monitors any regulatory changes to note, comply and/or effect the necessary changes to its day-to-day operations on an ongoing basis. The legislative changes affecting the RAF operations are monitored and necessary changes are effected continuously.

LEGISLATIVE CHANGES

The central goals of the RAF regarding service delivery, the optimisation of its business and ultimate sustainability, are significantly reliant on the legislative environment in which it operates.

The customer base of the RAF comprises not only the South African public, but all foreigners within the borders of the country as well. The RAF provides two types of cover, namely personal insurance cover to accident victims or their families, and indemnity cover to wrongdoers.

Given this broad mandate, it became clear that the RAF was unsustainable in its current form, and in 2005 the RAF Act was amended by the Road Accident Fund Amendment Act, 2005 (Act No. 19 of 2005) (the Amendment Act), which came into effect on 01 August 2008. Soon after promulgation, a number of claimants challenged the constitutionality of section 18 thereof (related to the R25,000 passenger claims limit).

Parliament remedied the defect through the promulgation of the Road Accident Fund (Transitional Provisions) Act, 2012 (Act No. 15 of 2012) (the Transitional Act), which came into effect on 13 February 2013.

Claimants whose claims arose under the RAF Act, prior to it being amended by the Amendment Act, and whose claims were limited by the R25,000 passenger limitation section and neither prescribed nor were finally determined by settlement or court order, had the option under the Transitional Act to, within a prescribed period, elect to have their claim determined under the RAF Act (prior to its amendment by the Amendment Act), or to have the claim determined in accordance with a transitional regime provided for in the Transitional Act.

This brought about three different frameworks which the RAF currently administers, namely the RAF Act, the Amendment Act and the Transitional Act.

PROPOSED ROAD ACCIDENT FUND AMENDMENT BILL

Notwithstanding the RAF amendments of 2005, there are still operational inefficiencies which can be enhanced through legislative amendments and regulations. The RAF will recommend to the Minister of Transport amendments to the RAF Act and regulations to address specific operational inefficiencies.

3. STRATEGIC OUTCOME-ORIENTED GOALS

The approved 2020–2025 Strategic Plan is anchored on four strategic outcomes aimed at addressing the numerous challenges faced by the RAF.

STRATEGIC GOAL 1 – A TRANSFORMED AND SUSTAINABLE RAF

STRATEGIC GOAL DESCRIPTION

To optimise the processing of claims in the early stage of a claim and minimise unnecessary further complications with a claim.

OUTCOME INDICATORS

- Approved RAF business operating models
- Approved RAF Amendment Act proposal submitted to the DoT
- % new personal claims settled within 120 days
- % of new personal claims validated and verified within 60 days
- % reduction of average age of old claims
- % reduction of legal costs
- The RAF's medical tariffs implemented
- Developed medical treatment protocols
- The RAF's funding model finalised
- Debt restructuring finalised (RNYP)

STRATEGIC GOAL 2 – SYSTEM MODERNISATION

STRATEGIC GOAL DESCRIPTION

The improved efficiency of claim settlement that will ensure reduction of administrative costs and ensure a transformed and sustainable RAF.

OUTCOME INDICATORS

An integrated Claims Management System

STRATEGIC GOAL 3 – IMPROVED GOVERNANCE AND STRENGTHENED CONTROL ENVIRONMENT

STRATEGIC GOAL DESCRIPTION

Ensure compliance to standards and improve governance and accountability.

OUTCOME INDICATORS

- Clean Audit
- % reduction in the number of audit findings
- % increase in fraud detected in claims processing

STRATEGIC GOAL 4 – IMPROVED SERVICE DELIVERY

STRATEGIC GOAL DESCRIPTION

Increase accessibility to the RAF's services through various channels to improve service delivery by increasing the reach of the Fund's service offerings to all motor vehicle accident victims.

OUTCOME INDICATORS

- Stakeholder engagement strategy implemented
- % Customer Satisfaction Survey rating
- Organisational structure reviewed and approved
- SCM process, systems and resources reviewed and approved
- Skills Audit for all employees

4. PERFORMANCE INFORMATION BY OBJECTIVE

STRATEGIC GOAL 1 – A TRANSFORMED AND SUSTAINABLE RAF

CONTRIBUTION TO THE ORGANISATION'S KEY STRATEGIC OUTCOMES

This strategic objective is aimed at optimising claims processing in the early stages of a claim, thus reducing the average time taken to settle and finalise claims and avoid lengthy litigation processes and legal-related costs. Further, it intends to rehabilitate road accident victims with the aim of re-integrating them into society.

COMMENT ON ALL DEVIATIONS

Out of 10 planned initiatives, three were not achieved, namely:

- % new personal claims settled within 120 days
- % reduction of average age of old claims
- Debt restructuring finalised (RNYP)

STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

(a) % of new personal claims settled within 120 days

Settlement of claims within 120 days and reducing the average age of a claim remains a priority in the medium term. To this end, upon examination of the claims currently in the system, it is observed

that a significant number of claims which are lodged with the Fund do not fully comply with the provisions of the Act. Most importantly, some of the claims are not capable of settlement because supporting documents which are necessary to enable the Fund to assess the claims were not submitted. This approach by the claimants' attorneys also makes it difficult for the Fund to investigate and settle claims within 120 days as required by the Act.

A further observation is that these claims are not capable of settlement, yet legal proceedings by way of summons are instituted immediately after the expiry of 120 days and the matters become litigated without any substantiation of the claims.

Some of these claims have been received by the Fund and continue to be part of the system, yet they do not comply with the provisions of section 24 and in fact should not have been accepted as claims as provided for in section 24(4)(a) of the Act.

In an effort to address this state of affairs, the RAF has issued a directive, which was approved by the Board, setting out the minimum requirements for lodging a valid claim. The directive was issued in terms of section 4(1)(a) of the Act which empowers the Fund to stipulate the terms and conditions upon which claims for compensation shall be administered.

(b) 5% reduction of average age of old claims

The target was impacted by COVID-19 as it is time sensitive, and the time lost during Quarter 1 of the 2020/21 financial year has had an impact on the achievement of the target. The target is revised in the 2021/22 financial year to ensure that claims older than three years are prioritised with the new business operating model in place and directives mentioned above will assist the Fund clear the old claims backlog registered on the system.

(c) Debt restructuring finalised (RNYP)

A secured finance facility for short-term liability (RNYP): the target was not met, due to unfavourable financial market conditions in the 2020/21 financial year, however, debt restructuring remains a priority in the next financial year. The RAF's biggest financial risk is the RNYP (Requested but Not Yet Paid) of just over R14 billion, and this exceeds the Fund's monthly revenue income which averages just over R3.52 billion. Further, this RNYP is expected to be paid out in lump-sum payments in the current model. As part of its strategy, the Fund plans to go into the Debt Capital Markets (DCM) to borrow funds between R15 billion and R20 billion to repay the RNYP short-term obligation.

Strategic Outcome: A TRANSFORMED AND SUSTAINABLE RAF					
Output Indicator	Actual Achievement 2019/2020	Planned Target 2020/2021	Actual Achievement 2020/2021	Deviation from Planned Target to Actual Achievement for 2020/2021	Comment on Deviations
RAF Business Operating Model	New indicator	Approved RAF Business Operating Model	EXCO approved the Business Operating Model and recommended to the Board.	Annual target completed by 31 March 2021	No deviation as the planned target achieved within the set time frames
RAF Amendment Act proposal submitted to DoT	New indicator	Approved RAF Amendment Act proposal submitted to DoT	Board approved RAF Amendment Act and proposal was submitted to DoT on 31 March 2021.	Annual target completed by 31 March 2021	No deviation as the planned target achieved within the set time frames
% of all new personal claims settled within 120 days	New indicator	5%	Offers made within 120 days: 360 Number of claims lodged: 118, 433 (cumulated from 01 April 2020) % Achievement: 0.30 %	Actual performance is 4.7% below annual target.	COVID-19 lockdown had a huge impact on this target because it is time sensitive and, in some instances, required physical interaction. The lockdown regulations made it difficult to attend to some of the claims lodged on time. A high number of claims are lodged without sufficient information to process and make offers. The issuing of a directive on minimum lodgement requirements will go a long way in improving the performance in the next financial year.
% of new personal claims validated and	New indicator	20%	Personal claims Verified and Validated (VV) and Validated and	Actual performance is 38.9% above annual target	There was a concerted effort to allocate resources to the

Strategic Outcome: A TRANSFORMED AND SUSTAINABLE RAF					
Output Indicator	Actual Achievement 2019/2020	Planned Target 2020/2021	Actual Achievement 2020/2021	Deviation from Planned Target to Actual Achievement for 2020/2021	Comment on Deviations
verified within 60 days			<p>Objected (VO) within 60 days: 22, 088 (cumulated number from 01 April 2020 to date)</p> <p>Total Number of personal claims VV & VO: 37, 446 (cumulated number from 01 April 2020 to date)</p> <p>% Achievement: 59.0 %</p>		validation process to ensure achievement of the overall target of finalising valid claims within 120 days. This has resulted in a high number of claims being validated; however, the determination of merits was slow, which led to claims not being settled within 120 days.
% reduction of average age of old claims	New indicator	5%	<p>Net Open Claims as at 31 March 2021: 258 513 excluding RNYP</p> <p>Net Open Claims number of days: 333 546 748</p> <p>Average age per claim: 1, 290 days.</p> <p>% Achievement: -42.81%</p>	<p>Actual performance is 47.8% below annual target</p> <p>Average age of old claims grew from 903 days in the 2019/20 financial year to 1, 290 days in the 2020/21 financial year, which is an increase of 42.81% in the average age of a claim</p>	<p>COVID-19 lockdown had a huge impact on this target because it is time sensitive. The limitations on travel, physical contact and limited access to the courts affected the time it took to settle claims, thus increasing the average age of claims.</p> <p>This target has been revised for the next financial year to only focus on claims older than three years</p>
% reduction of legal costs	New indicator	15%	Legal costs as 31 March 2021 R3 991 940 168.38	Actual performance is 27.74% above annual target	The cancellation of the panel of attorneys' contract and the in-Sourcing of panel attorneys has

Strategic Outcome: A TRANSFORMED AND SUSTAINABLE RAF					
Output Indicator	Actual Achievement 2019/2020	Planned Target 2020/2021	Actual Achievement 2020/2021	Deviation from Planned Target to Actual Achievement for 2020/2021	Comment on Deviations
			Compared to R6 971 394 186.86 at 31 March 2020 42.7% legal cost ratio		had a positive impact on the achievement of the target
RAF Medical Tariffs implemented	New indicator	RAF Medical Tariffs developed	Tariffs have been developed and published in the Government Gazette.	Annual target completed by 31 March 2021	No deviation as the planned target achieved within the set time frames
Developed medical treatment protocols	New indicator	Medical treatment protocols developed	Treatment protocols have been developed and endorsed at EXCO.	Annual target completed by 31 March 2021	No deviation as the planned target achieved within the set time frames
RAF funding model finalised	New indicator	Reviewed RAF Funding mode	The RAF funding model was completed, and the Board noted such on 29 March 2021	Annual target completed by 31 March 2021	No deviation as the planned target achieved within the set time frames
Debt restructuring finalised (RNYP)	New indicator	Secured finance facility for short-term liability (RNYP)	This target was not achieved as planned in 2020/21	Annual target of obtaining a finance facility was not achieved due to the RAF's financial position and overall unfavourable market conditions	Annual target not achieved due to the effect of COVID-19 on the RAF's financial position and overall market conditions. A strategic decision was taken to delay going into the market until the market conditions are more favourable.

CHANGES TO PLANNED TARGETS

No changes to planned targets

STRATEGIC GOAL 2 – SYSTEM MODERNISATION

To create a solid foundation through developing and deploying IT solutions to increase the efficiency and effectiveness of systems and processes, as well as enterprise risk management capabilities

CONTRIBUTION TO THE ORGANISATION'S KEY STRATEGIC OUTCOMES

The strategic objective is to optimise ICT to enable the automation of business processes, ensure data integrity and protection, and ensure maturity of IT governance in the organisation. ICT aims to evolve from simply being a business enabler to an essential component in implementing the RAF's business strategy and executing its mandate.

ICT plays an integral role in ensuring the achievement of the RAF Strategy. A number of initiatives planned for the next three years are dependent on the transformation of the ICT environment to function optimally and gain competitive advantage.

COMMENT ON ALL DEVIATIONS

One out of the planned targets was not achieved, i.e., Implementing an interim solution to enhance the current system.

STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

The target was not met due to changes in the implementation approach; a new project is being executed to finalise the system by the end of August 2021.

CHANGES TO PLANNED TARGETS

No changes to planned targets.

Strategic Outcome: SYSTEM MODERNISATION					
Output Indicator	Actual Achievement 2019/2020	Planned Target 2020/2021	Actual Achievement 2020/2021	Deviation from Planned Target to Actual Achievement for 2020/2021	Comment on Deviations
Phase 1 of the Integrated Claims Management System implemented	Annual target was not achieved as two initiatives were not achieved against the planned 100% implementation of the initiatives.	Implementing an interim solution to enhance the current system	Planned initiatives as per the initial Operational Plan was not achieved	Operational Plan approved but milestones not completed	Annual target not achieved due to changes in implementation approach. A new Project Plan is being executed to finalise the system by end of August 2021. A request for proposals on the Integrated Claims Management System has been issued

STRATEGIC OUTCOME: GOAL 3

IMPROVED GOVERNANCE AND STRENGTHENED CONTROL ENVIRONMENT

CONTRIBUTION TO THE ORGANISATION'S KEY STRATEGIC OUTCOMES

This strategic objective is aimed at improving governance and strengthening a controlled environment, raising ethical standards, improving resolution of reported incidents of fraud and corruption, reduce unnecessary expenses and to settle supplier invoices timeously.

COMMENT ON ALL DEVIATIONS

There are no areas of underperformance; all targets are achieved within the set time frames.

STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

Not applicable.

CHANGES TO PLANNED TARGETS

No changes to planned targets.

Strategic Outcome: IMPROVED GOVERNANCE AND STRENGTHENED CONTROL ENVIRONMENT					
Output Indicator	Actual Achievement 2019/2020	Planned Target 2020/2021	Actual Achievement 2020/2021	Deviation from Planned Target to Actual Achievement for 2020/2021	Comment on Deviations
Clean audit	Unqualified audit opinion	Unqualified audit	Unqualified audit outcomes for the 2019/20FY from the AGSA.	Annual target achieved	No deviation as the planned target achieved within the set time frames
% reduction in the number of audit findings	New Indicator	50%	21 of the 31 AGSA findings were resolved by the end of January 2021.	Actual performance is 17.74% above annual target	Close monitoring of signed action plans and monthly progress feedback has had a positive impact on the achievement of the target.

Strategic Outcome: IMPROVED GOVERNANCE AND STRENGTHENED CONTROL ENVIRONMENT					
Output Indicator	Actual Achievement 2019/2020	Planned Target 2020/2021	Actual Achievement 2020/2021	Deviation from Planned Target to Actual Achievement for 2020/2021	Comment on Deviations
			% Achievement: 67.74%		
% increase in fraud detected in claims processing	2, 852 number of fraudulent files detected before undue payments were made (36.13%)	10%	4, 198 claims repudiated before undue payments made by end of Q4. % achievement: 33.82%	Actual performance is 23.82% above annual target	Emphasis was placed on deceased claimants with the undertakings status still reflecting on the system. These claims had the potential risk of submission of a fraudulent invoice.

STRATEGIC OUTCOME 4. IMPROVED SERVICE DELIVERY

Increase accessibility to the RAF's services through various channels to improve service delivery by increasing the reach of the Fund's service offerings to all motor vehicle accident victims.

CONTRIBUTION TO THE ORGANISATION'S KEY STRATEGIC OUTCOMES

CONTRIBUTION TO THE ORGANISATION'S KEY STRATEGIC OUTCOMES

This strategic objective is aimed at streamlining the RAF organisational structure and processes to increase efficiency and service delivery.

COMMENT ON ALL DEVIATIONS

There are no areas of underperformance; all targets are achieved within the set time frames.

STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

Not applicable.

CHANGES TO PLANNED TARGETS

There were no changes to planned targets.

Strategic Outcome: IMPROVED SERVICE DELIVERY					
Output Indicator	Actual Achievement 2019/2020	Planned Target 2020/2021	Actual Achievement 2020/2021	Deviation from Planned Target to Actual Achievement for 2020/2021	Comment on Deviations
Stakeholder management strategy developed and implemented	New indicator	Stakeholder management strategy developed and implemented	Stakeholder management strategy approved by the CEO and recommended to the Board.	Annual target completed by 31 March 2021	No deviation as the planned target achieved within the set time frames

Strategic Outcome: IMPROVED SERVICE DELIVERY					
Output Indicator	Actual Achievement 2019/2020	Planned Target 2020/2021	Actual Achievement 2020/2021	Deviation from Planned Target to Actual Achievement for 2020/2021	Comment on Deviations
% customer satisfaction survey rating	New indicator	Target removed as per revised 2020/21 APP			
Organisational structure reviewed and approved	New indicator	Approved Organisational Structure Report	Conceptual model and functional structure endorsed at Board level.	Annual target completed by 31 March 2021	No deviation as the planned target achieved within the set time frames
Review of SCM process, systems and resources	New indicator	SCM process, systems and resources reviewed and approved	SCM process, systems and resources approved by the CEO and recommended to the Board.	Annual target completed by 31 March 2021	No deviation as the planned target achieved within the set timeframes
Skills Audit Report	New indicator	Skills audit initiated	Skills Audit Project approved by the CEO.	Annual target completed by 31 March 2021	No deviation as the planned target achieved within the set time frames

5. CAPITAL INVESTMENT

Progress made on implementing the Asset Management Plan	The implementation of the plan is complete and the Fixed Asset Register (FAR) has been updated with the results of the asset verification procedures.	
Infrastructure projects completed in the current year and progress in comparison with what was planned at the beginning of the year	Cape Town	Demolition of drywalls on the fifth floor and placement of screed floor on the eighth floor with epoxy coating. Demolished drywalls on the eighth floor (Learning and Development Unit) and improving the new section.
	Pretoria	Perimeter clear-view fence installations completed. Menlyn roof and atrium waterproofing completed. Increased emergency water supply by installing additional water tanks. Bathroom refurbishment and waterproofing completed.
Infrastructure projects in progress and expected completion date		None
Plans to close down or downgrade any current facilities	None	
Progress made on infrastructure maintenance	Head Office	Carpet replacement project on schedule. Plumbing system maintenance project – 100% completed. UPS battery replacement project – 100% completed. Major repairs on generator – 100% completed.
Developments relating to the above expected to impact on the RAF's current expenditure	Budget spent within forecast.	
Details as to how asset holdings have changed over the period under review, including disposals, scrapping and loss due to theft	<p>During the 2020/21 financial year, assets with a carrying value of R584,000 were disposed of and written off.</p> <p>Total acquisition for the year (2021): Fixed assets – R9,759,000; Intangible assets – R3,606,000</p> <p>Prior year acquisition (2020): Fixed assets – R7,197,000. Intangible assets – R16,513,000</p> <p>Current year disposal (2021): Fixed assets – R15,176,000. Intangible assets – R160,000</p> <p>Prior year disposal (2020): Fixed assets – R19,879,000. Intangible assets - R7,000</p>	
Measures taken to ensure that the RAF's Fixed Asset Register remains up to date during the year under review	<p>The following procedures, processes and mechanisms were in place to ensure the integrity of the RAF's FAR:</p> <ul style="list-style-type: none"> • The RAF's Fixed Asset Management Policy • The RAF's Fixed Asset Management Standard Operating Procedure • Management Directives were issued where necessary • Audits were performed by the Internal Audit Department • Annual audits were performed by the Auditor-General • Bi-annual verification exercises were performed during the months of September and March of the financial year • The RAF implemented segregated asset management functions for recording and maintaining the FAR 	

	<ul style="list-style-type: none"> Clearly defined asset management roles were established for the Facilities Management and ICT Departments Dedicated resources were employed to ensure fixed assets are recorded accurately and completely A reconciliation of the FAR to financial records was performed monthly
Major maintenance projects undertaken during the year under review	Overhauling of air-conditioning plant at Pretoria Office.
Progress made in addressing the maintenance backlog during the year under review	There was no backlog on maintenance during the year under review.

The table below outlines the progress made on Capital Investment and Asset Management Plans.

	2020/2021			2019/2020		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Property, plant and equipment	72,432	9,759	62,673	51,962	7,197	44,765
Intangibles	36,148	3,606	32,542	58,286	16,513	41,773
Total	108,580	13,365	95,215	110,248	23,710	86,538

6. REVENUE COLLECTION

The RAF obtains its funding from several sources, namely:

- The RAF Fuel Levy (determined by the NT on an annual basis)
- Government grants paid by the NT when there is a pressing need (not utilised during the year under review).
- Borrowings/loans, which are an allowed source of funding according to the RAF Act (but which option has not been applied to date).
- Investment revenue, acquired from invested funds that occasionally result when the RAF's operational capacity prevents it from paying out all its funds.
- Reinsurance income.

Sources of revenue	2020/21			2019/20		
	Estimate	Actual amount collected	(Over)/under collection	Estimate	Actual amount collected	(Over)/under collection
	R'000	R'000	R'000	R'000	R'000	R'000
Net RAF Fuel Levy	43,934,347	42,088,592	1,845,755	43,360,004	41,177,671	2,182,333
Investment revenue	98,257	157,061	(58,804)	98,850	62,784	36,066
Other income	-	2,863	(2,863)	-	25	(25)
(Loss)/Gains on disposal of assets and liabilities	-	(406)	406	-	(578)	578

Total	44,032,604	42,248,516	1,784,088	43,458,854	41,239,902	(2,218,952)
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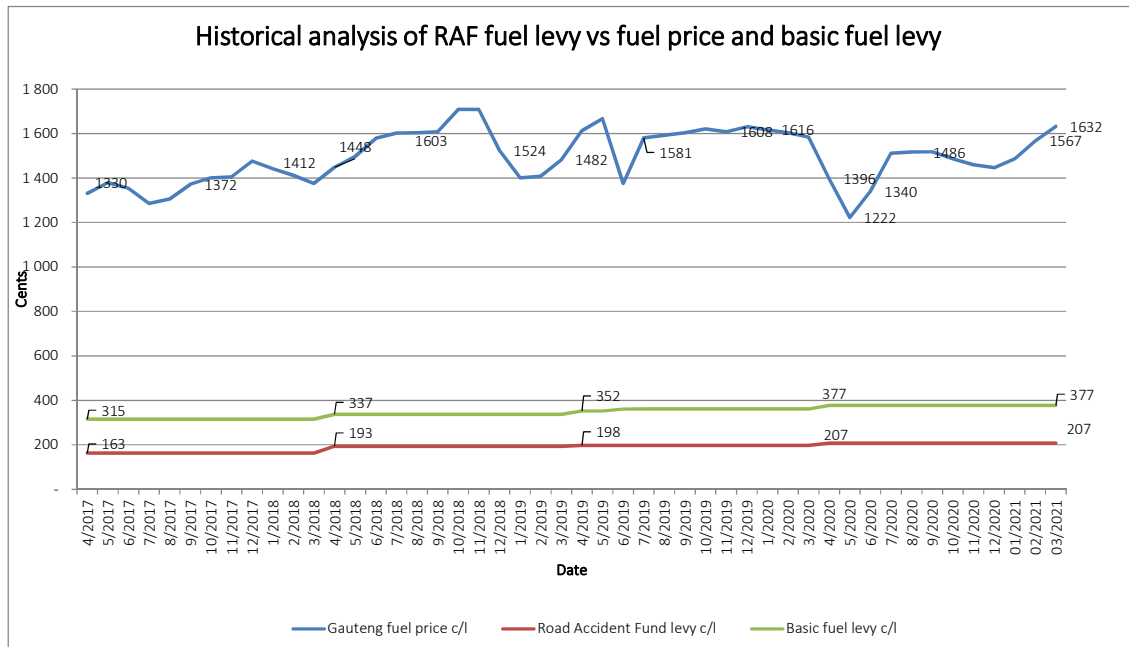
The total revenue of the RAF has increased over the years. For the period ending 31 March 2021, an increase of 2% in total revenue was recorded.

RAF FUEL LEVY

The increase of 9 c/l in the RAF Fuel Levy with effect from 01 April 2020 resulted in the increase in the RAF Fuel Levy income by R1 billion or 2% to R42.09 billion from the previous financial year. Net fuel levies accounted for 99.62% of total revenue. The increase was mainly influenced by reduced fuel consumption affected by lower economic activity due to COVID-19 regulations. The diesel refunds recouped from gross fuel levies reduced by 15% totalling R4.12 billion compared to R4.82 billion in the previous financial year.

The RAF Fuel Levy income is impacted by fuel volumes (petrol and diesel) consumed which decreased during the financial year compared to the previous financial year. A decrease of 12% or 20.08 megalitres for the 2020/21 financial year (2019/20: 22.89 megalitres) in fuel volumes was noted. Total volumes of petrol, however, seem to be on the decline, whereas total volumes of diesel are on the increase.

At recent fuel price levels, the RAF Fuel Levy (currently at 207 c/l) represents almost 13% of the total price at the pump, which averaged more than 1, 465 cents per litre in Gauteng alone for the year under review.

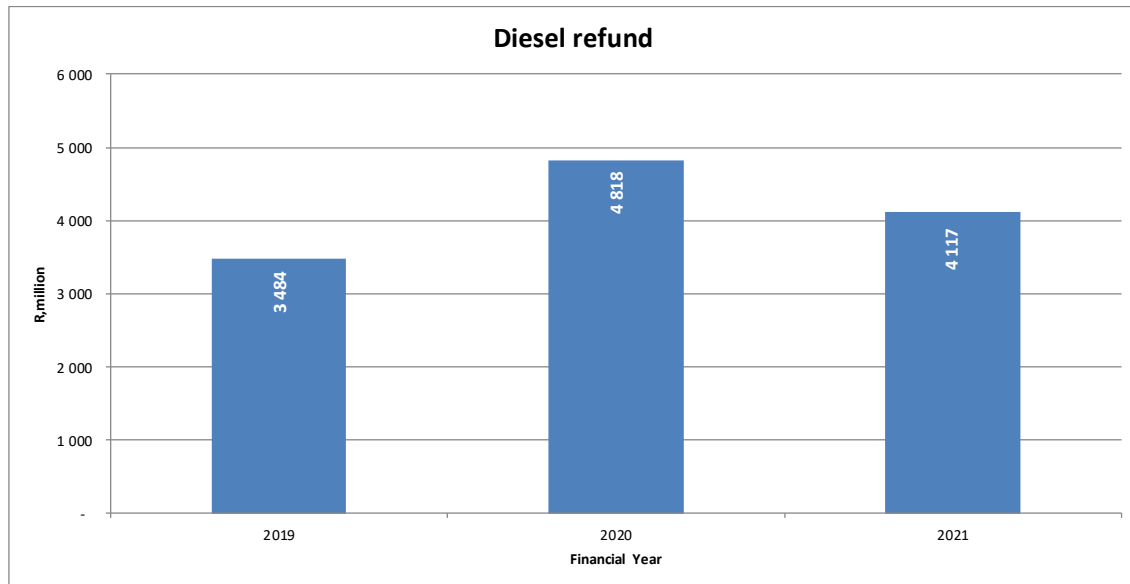


GRAPH 19: Historical analysis of the RAF Fuel Levy versus fuel price and basic fuel levy

DIESEL REFUND

The refund on diesel provided to certain industrial sectors of the economy, i.e. agriculture and forestry, electricity generation, offshore and rail and harbour services, decreased by 15% year-on-year to R4.1 billion from R4.8 billion in 2019/20. The refund that represents 8.9% (2019/20: 10.48%) of the gross RAF Fuel Levy is a major concession on income due to the RAF. The refund has dropped steadily in

line with increases in the RAF Fuel Levy but has shown observable increases over the 2018/19 and 2019/20 financial years due to increased claims for volumes of diesel consumed, particularly in the electricity generating sector. Although the value of the RAF Fuel Levy increased to 207 c/l in 2020/21, the consumption of diesel fuel in specific industrial sectors (mainly electricity generation) is on the rise again. (Graph 20).



GRAPH 20: Refund on diesel

INVESTMENT REVENUE

Investment revenue increased by 149% to R157 million (2019/20: R63 million). The repo rate decreased by 175 basis points from 5.25% to 3.5% following three downward adjustments during the 2020/21 financial year. (The average yield on cash investments for the financial year was 3.64% (2019/20: 6.43%). Higher amounts of cash and cash equivalents during the financial year was due to a change in the claims payment strategy during the 2020/21 financial year as a result of a court judgement in favour of the RAF paying claims in 180 days after the date of settlement of a claim, hence an increase of investment income in the 2020/21 financial year.

The payment of claims and operational expenditure are strictly managed to align expenditure with net fuel levies received in accordance with the Cash Management Strategy.

Cash holdings as at 31 March 2021 were R4.68 billion compared to R1.35 billion at the end of the previous financial year.

REINSURANCE INCOME

To cover catastrophic accidents, the RAF entered into reinsurance treaties with major international reinsurance companies. There were R0.00 reinsurance claims recovered from these companies during the year under review (2019/20: R0.00). The RAF's reinsurance recoveries derive from a portion of the total claims per incident that is more than the retention limit. In view of the latter, reinsurance recoveries are expected to continue to reflect a general decrease.

PART C

GOVERNANCE

1. PORTFOLIO COMMITTEE

Parliament exercises its oversight role of the RAF by interrogating its Annual Financial Statements and other relevant documents which must be tabled, as well as any other documents tabled from time to time, and evaluating its performance accordingly. This oversight role is fulfilled by the PCoT and the Standing Committee on Public Accounts (SCOPA).

The PCoT oversees service delivery and performance in accordance with the mandate and corporate strategy of the RAF. It reviews financial and non-financial information such as efficiency and effectiveness measures, and therefore reviews the non-financial information contained in the Annual Report of the RAF. The PCoT is also concerned with service delivery and enhancing economic growth.

SCOPA oversees the financial performance and accountability of the RAF in terms of the PFMA. It therefore reviews the Annual Financial Statements and audit reports of the RAF's external auditor.

INTRODUCTION

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

Parliament, the Executive Authority and the Accounting Authority of the public entity are responsible for corporate governance.

2. EXECUTIVE AUTHORITY

As illustrated, the National Assembly has legislative power and maintains oversight of the National Executive Authority and the RAF as an organ of state. In addition, Parliament oversees the Executive Authority, which is required to provide it with full and regular reports concerning matters under its control.

The Minister of Transport is the Executive Authority of the RAF and is concerned with the financial viability and risks of the RAF, as well as policymaking and monitoring of policy implementation to ensure that the RAF effectively delivers on its mandate.

The Prudential Authority (PA), in terms of the Financial Supervision of the Road Accident Fund Act, 1993 (Act No. 8 of 1993), performs a supervisory role over the financial position of the RAF.

Oversight by the Executive Authority rests by and large on the precepts of the PFMA, which govern/provide authority to the Executive Authority for oversight powers.

The RAF Act provides that the Executive Authority can appoint and dismiss members of the Board. The Minister also appoints the CEO on such terms and conditions as may be determined by the Board.

Whenever it is necessary to appoint a member to the Board, the Minister, by notice in the *Government Gazette* and national news media, invites persons or bodies who have an interest in the operations of the RAF to nominate candidates who comply with the criteria mentioned in sub-section 10 1(b) of the RAF Act, as amended. The Minister then publishes a list of nominees received in response to the invitation, which includes the names of the relevant nominators. The name and expertise of the newly appointed (or reappointed) Board members are published in the *Government Gazette*.

If a position on the Board becomes vacant before the expiry of the term of office, the Minister may appoint any other competent person to serve for the unexpired portion of the term of office of the previous member, irrespective of when the vacancy occurs.

The RAF Board submits quarterly reports, including management accounts, a report on actual performance against predetermined objectives, PFMA compliance checklist, a Broad-Based Black Economic Empowerment (B-BBEE) report and an Audit Committee report to the Executive Authority in accordance with NT Regulations 26.1.1 and 30.2.1 within 30 days of the end of a quarter.



FIGURE 4: Executive Authority reporting structure

1. ACCOUNTING AUTHORITY/THE BOARD

INTRODUCTION

The Board acts as the Accounting Authority of the RAF, exercising overall authority and control over the financial position, operation and management of the RAF. It is accountable to the Executive Authority for the performance of the RAF. It provides a fundamental base for the application of corporate governance principles in the RAF.

The processes and practices of the Board are underpinned by the principles of transparency, integrity and accountability. An inclusive approach is followed that recognises the importance of all stakeholders and the management of stakeholder relationships, as well as perceptions to ensure the viability and sustainability of the RAF.

THE ROLE OF THE BOARD

In line with King IV, the Board is tasked with providing ethical leadership, managing the organisation's ethics effectively, and ensuring that the entity is not only a responsible citizen, but is manifestly so. Corporate governance principles are adhered to, while fully appreciating that strategy, risk, performance and sustainability are integrated. Broadly speaking, the Board is expected to act in the best interests of the entity.

With the prescripts of King IV and NT in mind, the role of the RAF Board comprises the following:

- It holds absolute responsibility for the performance of the RAF.
- It retains full and effective control over the RAF.
- It ensures that the RAF complies with applicable laws, regulations and government policy.
- It is responsible for formulating and implementing policies that are necessary to achieve the RAF's strategic goals and maintain good governance.
- It has unrestricted access to the information of the RAF.
- It formulates, monitors and reviews corporate strategy, major plans of action, risk policy, annual budgets and business plans.
- It is responsible for the integrity of the sustainability report, based on the principles of transparency and accountability.
- It ensures that the Executive Authority's performance objectives are achieved.
- It monitors the efficiency and effectiveness of Management and supports Management in implementing Board strategies and policies.
- It manages potential conflicts of interest.
- It develops a clear definition of levels of materiality.
- It attends the annual meetings.
- It ensures that the Annual Financial Statements are prepared.
- It appraises the performance of the Board collectively and individually.
- It ensures effective Board induction.
- It maintains integrity, responsibility and accountability.

The Board is responsible for determining the overall direction of the RAF. The RAF is guided by a Five-year Strategic Plan and APP, both of which were submitted to the Executive Authority, the Minister of Transport, by the end of January 2020.

The Board revises the Delegation of Powers and Functions Policy annually, which defines the delegation of powers, duties and functions of Management.

The RAF Board reviews its processes and practices on an ongoing basis to:

- ensure compliance with legal obligations;
- ensure the maintenance of appropriate internal controls, as well as risk management policies and practices;
- ensure the use of RAF funds in an economical, efficient and effective manner;
- ensure that ICT governance is aligned with the RAF's performance and sustainability objectives;
- ensure adherence to good corporate governance practices that have been benchmarked; and
- assess the impact of the RAF's operations on society, the economy and the environment.

BOARD CHARTER

As recommended by King IV, the Board is governed by the RAF Board Charter which details the roles, structures and functions of the Board, its various sub-committees, Chairpersons and the CEO.

COMPOSITION OF THE BOARD

The RAF is headed and controlled by an effective and efficient Board, comprising independent, non-executive Board members representing the necessary skills to guide the RAF strategically. The Board consists of 10 non-executive Board members, including the Director-General (DG). The RAF Board is diverse in respect of origin, gender, race and education. As at 31 March 2021, 40% of the Board members are women, while 90% are from historically disadvantaged communities.

FIGURE 5: Board and Committees' Structures: 01 April 2020 to 31 March 2021



**Resigned 17 June 2020*

¹Appointed Acting Chairperson 17 June 2020 and Chairperson on 25 February 2021

²Appointed as Vice Chairperson on 25 February 2021

³Appointed as Chairperson of Clecom/Lecom on 18 July 2020

The standard term of appointment for Board members is three years. Board members are eligible for re-appointment for a further two terms. The Board is required to meet as often as the business of the RAF requires, but at least four times a year.

The Executive Management team is appointed by the Board. The Executive Management is employed on the basis of a fixed-term contract. The maximum duration of fixed-term contracts is five years.

BOARD MEMBERS' DETAILS 01 APRIL 2020 TO 31 MARCH 2021

NAME	TITLE	DATE APPOINTED	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS	BOARD COMMITTEES	*NO. OF MEETINGS ATTENDED
ADV GJ RASETHABA	NON- EXECUTIVE BOARD MEMBER (CHAIRPERSON OF THE BOARD)	04/12/2019	Advocate of the High Court of South Africa; Member of Johannesburg Society of Advocates; B Proc; LLB; Diploma in Company Law; LLM; Telkom Leadership Development Programme; Mediator and Arbitrator Certified by The Arbitration Foundation of Southern Africa (AFSA) Admitted as an attorney in 1990, admitted as an Advocate in 1996 Worked at the RAF as the Regional Manager of the	Law		Claims and Legal Committee	4 of 18

NAME	TITLE	DATE APPOINTED	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS	BOARD COMMITTEES	*NO. OF MEETINGS ATTENDED
			now Johannesburg Office Governance and Chief Risk Officer in a listed company for over 10 years				
MS TN MSIBI	NON-EXECUTIVE BOARD MEMBER Vice Chairperson of the Board (Appointed 4/12/2019) Acting Chairperson (Appointed 17/06/2020) (Chairperson of the Board as from 25/02/2021)	04/12/2019	Bar Finals; LLB (Hons)	Law		Claims and Legal Committee; Remuneration and Human Resources Committee	18 of 18

NAME	TITLE	DATE APPOINTED	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS	BOARD COMMITTEES	*NO. OF MEETINGS ATTENDED
DR NB MABUYA-MOLOELE	NON-EXECUTIVE BOARD MEMBER Vice Chairperson of the Board (as from 25 February 2021)	Re-appointed 04/12/2019	MB BCH; MBA; DOH (Diploma in Occupational Health and Medicine); Certificate in Impairment Rating, Incapacity Management and Workplace Disability Management; BSc (Hons) Aerospace Meds; Certificate in Travel Meds; Certified Independent Medical Examiners (CIME) by the American Board of Independent Medical Examiners	Medical	Non-executive Director of SKF South Africa, Chairperson and non-executive Director of Armcoil (Pty) Ltd; Chairperson of Protea Trade & Invest (Pty) Ltd	Chairperson: Social and Ethics Committee; Remuneration and Human Resources Committee; Operations, Information and Technology Committee	13 of 18
MR LM NYAMA	NON-EXECUTIVE BOARD MEMBER	Re-appointed 04/12/2019	BSc Actuarial and Financial Maths BSc (Hons) Financial Engineering, Master Investments	General Insurance Life Insurance Retirement Schemes and Employee Benefits	Member of Actuarial Society of South Africa Member of IoDSA	Chairperson: Operations, Information and Technology Committee; Risk, Governance and Actuarial	17 of 18

NAME	TITLE	DATE APPOINTED	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS	BOARD COMMITTEES	*NO. OF MEETINGS ATTENDED
			(Thesis not defended)	Investments Enterprise Risk management Corporate Governance		Committee; Audit and SCM Committee	
DR MC PEENZE	NON-EXECUTIVE BOARD MEMBER	Re-appointed 04/12/2019	B.luris (cum laude), LLB (cum laude), LLM: Human Rights (cum laude) (University of the Free State); Doctor Technologiae: Business Administration (Central University of Technology); Africa Directors Programme (University of Stellenbosch Business School); Certified Fraud Examiner (New York); Advocate of	Legal and corporate governance	Office of Health Standards Compliance; South African Institute for Drug-Free Sports.	Chairperson Claims and Legal Committee (as from 18 July 2020); Social and Ethics Committee; Risk, Governance and Actuarial Committee;	15 of 18

NAME	TITLE	DATE APPOINTED	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS	BOARD COMMITTEES	*NO. OF MEETINGS ATTENDED
			the Supreme Court of South Africa.				
MR TS TSHABALALA	NON-EXECUTIVE BOARD MEMBER	Re-appointed 04/12/2019	Certificate in Business Administration; Certificate in Management and Administration of Non-Profit and Community-Based Organisations; Certificate in Start and Improve your Business; Diploma in Project Management; Postgraduate Diploma in Disability Studies	Corporate governance and disability	Board member: Disabled Employment Concerns Trust (DEC)	Remuneration and Human Resources Committee; Social and Ethics Committee; Claims and Legal Committee	17 of 18
MR KM MOTHABI	NON-EXECUTIVE BOARD MEMBER	Re-appointed 04/12/2019	BSc (Med), BSc.H (Pharmacology); PDM-BA; MBA	Life/Health insurance and retirement funds	Board member of Momentum Retail Funds; Independent Board member of Contract Cleaning National Provident Fund	Social and Ethics Committee; Operations, Information and Technology Committee; Audit and SCM Committee	17 of 18

NAME	TITLE	DATE APPOINTED	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS	BOARD COMMITTEES	*NO. OF MEETINGS ATTENDED
MR L MULAUDZI	NON-EXECUTIVE BOARD MEMBER	04/12/2019	BCom (Hons) Actuarial Science; Postgraduate Diploma: Actuarial Sciences; Fellow of Actuarial Society of SA (FASSA)	Actuarial Science	President, Actuarial Society of South Africa; Chair of Risk Committee, Constantia Insurance Group, MD, Grassroots Impact Solutions, MD, Imali Risk Management Solutions; Public Interest Actuary, Actuarial Society of South Africa	Chairperson: Risk, Governance and Actuarial Committee; Operations, Information and Technology Committee; Audit and SCM Committee	18 of 18
MR H DANIELS	NON-EXECUTIVE BOARD MEMBER	01/01/2020	BCompt (Hons) LLM, CA(SA).	Accounting, Finance and Law	None	Chairperson: Audit and SCM Committee; Social and Ethics Committee; Claims and Legal Committee	17 of 18
MS LZ FRANCOIS	NON-EXECUTIVE BOARD MEMBER	04/12/2019	BCom; (articles); Post-graduate Certificate - Accounting; GIA (SA); MBA; CRMA; Fellow of the	Accounting, Auditing, Enterprise Risk Management, Corporate Governance	Member of the Audit Committee of LegalAid SA	Chairperson: Remuneration and Human Resources Committee; Risk, Governance and	18 of 18

NAME	TITLE	DATE APPOINTED	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS	BOARD COMMITTEES	*NO. OF MEETINGS ATTENDED
			Institute of Internal Auditors of SA (FIIASA)	and Business Process Management		Actuarial Committee; Audit and SCM Committee	
MR ME MOEMI	NON-EXECUTIVE BOARD MEMBER (DIRECTOR-GENERAL)	10/07/2020	Street Law, B, Juris; Cert in Managing Corporate Communications; Certificate in Principles of Public Relations; Masters in Governance and Political Transformation; PhD in Development Studies (In progress)	Governance; Financial Management; Legal; Leadership; Organisational Planning; Strategic planning	SANRAL		7 of 11

¹Resigned 17 June 2020

BOARD AND COMMITTEES: 01 APRIL 2020 TO 31 MARCH 2021

The RAF Board is fully constituted and supported by various committees which perform oversight on Management's tactical operations.

AUDIT COMMITTEE

The Board of the RAF, as the Accounting Authority, has established an Audit Committee in compliance with the PFMA, as well as the NT Regulations issued in terms of the PFMA. The previous committee (01 April 2019 to 04 December 2019) consisted of five non-executive Board members. The new committee consists of five non-executive Board members.

MEMBERSHIP: AUDIT COMMITTEE

(01 April 2020 to 31 March 2021)

NAME	TITLE	*NO. OF MEETINGS ATTENDED
Mr H Daniels	<i>Chairperson</i>	6 of 6
Mr L Mulaudzi	<i>Member</i>	5 of 6
Mr KM Mthobi	<i>Member</i>	5 of 6
Ms LZ Francois	<i>Member</i>	6 of 6
Mr LM Nyama	<i>Member</i>	3 of 6

The Chairperson is appointed by the Board and is an independent non-executive member of the Board. The majority of current Audit Committee members are deemed to be independent. The Chairperson of the Board is not eligible to be a member of the Audit Committee.

The Audit and SCM Committee meets at least four times a year but may meet more frequently when necessary. The committee may invite the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Audit Executive (CAE) and external auditors, or any other person to attend meetings upon invitation. The committee meets with Internal Audit and representatives of the AGSA at least quarterly to ensure that there are no unresolved issues of concern.

The Board has taken cognisance of the recommendations contained in King IV that the Audit Committee should consist entirely of independent non-executive Board members and should, as a whole, have the necessary financial literacy, skills and experience to execute their duties effectively. The members elected collectively represent the required skills base.

The overall functions of the Audit Committee are to:

- Assist the Board members in discharging their responsibilities relating to the safeguarding of assets, the operation of adequate and effective system and control processes, the preparation of fairly presented Financial Statements in compliance with all applicable legal and regulatory requirements and accounting standards, and the oversight of the Internal Audit appointments and functions.
- Provide independent oversight of, among others:

- a) the effectiveness of the RAF’s assurance functions and services, with particular focus on combined assurance arrangements, including external assurance providers, Internal Audit and the Finance function; and
- b) the integrity of the Annual Financial Statements and, to the extent delegated by the governing body, other external reports issued by the RAF.

The Report of the Audit Committee, on page 132 of Part E of the Annual Financial Statements, provides a full description of its remit. The report includes commentary on internal financial controls, external audit, going concern, Risk Management, Internal Audit, sustainability reporting and the expertise of the CFO and the Finance and SCM functions.

In terms of the RAF Act 56 of 1996, as amended, section 14: (1) The Fund shall keep proper records of all its financial transactions and its assets and liabilities.

(2) (a) The accounts of the Fund shall be audited annually by the Auditor-General appointed in terms of section 2 of the Auditor-General Act, 1989 (Act No. 52 of 1989), in accordance with the Act and with such other laws as may be referred to in that Act.

(b) The Auditor-General shall submit to the Board copies of any report referred to in section 6 of the Auditor-General Act, 1989.

The AGSA is independent from the RAF and does not perform any non-audit services. The designated Audit Senior Manager was rotated after the conclusion of the 2017/18 financial year audit. Generally, the external audit team composition changes every five years.

Among other matters, the Audit Committee is responsible for monitoring and reviewing the effectiveness of the RAF’s Internal Audit function. Each year it considers and approves the Internal Audit Plan, receives and reviews Internal Audit Progress Reports and approves any changes or shortfalls in the Internal Audit Plan.

REMUNERATION AND HUMAN RESOURCES COMMITTEE

The Board of the RAF has also established a Remuneration and Human Resources Committee, formerly known as the Human Capital, Social and Ethics Committee. This committee consists of four non-executive Board members. The CEO is an *ex officio* member of the committee. The Chairperson is appointed by the Board and is an independent, non-executive Director. The committee meets twice a year, or as often as necessary.

MEMBERSHIP: REMUNERATION AND HUMAN RESOURCES COMMITTEE

(01 April 2020 to 31 March 2021)

NAME	TITLE	*NO. OF MEETINGS ATTENDED
Ms LZ Francois	<i>Chairperson</i>	11 of 11
Mr TS Tshabalala	<i>Member</i>	11 of 11
Ms TN Msibi	<i>Member</i>	11 of 11
Dr NB Mabuya-Moloele	<i>Member</i>	11 of 11

The Remuneration and Human Resources Committee is responsible for developing and implementing a competitive Human Capital Strategy to ensure that the RAF is able to attract, retain and develop the best possible talent to support superior business performance. The objective is to create an organisational culture, structure and processes to support the development of people and the optimisation of their potential. The HR Strategy forms part of the Strategic Plan and the committee is responsible for enforcing and monitoring development and progress.

The function of the Remuneration and Human Resources Committee shall include, but are not limited to:

- Being primarily responsible for oversight of remuneration.
- Recommending to the Board issues relating to its responsibility for the governance of remuneration by setting the direction for how remuneration should be approached and addressed on an organisation-wide basis.
- Recommending a policy to the Board for approval which articulates and gives effect to its direction on fair, responsible and transparent remuneration.
- Evaluating the effectiveness of the implementation of remuneration policies and consider independent surveys, as required. Independent surveys should utilise appropriate comparator groups.
- Recommending to the Board specific remuneration packages for Executive Management, including but not limited to basic salary, annual bonuses, performance-based incentives, pensions and other benefits.
- Being responsible for recommending a Performance Management and Development Policy governing performance principles applicable to all employees, and determining any criteria necessary to measure the performance of Executives in discharging their functions and responsibilities.
- Aiming to give Executive Management every encouragement to enhance the RAF's performance and to ensure that they are fairly, but responsibly rewarded for their individual contributions and performance.
- Satisfying itself to the accuracy of recorded performance information that governs the vesting of incentives.
- Being responsible for reviewing at least annually, Executive Management's performance agreements.
- At least investigate annually and advise or make recommendations to the Board on the appropriate remuneration of members of staff, and also be responsible for approving the review of salaries on staff members at all levels.
- Ensuring that all benefits, including retirement benefits and other financial arrangements are justified and appropriately valued.
- Making recommendations to the Board for the approval of Human Capital policies.
- Having due regard for the principles of governance and code of good practice.
- Exercising and performing such powers and functions as may be delegated or assigned to it by the Board.
- The Employment Equity Act.
- The Broad-Based Black Economic Empowerment Act.

The committee is required to ensure that the report provides a clear explanation of how the Remuneration Policy has been implemented.

RISK, GOVERNANCE AND ACTUARIAL COMMITTEE

The Risk, Governance and Actuarial Committee is not a statutory requirement for the RAF. The Committee is mandated to oversee and investigate any activity as contained in its terms of reference but not limited to strategic, liquidity, liability and business, fraud and operational risks, as well as Information Technology risks. The Committee also covers the actuarial aspects of the organisation.

The committee consists of four non-executive Board members, including the DG's representative, as appointed by the Board. The Chairperson is an independent, non-executive member of the Board. The committee Chairperson is knowledgeable of the status of the position and has the requisite risk management, business, financial and leadership skills. The committee meets at least twice a year but may meet more frequently when necessary to discharge all its duties. The committee may invite any other person, so required, to attend meetings.

MEMBERSHIP: RISK, GOVERNANCE AND ACTUARIAL COMMITTEE

(01 April 2020 to 31 March 2021)

NAME	TITLE	*NO. OF MEETINGS ATTENDED
Mr L Mulaudzi	<i>Chairperson</i>	4 of 4
Mr LM Nyama	<i>Member</i>	4 of 4
Ms LZ Francois	<i>Member</i>	4 of 4
Dr MC Peenze	<i>Member</i>	3 of 4

Risk management remains an integral part of the RAF's operations. The Risk, Governance and Actuarial Committee of the Board is satisfied that during the 2020/21 financial year the risks were managed within the risk appetite set by the Board, and that sufficient monitoring, reporting and controls existed to ensure that risks were effectively managed.

The roles and responsibilities of the Risk, Governance and Actuarial Committee shall include:

- Monitoring and expressing an opinion to the Board on the adequacy and effectiveness of the systems, processes, methodologies and tools of risk governance, risk management and internal control systems, including any internal capital model and any other such models as the Committee may deem relevant for the discharging of its obligations and the effective functioning of the entity's risk management processes.
- Monitoring the quality, integrity and reliability of the RAF's Risk Management Framework.
- Reviewing and assessing the integrity risk control systems and strategies which are in place and that they are effectively managed.
- Reviewing and recommending to the Board the strategy, policies and practices related to the management of liquidity risk, at least annually, and ensure that the RAF's management manages liquidity risk effectively.

- Reviewing and expressing an opinion to the Board on annual operating plans for the RAF's overall risk management, forensics, compliance and second line of assurance actuarial function, ensuring that these functions are adequately resourced and have appropriate standing within the organisation.
- Reviewing and expressing an opinion to the Board on annual reports pertaining to the ability of the RAF control functions to fulfil their mandates, including the adequacy of the resources at their disposal, the status of their annual work plans and any changes that need to be made to ensure they can operate effectively.
- Reviewing and recommending the overall Risk Strategy to the Board.
- Reviewing information that has to be provided in the Annual Report of the RAF, related to risk management, governance and actuarial items.
- Reporting to the Board on its activities, particularly identifying any matters in respect of significant risks where it is considered that actions or improvements are needed, and express an opinion on the adequacy of the related risk mitigation plans.
- Reviewing and recommending to the Board the methodologies used to identify, assess, measure, monitor and report on risks, including methods used for the calculation of risk exposures, capital requirement, scenario analysis and stress testing, and the identification and recording of actual losses.
- Evaluating the adequacy and effectiveness of the risk management system, including to review, monitor and challenge the actual assessment and reporting of risks, trends and concentrations, including risk profiles, exposures, capital requirements, risk events, assessments and indicators, and any associated attestations.
- Reviewing and recommending to the Board proposals on the setting of risk appetite limits of the RAF.
- Monitoring the alignment of the risk appetite of the RAF's business strategy as well as its planned business activities.

On an annual basis, the Board undertakes a strategic risk assessment whereby the top risks of the organisation are identified.

OPERATIONS, INFORMATION AND TECHNOLOGY COMMITTEE

The Board of the RAF has established an Operations, Information and Technology Committee. The committee consists of four non-executive Board members. The Chairperson is appointed by the Board and is an independent, non-executive Board member. The committee meets at least twice a year, or as often as necessary.

MEMBERSHIP

(01 April 2020 to 31 March 2021)

NAME	TITLE	*NO. OF MEETINGS ATTENDED
Mr LM Nyama	<i>Chairperson</i>	8 of 8
Dr NB Mabuya- Moloele	<i>Member</i>	5 of 8
Mr KM Mothobi	<i>Member</i>	8 of 8
Mr L Mulaudzi	<i>Member</i>	8 of 8

The functions of this committee include, but are not limited to:

- Developing user-friendly policies on all aspects of claims administration, including undertakings furnished in terms of the Act and any other matter referred to it by the Board.
- Making a recommendation to the Board for the appointment of professional panels.
- Assisting in devising strategies that would improve service delivery and ensuring streamlining of activities in the Operations Business Unit.
- Ensuring that the cost of service providers is minimised.
- Providing strategic direction and overseeing the implementation of an efficient and effective Operating Model.
- Considering, evaluating and overseeing the implementation of all customer services.
- Monitoring transformation and change management activities, including the financial implications thereof.
- Supporting transformation, including transformation at a physical, human resource and financial level.
- Performing an ongoing cost benefit analysis to ensure a return on investment in respect of the operational structure.

For Information and Technology (IT), functions of the committee include, but are not limited to:

- Overseeing the cultivation and promotion of an ethical IT governance and management culture and awareness (measured through levels of governance, management skills and competencies) and of a common IT language.
- Providing the required leadership and direction to ensure that the RAF's IT function and infrastructure achieve, sustain and enhance the RAF's strategic objectives.
- Focusing on the governance of information, as well as the governance of technology.
- Ensuring that an IT internal control framework is adopted and implemented and that the Board receives independent assurance thereof.
- Taking the necessary steps to ensure that there are processes in place to ensure complete, timely, relevant and accessible IT reporting.
- Ensuring that IT is aligned with the performance and sustainability objectives of the RAF.
- Monitoring and evaluating significant IT investments and expenditure.
- Ensuring that IT forms an integral part of the RAF's risk management culture.
- Ensuring that information assets are managed effectively.
- Ensuring that the Risk, Governance and Actuarial Committee, as well as the Audit Committee assist the Board in carrying out its IT responsibilities.

SOCIAL AND ETHICS COMMITTEE

The Board of the RAF has established a Social and Ethics Committee. The committee consists of five non-executive Board members. The Chairperson is appointed by the Board and is an independent, non-executive Board member. The committee meets at least twice a year, or as often as necessary.

MEMBERSHIP

(01 April 2020 to 31 March 2021)

NAME	TITLE	*NO. OF MEETINGS ATTENDED
Dr NB Mabuya-Moloele	<i>Chairperson</i>	5 of 5
Dr MC Peenze	<i>Member</i>	4 of 5
Mr H Daniels	<i>Member</i>	5 of 5
Mr TS Tshabalala	<i>Member</i>	5 of 5
Mr KM Mothobi	<i>Member</i>	4 of 5

The function of the Social and Ethics Committee shall include:

- Monitoring and/or co-ordinating the RAF's standing and activities that the RAF undertakes to ensure that the business work against corruption in all its forms, including extortion and bribery.
- Monitoring that the RAF promotes equality and prevents unfair discrimination.
- Monitoring the RAF's employment relations, and its contribution towards furthering the education of its employees.
- Monitoring the effective management of ethics in the RAF.
- Monitoring and evaluation the implementation of the Marketing and Communication Strategy in achieving strategic organisational objectives.
- Monitoring that disclosure practices regarding transformation and effective consultation with stakeholders including staff and their representatives, etc. are in place.
- Reviewing the strategy to be adopted by the RAF in support of the RAF's strategic objectives in relation to transformation.
- Reviewing the RAF's Transformation Strategy to ensure that it is in line with current legislation and making recommendations to the Board.
- Reviewing specific areas where levels of transformation are found unsatisfactory and recommend corrective strategies.
- Reviewing management's performance against pre-set transformation objectives.
- Approving the employment equity plan as recommended by Executive Management.
- Ratifying the verification agency employed by the RAF to verify progress on transformation.
- Performing any other function delegated to it by the Board.
- Reviewing policies in the Ethics domain.
- Review information to be provided in the Annual Report of the organisation related to people and stakeholder management, as well as ethics, and make recommendations to the Board to ensure that the disclosure regarding people and stakeholder management, as well as ethics, is comprehensive, timely and relevant.

CLAIMS AND LEGAL COMMITTEE

The Board of the RAF has established a Claims and Legal Committee which existed until it was converted to a Legal Committee in March 2021. The committee consists of four non-executive Board members. The Chairperson is appointed by the Board and is an independent, non-executive Board member. The committee meets at least twice a year, or as often as necessary.

MEMBERSHIP CLAIMS AND LEGAL COMMITTEE

(01 April 2020 to 31 March 2021)

NAME	TITLE	*NO. OF MEETINGS ATTENDED
Dr MC Peenze ¹	<i>Chairperson</i>	6 of 6
Ms TN Msibi	<i>Member</i>	6 of 6
Mr TS Tshabalala	<i>Member</i>	6 of 6
Mr H Daniels	<i>Member</i>	6 of 6

¹Appointed as Chairperson on 18 July 2020

The Claims and Legal Committee had the following functions:

- Reviewing and analysing reports on RAF claims.
- Developing, recommending and implement user-friendly policies on all aspects of claims administration, including undertakings furnished in terms of the Act and any other matters referred to it by the Board;.
- Reviewing and analysing for the purpose of recommending the pursuit or settlement of claims, as set out in the Delegation of Powers and Functions Policy.
- Investigating and advising the Board on the implementation of legislative amendments to the Act.

The scope of this Committee's review and oversight functions were limited to claims and legal issues.

The Legal Committee

MEMBERSHIP

(18 March 2021 to 31 March 2021)

NAME	TITLE	*NO. OF MEETINGS ATTENDED
Dr MC Peenze ¹	<i>Chairperson</i>	1 of 1
Ms TN Msibi	<i>Member</i>	1 of 1
Mr TS Tshabalala	<i>Member</i>	1 of 1
Mr H Daniels	<i>Member</i>	1 of 1

¹Appointed as Chairperson on 18 July 2020

The functions of the Legal Committee are the following:

- Providing oversight on Corporate Litigation.
- Advising the Board on Legislative changes; advising on and assessing the impact of changes to the RAF legislation, regulations and delegations.
- Reviewing and recommending Category 'A' policies on legal services at the RAF.

BOARD MEMBER REMUNERATION

The Minister of Transport determines the remuneration of the RAF Board members, taking cognisance of NT guidelines, as well as the RAF's ability to attract and retain the leadership necessary for the turnaround of the organisation. The NT determines a cost-of-living increment annually. Remuneration is fixed at a monthly stipend and not based on a per meeting fee structure.

Board members are remunerated for private kilometres travelled in the course and scope of their duties.

Name	Remuneration	Other allowance	Other reimbursements	Total
	R'000	R'000	R'000	R'000
Adv GJ Rasethaba – (Chairperson Resigned 18 June 2020)	213	-	-	213
Ms TN Msibi – (Chairperson)	965	-	-	965
Dr NB Mabuya-Moloele – (Vice Chairperson)	746	-	2	748
Mr LM Nyama	744	-	-	744
Dr MC Peenze	725	-	1	726
Mr TS Tshabalala	676	-	2	678
Mr KM Mthobi	676	-	-	676
Mr L Mulaudzi	744	-	-	744
Mr H Daniels	744	-	-	744
Ms LZ Francois	744	-	1	745
Total	6,977	-	6	6,983

2. RISK MANAGEMENT

Risk management is an integral part and an essential element of good corporate governance. It is part of the RAF's business strategy to ensure that the organisation can identify and manage risks that impact on business performance and the achievement of objectives. Risks are viewed and assessed holistically and not in isolation, since a single transaction or event may have a significant impact on other risks or be triggered by other risks.

RISK GOVERNANCE

The RAF Board has promoted a 'risk-matured or risk-intelligent' culture. The Risk, Governance and Actuarial Committee (RGAC) oversees the implementation and monitoring of the Risk Management Policy, Business Continuity Policy and related SOPs.

Below is a high-level view of risk management governance at the RAF:



FIGURE 6: Risk Management at RAF

The Board identified eight strategic risks which might threaten the achievement of the RAF's strategic goals and performance targets for the 2020/21 financial year. The risks are depicted below according to their risk ratings:



GRAPH 21: RAF Strategic Risk Ratings

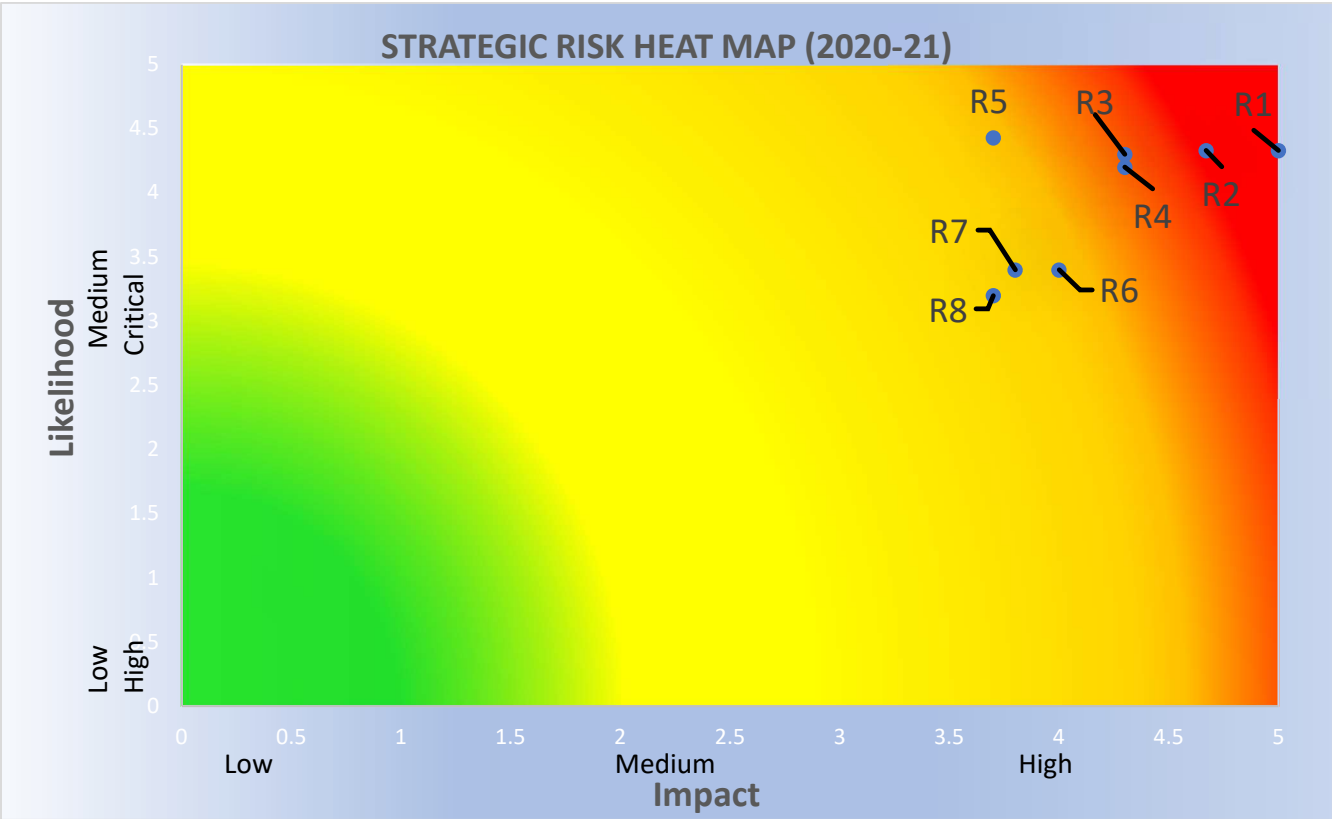


FIGURE 7: RAF Strategic Risk Heatmap

Annual and ongoing risk assessments are conducted to identify, assess, analyse, manage and monitor the strategic, tactical, operational and project risks. The risk management process is integrated and aligned with the strategic planning and performance monitoring processes of the RAF. The risks and related mitigation plans are managed, maintained and monitored on an ongoing basis.

RISK MATURITY

The organisation is currently at Risk Maturity Level 4, which is the second highest maturity level in terms of the Risk Management Capability Maturity Model, as independently assessed by an external service provider. The RAF has elevated Risk Management to a strategic enabler level and has implemented and achieved the following:

- Fully operationalised risk governance structures, namely the RGAC, EXCO, as well as the Risk Champion Forum where Risk Champions from all business units throughout the RAF discuss risk-related issues affecting the organisation.
- Availability of risk advisors for all business units, as well as Risk and Compliance Specialists at regional offices who monitor and report on key and significant risks facing the relevant business units/regions. Emerging risks are also discussed with the CEO and the EXCO monthly and quarterly with the RGAC.
- Risk assessments are performed at strategic, tactical, operational, process and project levels to inculcate a matured risk culture within the RAF. In addition, a Risk Appetite Framework was cascaded to the regional offices to align with the overall organisational risk appetite limits. A process to further simplify the risk appetite and define tolerance limits at the strategic and operational level will be finalised following the current organisational review.
- Over 80% of the Risk Management Implementation Plan's activities were completed due to the prevailing COVID-19 interruptions on the planned work.

COMBINED ASSURANCE

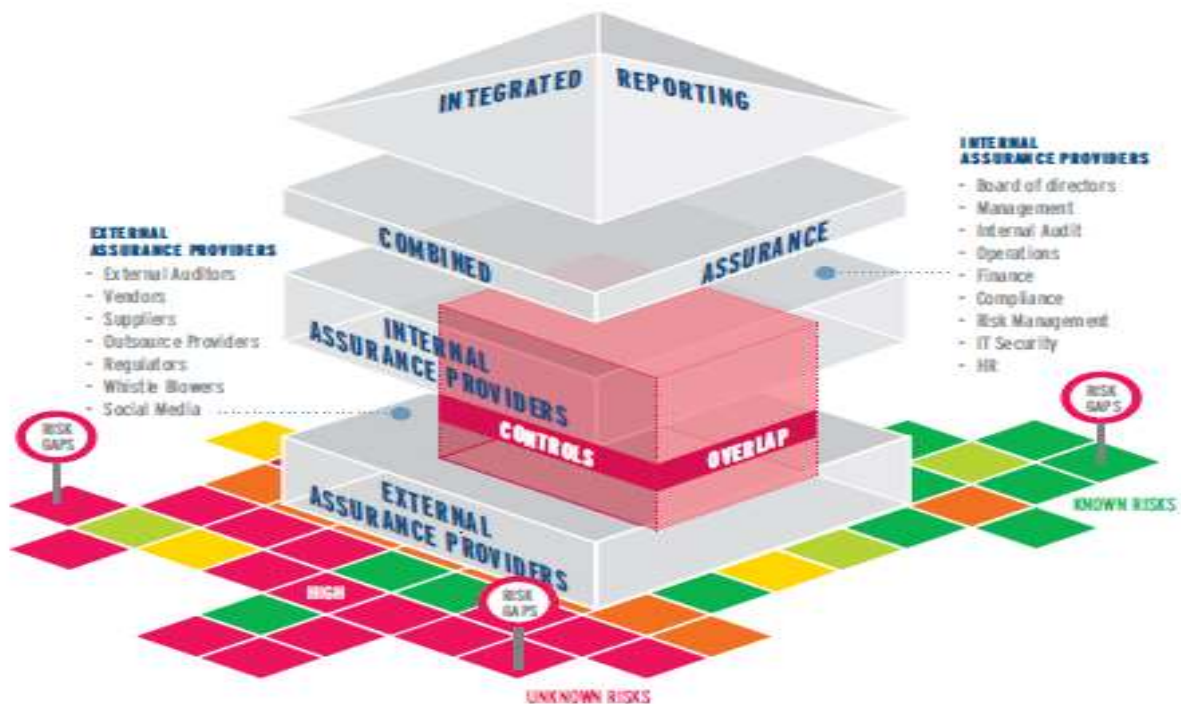


FIGURE 8: Combined assurance at a strategic level

- The Combined Assurance Strategy designed for the RAF is aimed at providing assurance that both the strategic and business operational risks are adequately managed by coordinating the assurance efforts

of Management, as well as internal and external assurance providers. Combined assurance contributes to the overall strategy by ensuring:

- Robust oversight and accountability for combined assurance by the Audit Committee and Combined Assurance Forum (Executives);
- Collaborative risk assessments where all the assurance providers, including Internal Audit, form part of the risk profiling workshops/assessments; and
- Key/high-risk business processes that impact the strategic risks are identified and a risk-based Integrated Combined Assurance Plan is developed and approved by the Audit Committee.

At the core of Combined Assurance is the Combined Assurance Integrated Plan which aligns the work of all RAF assurance providers to the 2020/2021 strategic risks. This plan seeks to ensure that assurance is provided by appropriate levels of defence on all the strategic root causes identified.

In 2020/2021, the Combined Assurance Plan contained 68 business processes planned for assurance across the RAF. Amendments to the planned work by Assurance Providers were unavoidable due to the business interruptions that resulted from the COVID-19 lockdowns. Additional work on processes such as Business Continuity, SCM COVID-19 procurement, compliance monitoring to COVID-19 protocols adopted by the RAF and other ad hoc risk assessments were undertaken. Assurance work performed by different assurance providers was analysed to determine the overall opinion on the control environment around the management of strategic risks, as well as the impact on organisational performance. The overall combined assurance opinion on each strategic risk was reported quarterly to the Audit Committee.

3. INTERNAL AUDIT

KEY ACTIVITIES AND OBJECTIVES OF INTERNAL AUDIT

The RAF's Internal Audit Function forms an integral part of the organisation's corporate governance system. Its purpose is to provide independent, objective assurance and consulting services designed to add value and improve the RAF. Internal Audit assists the RAF to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of internal controls, risk management and governance processes. Ultimately, the assurance provided by Internal Audit assists the Board in fulfilling its disclosure obligations under its corporate governance codes and to report annually to the Minister of Transport and the PCoT on the effectiveness of the RAF's internal controls.

Internal Audit assists Management in identifying, evaluating and assessing significant organisational risks and provides reasonable assurance as to the adequacy and effectiveness of related internal controls; where controls are found to be deficient or not operating as intended, recommendations for enhancement or improvement are provided.

The risk-based Internal Audit Plan was developed and implemented after considering the major risks identified by the Board, Management and Internal Audit. This plan covers all major processes of the RAF.

The Internal Audit function underwent an external quality assurance review, as required by the International Standards for the Professional Practice of Internal Auditing (ISPPA) of the Institute of Internal Auditors in March 2015. The review was conducted by external, qualified and independent assessors and resulted in a favourable rating of 'generally conforms'. Internal Audit is currently undergoing another external quality assurance review in conformance with the Institute of Internal Auditors Standards.

4. COMPLIANCE WITH LAWS AND REGULATIONS

The RAF has established an effective Compliance function with an approved Compliance Framework. The Compliance function has a set of objectives and activities to be achieved on behalf of the Fund. It further assists the RAF in discharging its responsibility to comply with all applicable regulatory requirements through the provision of Compliance Risk Management services. The management of compliance risks and the conduct of compliance-driven activities are in line with legislative requirements and best practice guiding principles.

The Compliance function assists and supports top Management and the organisation in discharging their responsibility to comply with regulatory requirements, by inter alia:

- Assessing compliance risks.
- Evaluating compliance risks.
- Monitoring compliance risks.
- Reporting compliance risks.
- Assisting in remedying compliance risks.
- Embedding a compliance culture within the organisation.
- Facilitating the management of compliance risks.
- Conducting compliance training and awareness.

Furthermore, the RAF has developed and maintains an Integrated Compliance Management Programme. This programme is aimed at high-risk and medium-risk legislation, regulations, and supervisory requirements, as assessed and implemented via the Compliance Risk Management Framework. Compliance Risk Management plans were developed for the RAF's core-risk, high-risk and some medium-risk legislation, with which the RAF must comply.

Compliance with internal policies and procedures is also crucial to the improvement of the governance and control environment within the organisation. A policy universe is maintained and compliance is monitored on an ongoing basis.

Policies are also reviewed on a regular basis to ensure harmony with the legislative and regulatory prescripts. Compliance with applicable laws and regulations is undertaken in line with Principle 13 of the King IV Report (Compliance Governance).

COMPLIANCE FUNCTION

Compliance with relevant regulatory requirements and internal policies and procedures is ensured by the Compliance function.

Key functions of Compliance are to:

- Ensure compliance with all regulatory requirements.
- Identify the compliance risks that the Fund faces and advise on them (identification).
- Design and implement controls to protect the Fund from such compliance risks (prevention).
- Monitor and report on the effectiveness of controls in the management of the Fund's exposure to compliance risks (monitoring and detection).
- Resolve compliance difficulties as they occur (resolution).
- Advise the business on rules and controls (advisory).
- Provide compliance assurance to the Board and the Fund's Management.

- Embed a culture of compliance through effective training programmes and compliance awareness campaigns.

5. FRAUD AND CORRUPTION

FORENSICS POLICY

The Forensic Investigation Policy assists with the prevention and detection of fraud. The strategy was developed to include prevention, detection, investigation and resolution of fraudulent matters.

MECHANISMS IN PLACE TO REPORT FRAUD AND CORRUPTION

The RAF has a Forensic Investigation Policy and a Fraud Hotline in place. The Whistle-Blowing Policy also provides for fraud and corruption to be reported confidentially. Several policies place a duty on employees to report suspicious activities to the FID, or anonymously through the Fraud Hotline.

FID statistics for the period 01 April 2020 to 31 March 2021, depicted in the table below, indicate the extent to which fraud is experienced and managed by the organisation, as well as the RAF's commitment to combat fraud and corruption.

FRAUD HOTLINE

The Fraud Hotline is the RAF's confidential and independent reporting hotline, which enables employees, customers, suppliers, managers and other stakeholders to raise confidential concerns about conduct that is contrary to the RAF's Values. (The contract with the current Hotline service provider has expired and we are in the process of acquiring a new service provider through SCM processes.)

When a tip-off is received through the hotline, it is sent to the FID General Manager who then allocates it to the relevant FID Senior Manager for investigation. Where investigations are finalised and fraud is detected, a criminal docket is registered with the South African Police Service (SAPS) for further investigation.

The Risk, Governance and Actuarial (RGA) Committee holds the oversight responsibility for ensuring the adequacy of the hotline procedures.

POLITICAL DONATIONS, GIFTS AND BRIBES

The RAF is opposed to corruption and illegal practices in all forms. It does not tolerate the giving and receipt of bribes, nor does it condone anti-competitive practices in dealings with government and in the marketplace. The RAF does not permit contributions or donations for political purposes, and requires any lobbying undertaken to be in line with the RAF's ethics and internal policies. RAF employees are not permitted to solicit or accept a gift, hospitality, benefit or money from any service provider, attorney or claimant.

FRAUD CASES REPORTED AND ACTIONS TAKEN

The table below outlines activities within the RAF's FID for the period ending 31 March 2021:

External Investigations		Internal Investigations	
Files carried over	1,411	Investigations carried over	203
Files received	6,380	Investigations received	69
Files closed	5,966	Investigations finalised	59
No. of arrests (people)	5	Investigations where misconduct/fraud was identified	15
No. of arrests (charges)	6	Cases where disciplinary action was recommended (people)	3
No. of convictions (people)	2	Cases where disciplinary action was recommended (charges)	3
No. of convictions (charges)	17	Convictions or guilty outcomes after a hearing (people)	5
Repudiations recommended	4,325	Convictions or guilty outcomes after a hearing (charges)	7
Repudiations: Claimed amount*	R1,931,680,890	Investigations where disciplinary action was instituted	5
Repudiations: Estimated amount*	R63,901,028	Resignations due to, or during investigations or hearings	4
Repudiations: Summons amount*	R162,010,892	Suspensions	6
Cases referred to SAPS**	172	Cases referred to SAPS**	10
Cases registered by SAPS	182	Fraud awareness initiatives conducted	30
* Total Repudiations Recommended = R2,157,592 810		** Total cases referred to SAPS = 182	

6. ETHICS

In line with the King IV Code on Corporate Governance, the Board is committed to setting the tone and striving to lead the RAF in an ethical, effective and responsible manner.

The Board assumes overall responsibility for the governance of ethics by setting the direction for how ethics is approached and embedded in the RAF by approving the Ethics Framework, Ethics Programme and Ethics Strategy.

The Board has approved a Board Ethics Policy and an Ethics Policy which articulates and gives direction on organisational ethics which encompasses both internal and external stakeholders and addresses the key ethical risks within the RAF.

The Board has delegated to Management the responsibility for implementation and execution of the Ethics Strategy, Ethics Programme and policies while exercising ongoing oversight of the management of ethics.

ETHICS PROGRAMME OF ACTION

During the 2019/20 financial year, the Ethics Office continued to implement the Board-approved Ethics Programme of Action (EPA), which outlines what the RAF wishes to achieve with its Ethics Management Programme relative to the overall organisational strategic objectives. The 2019/20 financial year represented Year 3 of the implementation of the EPA, and satisfactory progress has been achieved on the planned activities despite COVID-19 disruptions.

MANAGEMENT OF CONFLICTS

Avoidance of conflict is a policy requirement within the RAF. Among the measures in place to manage conflicts of interest, are annual declarations of interests (DOIs) by employees, annual pledges to commit to the organisational ethics by employees, prior permission from the CEO to perform external remunerative work by employees, declarations of affected claims by employees, and prohibition of acceptance of any gifts, hospitality or benefits. For the 2020/21 financial year, 99% of employees pledged commitment to the organisational ethics and 96% of employees declared interests. Non-compliance with the Ethics Policy and SOPs is a disciplinary offence.

TRAINING AND AWARENESS

Continuous training, induction and awareness in respect of organisational ethics, RAF Values and policy requirements are core activities of the RAF's Ethics Office. Ethics, Values and induction training is compulsory for all RAF employees on an annual basis. During the 2020/21 financial year, 54% of lower staff from Human Capital, Finance and interns were trained while 77% of Case Managers and Human Capital middle managers were trained. New employees are also inducted on the RAF organisational ethics and values, as well as the Ethics Policy and SOPs. 97% of new employees attended Ethics induction sessions.

REPORTING WRONGDOING

An anonymous and confidential Ethics Hotline provides an avenue for RAF employees to report ethics violations (unethical, illegal and unlawful activities), breaches of the Ethics Policy and SOPs and other organisational policies or procedures they may witness or personally experience. Matters reported are investigated by the FID and Management takes the appropriate actions.

ETHICS AMBASSADORS PROGRAMME

During the 2020/21 financial year, the Ethics Office rebranded Ethics Champions to Ethics Ambassadors. They continue to assist with the implementation of the EPA within the Fund. There are currently 90 Ethics

Ambassadors across RAF business units. Due to the COVID-19 pandemic and meetings held virtually, meetings were held with Coordinators only because the majority of them use desktops. The Ethics Office conducts refresher training for Ethics Ambassadors on an annual basis.

7. COMPANY SECRETARY

The Company Secretary's role and responsibilities include, but are not limited to the following:

- Providing a central source of guidance and support to the Board on matters of good governance.
- Assisting with the Board induction and training programmes.
- Ensuring that Board and Committee Charters are kept up to date.
- Preparing and circulating Board documents..
- Eliciting responses for Board and Board Committee meetings.
- Drafting annual work plans.
- Ensuring preparation and circulation of the Minutes of Board and Board Committee meetings.
- Assisting with the evaluation of the Board, Committees and individual Board members.
- Providing assurance that the RAF has lodged all returns, as required by the PFMA, 1999 (Act No. 1 of 1999).

8. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

During the 2020/21 financial year, the RAF sourced a service provider to conduct an annual Occupational Health and Safety (OHS) Compliance Audit at its head office, regional offices and CSCs to measure the level of compliance to the Occupational Health and Safety Act, Act No. 85 of 1993, as amended. The results are outlined in the tables below:

Region	2018/19	2019/20	2020/21	% Change
Eco Glades	98.30%	99.96%	95.60%	-4.36%
Menlyn	97.40%	91.21%	90.90%	-0.34%
Johannesburg	98.60%	Not performed due to the relocation of the office	95.50%	N/A
Durban	96.00%	99.72%	94.20%	-5.54%
East London	96.80%	99.96%	92.30%	-7.66%
Cape Town	98.20%	98.46%	94.60%	-3.92%
Bloemfontein	91.20%	72.69%	95.60%	31.52%
Kimberley	96.10%	58.26%	94.90%	62.89%
Nelspruit	95.10%	94.95%	93.50%	-1.53%
Polokwane	88.30%	99.63%	94.70%	-4.95%
Port Elizabeth	89.20%	89.03%	92.10%	3.45%
Mahikeng	93.20%	99.96%	92.50%	-7.46%
Newcastle	96.40%	Not performed due to COVID-19	-	N/A

NB: Negative % change indicates a decline in OHS score whilst a positive % change shows an increase in OHS score.

9. SUPPORT FUNCTIONS

STAKEHOLDER RELATIONS MANAGEMENT

In line with the King IV Report, the RAF held inclusive, material and responsive stakeholder engagements to respond to and address issues raised by stakeholders in an accountable manner, hence integrating all RAF engagements to organisational governance, strategy and operations.

Among the issues responded to and dealt with, in line with the RAF stakeholder universe, the following groupings were engaged: health sector; transport sector; social sector, judiciary; safety and security; provincial and local government; insurance industry; private sector; as well as the national government. As a result, high-level engagements were held by the RAF in response to various stakeholder concerns. The COVID-19 pandemic had impacted and influenced the number of engagements which could be held and that resulted in the discontinuation of face-to-face engagements. The majority of the engagements in the financial year under review were virtual. This resulted in a disadvantage to those stakeholders and customers without technological capabilities and access being excluded.

The following high-level engagements were held with the external stakeholders: South African Revenue Service, South African State Security Agency(SASSA), Cross-Border Road Transport Agency(CBRTA), Department of Home Affairs(DHA), SEDA, Department of Treasury – Eastern Cape, Department of Health (DoH) (national, provincial and public hospitals), Financial Sector Conduct Authority(FSCA), Board of Healthcare Funders(BHF), Hospital Association of South Africa(HASA), SANTACO, Road Traffic Management Corporation, Commuter Association, Private Ambulance Association, Department of Constitutional Development and Justice, Judge Presidents of different Divisions, private hospitals (such as Lenmed, Clinix, Clayton Group, Life Group, Mediclinic, Nurturecare Group, Foresight, On-Point Healthcare, Sinda Group), Department of Transport (including provincial and different traffic authorities), local and provincial government departments.

During these engagements, the following issues were dealt with in a responsible manner:

- The RAF's financial position.
- Medical tariffs, quality medical care and partnerships proposals.
- Financial literacy collaborations.
- General service delivery issues.
- Delays in the settlement of claims.
- Fraud and corruption awareness and collaboration.
- Litigation management challenges.
- Payment of supplier claims.
- Repudiation of claims.
- General litigation management.
- Other *ad hoc* matters.

In order to institutionalise relationships in support of the RAF business, discussions on operationalisation and partnerships through Memorandums of Understanding (MOU's) with external stakeholders were conducted with HASA, SEDA and the Department of Treasury, Eastern Cape.

ROAD SAFETY

The RAF endeavours to gain insight into factors that contribute to increased road crashes and injuries on South African roads and collaborates with road safety entities to implement mitigation strategies in order to reduce the RAF's liability. The RAF's role in the road safety management arena is guided by the Board-approved Road Safety Policy and SOP. The policy provides a framework within which the RAF manages its participation and contributions to road safety.

Giving impetus to the Road Safety Policy is an Integrated Road Safety Strategy, which was approved by the RAF Board during the 2014/15 financial year. The Five Pillars of the UN Decade of Action for Road Safety, the National Road Safety Strategy (2016–2030), the RAF Act, and the RAF's Strategic Plan 2015–2020 form the basis of the RAF's approach to the implementation of its road safety initiatives.

On an annual basis, the RAF develops a Road Crash Forecasting Report, using data from various information collection agents (ICAs), such as the Road Traffic Management Corporation (RTMC), SAPS, public and private emergency services, provincial and local government traffic authorities, Statistics South Africa (Stats SA) and the Automobile Association (AA). The data provides for scientifically based road safety interventions and strategies and is used to develop campaigns in response to the identified road crash causes and trends.

The 2020/21 financial year has been one of the most difficult the world has seen and the pandemic has affected pretty much every aspect of the world's economic and social activities. Road Safety programmes, especially where there is a lot of human contact, were also put on hold until it was safe for everyone to implement and as a result, less activity was seen for the Fund as shown in the table below.

Programme	Outcomes
Implementation of Crash Verification System (CVS) (APP 2020/21 target)	Contributing to road safety by managing an internal road crash database: There are currently a total of twelve (12) Information Collection Agents that have shared road crashes related data with Road Safety; RTMC, ER24, SAPS, EKurhuleni Metro Police, Limpopo Department of Roads and Transport, Gauteng Community Safety, Tshwane Metro Police Department, Johannesburg Metro Police Department, Mpumalanga Community Safety, Department of Transport KZN, North West Community Safety and EThekweni Metro. For the quarter, there were 1487 referrals out of which 2029 were fatalities and 168 serious injuries.
Youth Driver Development Programme (YDDP) (APP 2018/19-2020/21 targets)	The RAF implemented the YDDP that seeks to promote youth road safety, while contributing to the reduction of youth unemployment. Of the target to train 360 youth to obtain their heavy vehicle drivers' licences and public drivers' permits, only 150 learners' licences were obtained. The programme will continue into the new financial year.
Tyre Safety Training	In support of the amended National Traffic Act which compels motorists to restrain children properly when travelling with them, the Fund distributes child restraint car seats in strategic areas such as hospitals and also during law enforcement operations. During this tough, no-activity financial year, the Fund conducted a massive child restraint workshop jointly with Wheelwell. The aim of the workshop was to attempt a world record of most car seats distributed in a day. The total number of car seats distributed was 127.

Programme	Outcomes
Road Safety Partnerships	Principal to the implementation of the RAF's road safety programmes is partnerships with Non-Governmental Organisations. Through partnerships with the Abuti Rams Foundation, the Fund conducted Road Safety Workshops (online) with the youth in Limpopo, Gauteng, North West and KwaZulu-Natal. The purpose of the four-month programme conducted in the form of capacity building workshops was to address the minimal road safety knowledge and explore the best practices amongst youth and also expose them to opportunities within the road safety and transport fraternity in general.

CORPORATE CITIZENSHIP

The RAF subscribes to the King IV principle of ensuring that an organisation is a responsible corporate citizen. To this end, the Social and Ethics Committee (SECOM) has provided oversight over the Fund's core purpose and Values. This was achieved through the monitoring of the RAF Ethics Policy and implementation plan. SECOM further provided oversight to ensure that the Fund's strategy and conduct are congruent with being a good corporate citizen.

CORPORATE SOCIAL RESPONSIBILITY

The RAF's Corporate Social Responsibility (CSR) Programmes are an integration of social, environmental and economic contributions towards society. The Fund's CSR Strategy is aligned with the organisation's core business objectives and the government's socio-economic and development priorities. CSR subscribes to the broader solution, i.e. the triple bottom-line of profit, people and planet with an added dimension, as it is measured by the Broad-Based Black Economic Empowerment (B-BBEE) Act. It resorts under the Socio-economic Development (SED) element in the Codes of Good Practice.

The RAF's Corporate Social Responsibility (CSR) could not implement the CSR Programme due to COVID-19.

PROGRAMME MANAGEMENT OFFICE

The RAF's Programme Management Office (PMO) is responsible for strategy enablement through the identification, management and delivery of transversal projects. At the core of executing the PMO mandate is project governance, which is underpinned by RAF project management and business analysis frameworks. This allows for a controlled and auditable environment in which resources, budgets and deliverables are managed in a systematic manner. The results of project execution are then measured and documented against the founding business case to ensure value realisation for the business. All projects are formally closed through project close-out reports, and lessons learned are documented and shared accordingly to avoid repeat failures.

The PMO's value propositions are:

- Quantifying the impact of legislative and/or strategic change and enabling the business to resource, upskill, train and implement change programmes.
- Minimising delays and wastage by optimising business processes to promote operational efficiencies.

- Continuous business improvement through provision of analysis and advisory services.
- Assisting the business to visualise the change, understand the impact, prepare a response and to act decisively.

INFORMATION AND COMMUNICATION TECHNOLOGY

During the period under review, the ICT Department remained focused on supporting the RAF business to execute its core mandate and enable the organisation to achieve its strategic and operational objectives set out in the newly defined Five-year Strategic Plan for the years 2020 to 2025. This was done through a continuous partnership and engagement with business to maintain alignment and awareness. The strategic plan consists of four strategic outcomes, and one of those is to modernise the ICT Systems of the RAF.

One of the measures outlined in the 2020–2025 Strategic Plan is for ICT to implement a new Integrated Claims Management System to improve the efficiency of claims processing and control elements that will assist in the prevention and detection of fraud. To achieve this objective, the leadership of the RAF has taken a strategic decision to optimise the current claims system as a first step towards the implementation of an Integrated Claims Management System in order to align ICT-enabled processes to a product-centric strategic direction as this is an integral part of the RAF transformation journey.

The overall objective of the optimisation project is to drive enhancement of the existing claims systems to be utilised for the purpose of claims administration. This includes processing, storing and protecting a massive amount of critical transactions and data used to settle legitimate claims, whilst the broader organisation is finalising long-term solutions to modernise the claims system substantially.

In the 2018/2019 financial year, the ICT Department identified Enterprise Architecture (EA) as a key focus area in re-engineering the claims business processes and implemented a claims management system for the future. The project for EA capabilities and services was started in the 2019/20 financial year with the objective of identifying opportunities and solutions to support the RAF transformation strategic objectives. In the period under review, all the scoped architecture artefacts were completed and were used as a basis for the definition of the RAF Target Operating Model.

The above-mentioned ICT strategic projects for the RAF as well as other ICT operational initiatives were executed with cyber security and risk in mind. It is for this reason that the department has made a number of significant investments in ICT security technologies to ensure key mitigation plans are in place to ensure that ICT strategic risk exposure is minimised proactively and managed responsibly. This is to optimise the ICT security systems as well as implementation of effective data protection measures.

Significant progress has been made in deploying these security initiatives, including revising the Information Security Strategy, and the development of a new Information and Cyber Security, ICT Governance, Risk and Compliance (GRC) Strategy which was completed in the 2019/20 financial year. The strategy aims to improve overall security across ICT and build cyber resilience within the RAF. The strategy identified security opportunities and initiatives that ICT has undertaken in the short and medium term to improve the RAF

information security posture, and overall information protection. Some of the short-term and medium-term initiatives span multi-financial years, and they commenced in the 2019/20 financial year. The implementation of the identified short-term to medium-term initiatives that were planned to be completed by the end of Quarter 3 are progressing as planned. Long-term initiatives are in the process of being planned to commence in the next financial year.

The department also continued to focus its attention in providing effective ICT service availability and has sustained an acceptable level of up-time and availability of all services.

CORPORATE COMMUNICATIONS

INTRODUCTION

The RAF Corporate Communications Division consists of five business units, namely:

- Marketing;
- Reputation Management;
- Social and Digital Media;
- Internal Communication; and
- Call Centre.

High-level Overview: Paid Media

Description	2018/19	2019/20	2020/21
Print	R12,170,462	R949,700	0
Television	R118,560,000	R199,364,511	0
Radio	R183,903,000	R155,415,000	0
Out-of-Home (OOH)	R2,072,914.00	R8,646,576	0
Value Added	R10,000,000	R3,127,620.30	0

MARKETING

Marketing Campaigns

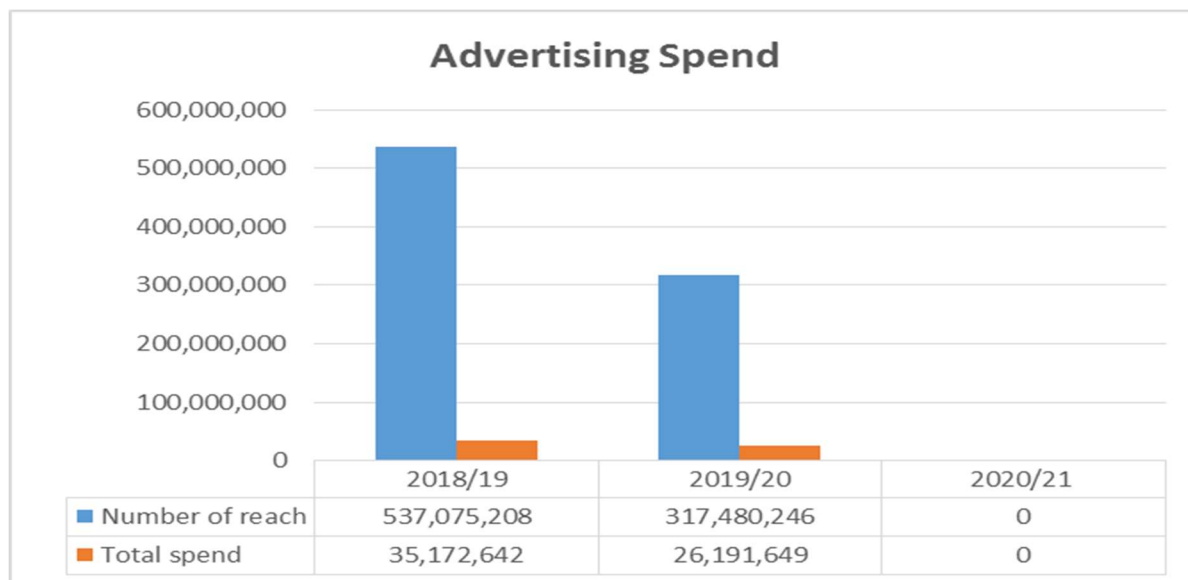
In January 2020, the Marketing Unit finalised its Festive Season Campaign that ran successfully on below-the-line and above-the-line advertising platforms. From February, the business commenced with its turnaround of backlog reduction drive strategy, subsequently, all direct claims promoting projects were halted to give focus to the new business model. Given the unfortunate reality of the COVID-19 pandemic, the Operational Plan was not activated as with all previous years.

Business Support

Regional support activities were halted due to the countrywide lockdown.

Advertising Spend

Description	2018/19	2019/20	2020/21
Number of reach	537,075,208	317,480,246	0
Total spend	R35,172,642	R26,191,649	0
Cost per contact	R0.06	R0.08	R0.00

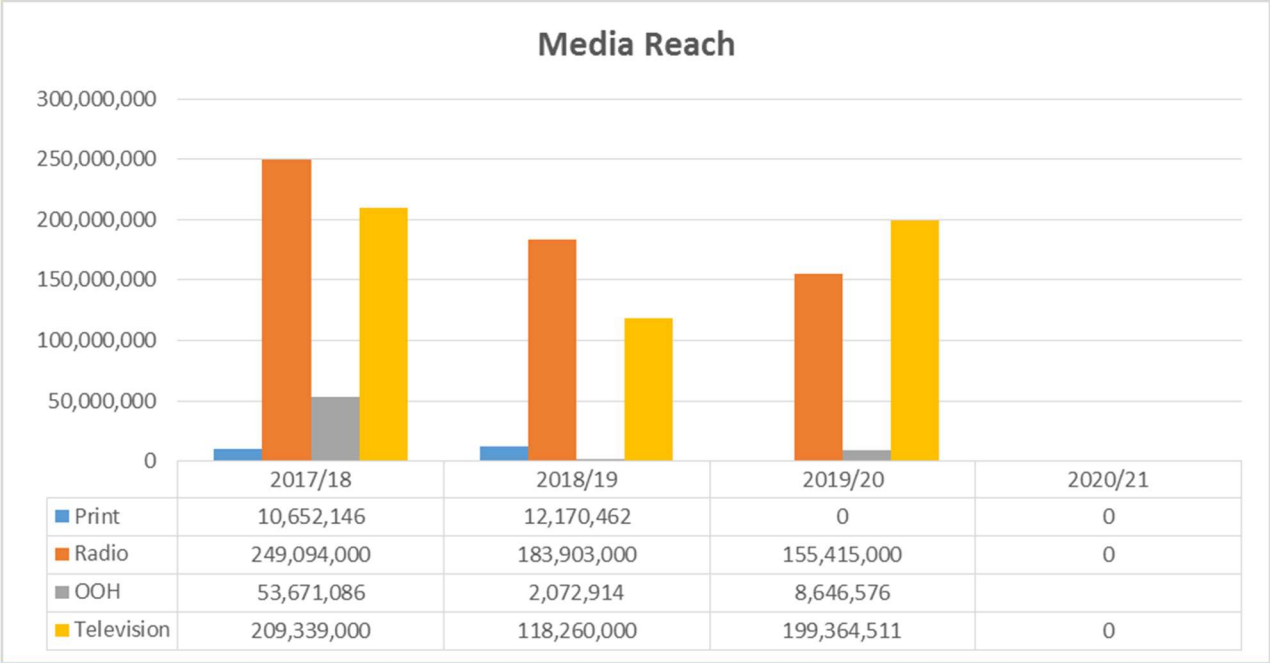


Graph 22: Advertising Spend

No Advertising Added Value was realised during the 2020/21 financial year.

Media Reach

Description	2017/18	2018/19	2019/20	2020/21
Print	10,652,146	12,170,462	9,497,00	0
Radio	249,094,000	183,903,000	155,415,000	0
OOH	53,671,086	2,072,914	8,646,576	0
Television	209,339,000	118,260,000	199,364,511	0



GRAPH 23: Media audience reach

Due to the strategic direction change as well as the unfortunate realities of the COVID-19 pandemic lockdown protocols where gatherings were not allowed, there were consequently few face-to-face outreach engagements that took place during the year. The activations that took place were strategically driving road safety awareness and the table below indicates that they mostly took place during Quarter 3 of the financial year.

Research Initiatives

A variety of research reports were published and research initiatives developed during the 2020/2021 financial year. The Combined Assurance Perception Survey was commissioned by the Risk Management Department. The report was finalised in Quarter 2 and contained the findings to gauge stakeholders' views on the value derived from the Combined Assurance activities to the RAF operations since its inception in 2014/ 2015.

During Quarter 2, the Contact Centre Technologies and the 'New Normal' report was published. The purpose of the report was to look at how the COVID-19 pandemic was placing massive pressure on the Call Centre to become increasingly more agile and adapt to the realities of the work-from-home model. The trends impacting the Call Centre and implications for the RAF were shared with the Call Centre Management and GM: ICT to inform the RAF's Call Centre future operations.

A report on customer journey mapping and how it could be a useful strategic tool during the RAF's transformation was published in Quarter 3 and shared with Change Management and the Corporate Communications team. In addition, the Unit assisted Change Management in the deployment of the Project Team Alignment and Cohesion Survey and compiled the data summaries and calculated the team scores.

Planned research initiatives that were developed during the 2020/2021 financial year include rolling out a survey to the RAF employees to assess the effectiveness of working remotely as part of the Business Continuity Recovery Strategy and the ICT Service Desk Survey. Due to the approval processes, this study will be rolled out at the beginning of the looming financial year.

REPUTATION MANAGEMENT (RM)

High-Level Overview: Earned Media

Description	2020/21
AVE	R127,642,978
Added Value Media (Linked to media buying)	N/A

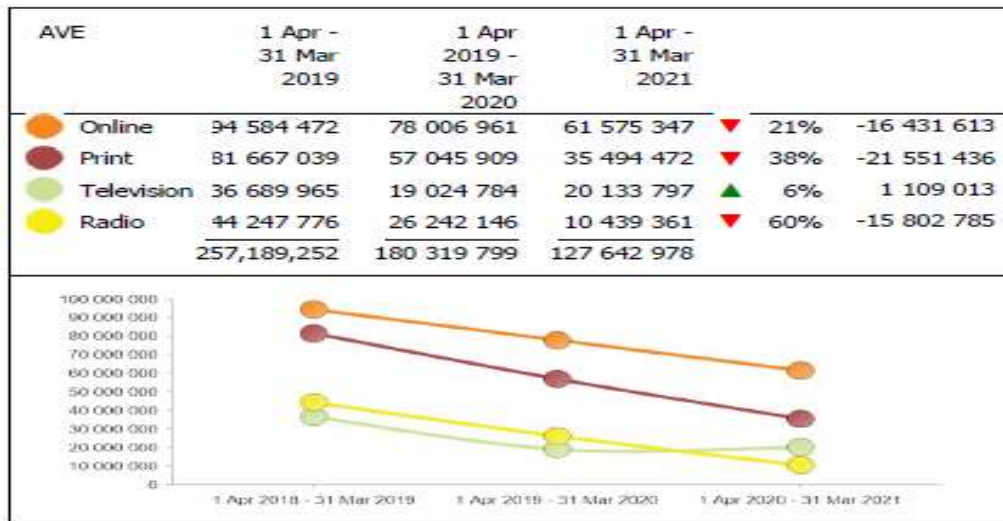
MEDIA PLATFORMS AND FAVOURABILITY

Description		2020/21
No. of clips	Print media	859
	Radio	422
	Television	120
	Online media	1,804
Favourability measure (clips)	Positive	4.6%
	Negative	23.8%
	Neutral	71.6%

Reputation Management's (Media and PR's) overall AVE for the 2020/21 financial year was R127 642 978, which is not a true reflection of the potential media coverage attainable through actively solicited media coverage. This was mainly due to lockdown restrictions and delays in the approvals of Corporate Communications' Strategic and Operational Plans which in turn limited media activity. Reports comprised mainly of unsolicited coverage made up of media queries about the RAF's financial and legal challenges; requests for interviews with the CEO/spokesperson; and other news prompted by claimants' heightened uncertainty regarding their claims. The latter news included stories about attorneys' ongoing court action following the RAF's panel closure, and internal efforts to steady the ship due to ongoing financial constraints, compounded by the economically devastating effects of the COVID-19 pandemic.

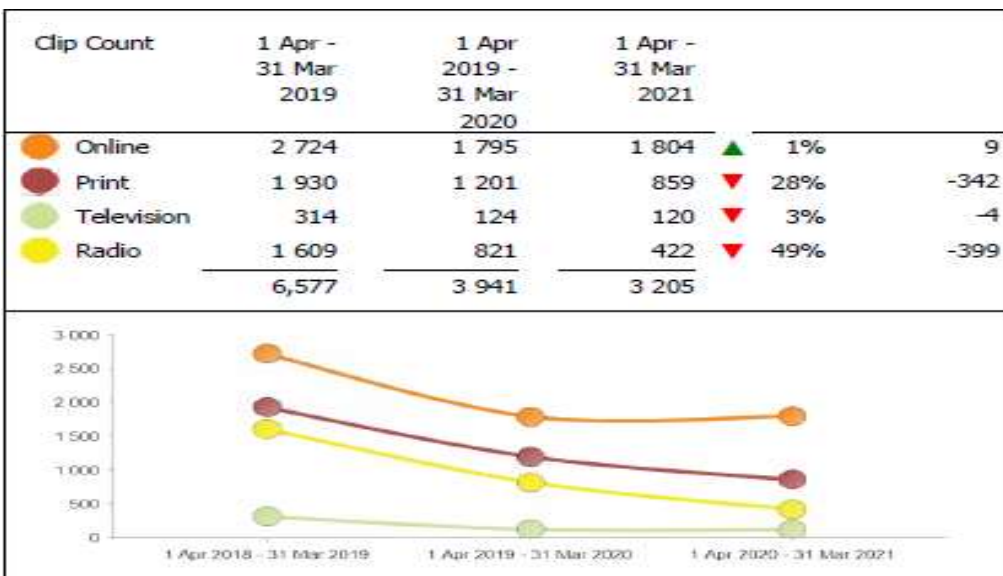
Key stories included: KwaZulu-Natal Private Ambulances Association's protest over non-payment for services rendered to car-crash victims; the Finance Minister's mid-term Budget Speech mentioned that the RAF was one of several financially strained state-owned entities; non-payment of claimants; and a High Court judge's call for the RAF to be placed under administration or liquidated – including NUMSA's rejection of this.

Any negative reports were somewhat offset by stories around arrests of bogus law firms fleeing claimants, including reports of car-crash victims submitting fraudulent claims.

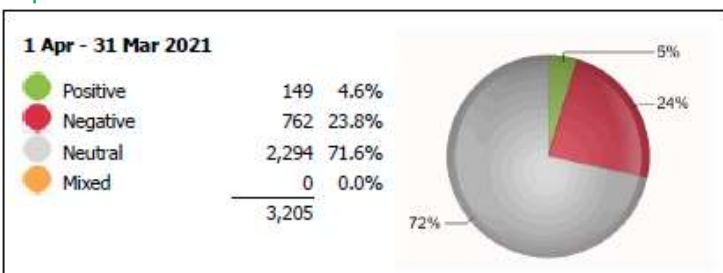


Graphs 24: Media Platform

Total AVE

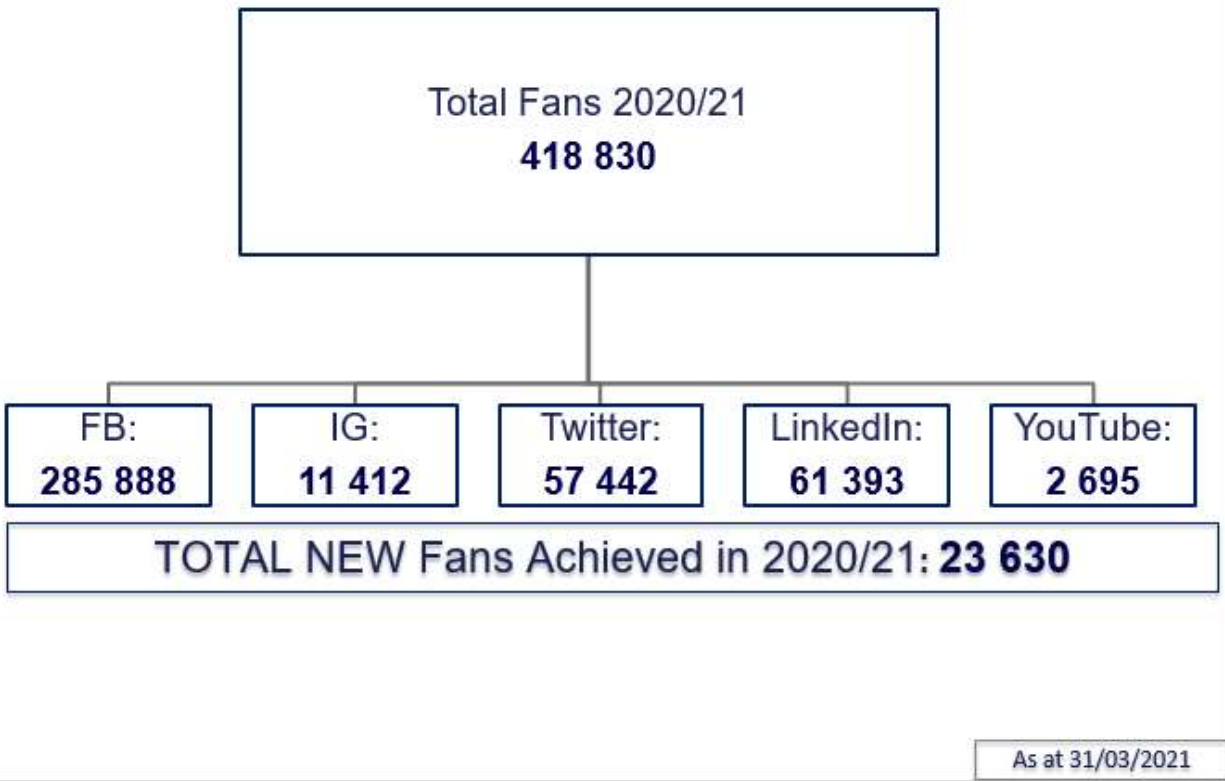


Clip Count



Favourability

SOCIAL AND DIGITAL MEDIA



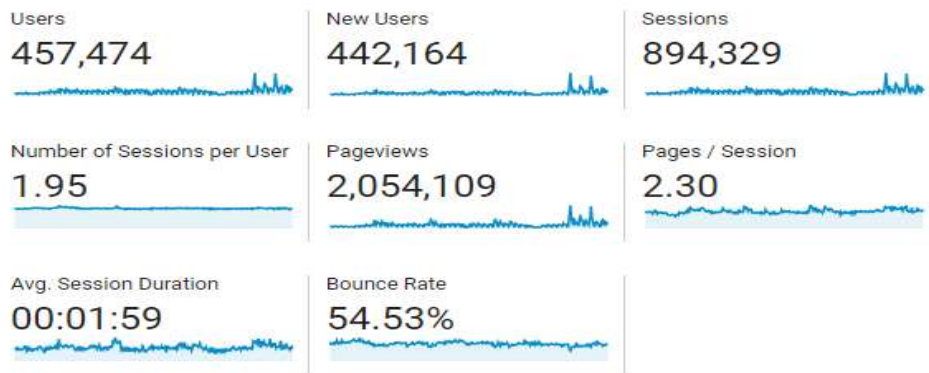
Total fans 2019/20 = 395,200

Total fans 2020/21 = 418,830

New fans acquired versus previous year = 23,630

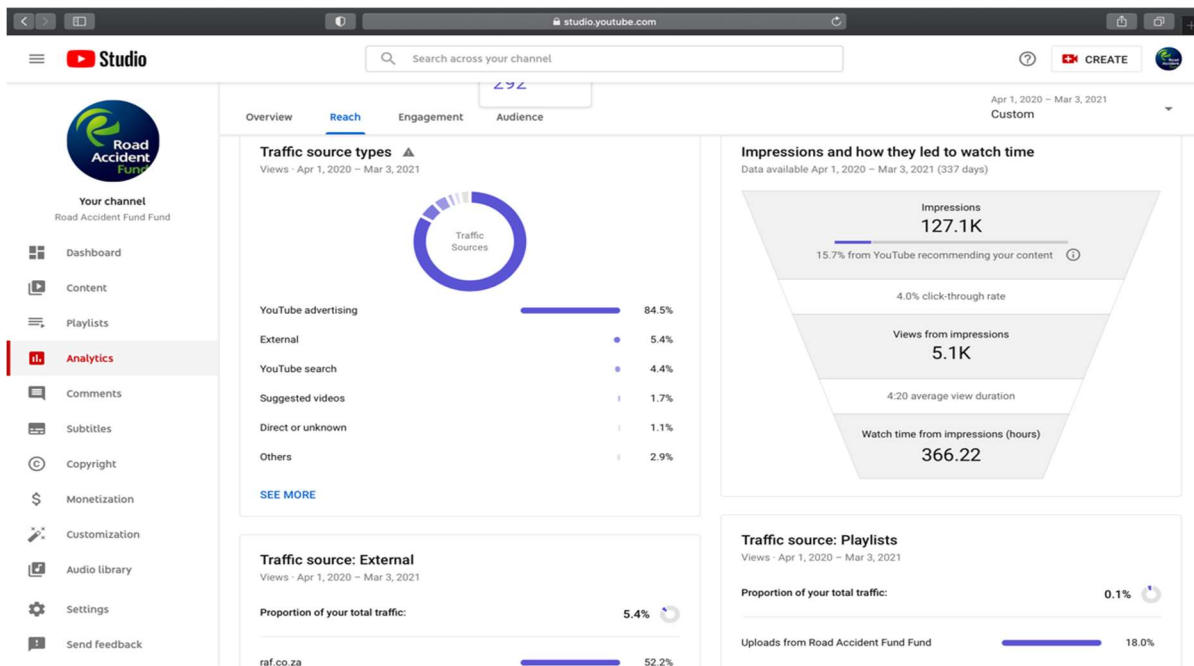
Website Quarter 1– Quarter 4 Highlights:

The website's Bounce Rate for organic search traffic remains significantly below the target at 52.01% and overall site-wide Bounce Rate at 54.53% as a result of an engaging and interactive website home page that was implemented which includes rich content such as videos that are changed from time to time. The website engagement rate boosts a healthy average session duration of 01:58 from a total of 2,054,109 visitors in the 2020/2021 fiscal. The website was updated regularly with monthly themes and the #ICARE theme generated 130,734 visits during its inception in the November and December 2020 period.



YouTube Quarter 1 – Quarter 4 Highlights:

The focus on the YouTube channel was to optimise the YouTube channel by creating playlists of RAF-related content on the channel, creating engaging thumbnails, adding the key search words to the videos on the channel, and optimising the titles of the videos to sound catchy. The YouTube channel got 116,432 views in this financial year with a watch time of 4,400 hours and accumulated 195 subscribers to make a total of 2,695 subscribers. The RAF website contributes 53.6% of the total YouTube traffic. The RAF has introduced the new strategic objectives for the organisation to drive the operations. As part of the implementation of the strategy and realignment, the Social and Digital Media (SDM) team did an audit on the channel to be able to identify areas that needed to be aligned with the new direction the organisation is taking. The audit identified the videos that were reflecting the direct claims massaging then the SDM team edited them.



INTERNAL COMMUNICATION

The Internal Communication Unit is primarily responsible for strategic employee communications within the RAF to positively influence the knowledge, attitudes and behaviours of current employees. The Unit facilitates, enables and advises on best practice for the RAF to communicate effectively, efficiently and timely to its employees, enabling employee engagement and helping to deliver change. The Internal Communication team further provides strategic employee communication support to other business units to ensure that their projects and initiatives are properly communicated to RAF employees. The Unit is also the custodian of language services within the Fund through its Language Unit.

Internal Communication provides the following functions: implementation of the RAF Internal Communication Strategy, internal communication planning, internal channel management, editing and publication of corporate publications such as the weekly staff newsletter, the Weekly Highlights, the RAF Annual Report, APP and Strategic Plan. The Unit also provides a copy-editing service, translations and proofreading. Internal Communication further provides internal design and video production services and is responsible for the management of the RAF's corporate television networks, RAF TV and STATS TV.

The dissemination of important messages to employees of the Fund is a key function of the unit. Among the communiques distributed on a daily, weekly and monthly basis are the following: management directives, memoranda, Human Capital advertisements, news updates, delegations of authority, new employee profiles, staff newsletters, special commemorative days announcements, change communications and internal events.

On Thursday, 05 March 2020, the National Institute for Communicable Diseases confirmed that a suspected case of COVID-19 had tested positive in South Africa. This officially announced the arrival of the COVID-19 pandemic in the country. On 23 March 2020, a national lockdown was announced by President Cyril Ramaphosa, starting on 27 March 2020. This, in essence, changed the way organisations operate with working from home and video meetings becoming the new normal. This brought about a greater and more pressing need for the RAF Internal Communication Unit to provide efficient and timely communication to the Fund's staff, especially those working remotely due to the various levels of lockdown brought about by the pandemic.

The RAF had to adapt and, in a very short turnaround time, issue crisis Internal Communiques on diverse issues such as remote working arrangements, safe claimant interactions, the fulfilling of critical duties and COVID-19 preventative protocols. The Internal Communication Unit played a crucial role in informing staff of these arrangements under the various levels of lockdown. Some of the issues covered in a number of communiques to staff included updates on the COVID-19 protocols and guidelines, COVID-19 employee-screening procedures, central points of contact for claimants, and the use of drop-in boxes at entrances to reduce claimant walk-ins, amongst others. Moreover, the Unit assisted with the drafting of various leadership communications around particular lockdown arrangements and return to work plans after the lockdown alert levels were relaxed.

The Unit further assisted with the production and dissemination of COVID-19 information collateral and distributed various infographics to staff. Some of these were distributed in partnership with the RAF Employee Wellness Services and in conjunction with the RAF's wellness service provider ICAS. The Internal Communication team also worked closely with the Fund's Crisis Management Task Team ensuring that employees were informed of developments around COVID-19 in the Fund, and in South Africa at large.

The Unit specially designed a tailor-made electronic publication called the Weekly COVID-19 Update to inform staff of all the news and developments in relation to the pandemic and lockdown. This newsletter was distributed every Tuesday.

The Internal Communication team also supported various change initiatives within the RAF during the year under review. These included strategic internal communication support to the launch of the RAF's new Organisational Values, staff awareness around different activities in the review of the organisation's structure, and supporting the project teams responsible for the RAF Skills Assessment and the clearing out of the existing backlog of direct claims projects.

A highlight for the broader Internal Communication team was the recognition of the RAF's Language Unit, in February 2021, by The Pan South African Language Board (PanSALB) when they awarded the RAF with a Special Award for its efforts in ensuring that the general public have access to RAF information in their choice of official languages. The Unit further participated in the virtual launch of the South African Sign Language Charter, also hosted by PanSALB, at the end of 2020.

The Language Unit further reviewed, translated and transcribed the *All You Need to Know About the RAF* brochure in all official languages including Braille. The booklet was subsequently distributed in the regional offices of the Fund countrywide.

The Language Unit further assisted the Department of Transport (DoT) with the translation of COVID-19 information materials in all official languages since lockdown commenced in March 2020. These materials were utilised to communicate COVID-19 transport-related information to the external target audiences of the agencies falling under the DoT.

Content development for the weekly loops on the Fund's corporate television channel, RAF TV, continued as per schedule. STATS TV, an additional internal TV channel to constantly update staff on the Operations areas across the Fund as it pertains to progress with reaching their APP targets, was also launched during the year under review. Operations APP figures, performance data and graphs are broadcasted for this purpose.

The following table provides an overview of the total output of the Internal Communication Unit for the reporting period ending 31 March 2021.

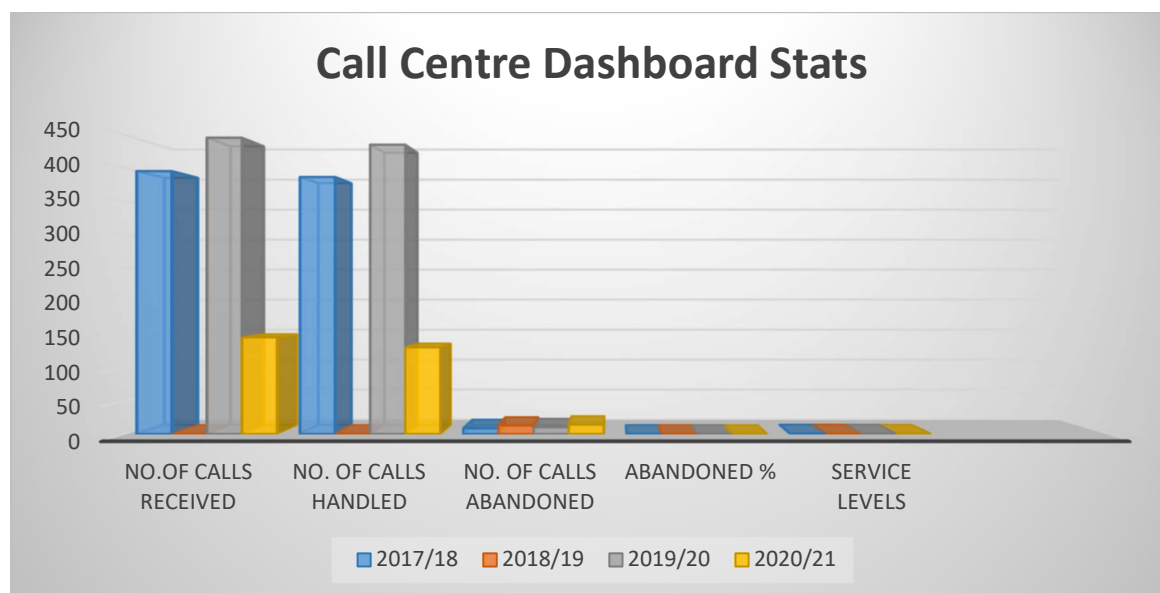
Description	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
No of Internal Communiques sent to staff	Not available	Not available	1,178	914	760	758
No. of translations Done	Not available	Not available	703	373	59	305
No. of edits done	Not available	Not available	312	737	306	667

CALL CENTRE

The RAF Call Centre is an inbound facility that deals with all claims-related queries relating to general information, latest claim status, claim payments, undertakings and supplier-related queries.

For the financial year ending 31 March 2021, the Call Centre had COVID-19 related challenges towards the achievement of strategic objectives as set out in the APP. The table below reflects the outcomes relating to the COVID-19 related challenges:

Details	2017/18	2018/19	2019/20	2020/21
No. of calls received	395,841	423,643	446,036	145,647
No. of calls answered	387,044	410,672	435,651	130,709
No. of abandoned calls	8,797	12,953	10,301	14,518
Abandoned calls %	2,22%	3,05	2,3%	10.97%
Service level	93,87%	90,17%	86,3%	54,53%



- The 2020/2021 financial year performance was adversely affected by the COVID-19 lockdown as Call Centre operations were halted from March 2020 to September 2020
- During the lockdown period, only remote services were available; these were email services and Callback services which commenced in June 2020.
- From September 2020, operations commenced with only 40% of the staff complement to enable social distancing as per government protocols.
- A total of 145,647 calls were received which represents a decrease of 67% compared to the 2019/2020 financial year. All the other metrics were also negatively affected. The abandoned call rate recorded a 10.97% performance. Furthermore, the service level was at 54.53%.

The rest of the operational statistics were reported as follows:

- Quality: 94.30%
- Emails: 20,070 received and processed
- Email turnaround time: 03:13:22
- Callbacks: 66,416 claimants were called back after leaving messages
- Walk-in clients: 165 claimants consulted following up on their claims
- Post-Call Survey Results: 2.5 rating out of a 3 (excellent) rating

TURNAROUND STRATEGY TO IMPROVE ACCESSIBILITY

To ensure business continuity during this pandemic, a percentage of Call Centre staff are set up for remote operations while half of the staff complement is office bound. This plan will ensure accessibility to RAF's services and responsiveness in cases of further lockdowns or any unforeseen disasters. To improve efficiencies and the business continuity plan, a Call Centre system transformation is underway.

REGIONAL MARKETING

Regional Marketing Managers embarked on a number of initiatives aimed at achieving the organisation's strategic objectives of increasing accessibility to RAF services, increasing brand awareness, educating the public on the RAF's products and services, and promoting road safety.

In addition to extending national campaigns, promotions, activations and events in their regions, they were also at liberty to launch their own brand awareness initiatives in their respective regions. One of their top priorities was to establish relationships with key stakeholders in the regions as well as to strengthen existing ones.

Partnerships with local community radio stations were also maintained and some regions had standing weekly interviews with these radio stations.

10. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table has been completed in accordance with compliance with the B-BBEE requirements of the B-BBEE Act of 2013, as determined by the Department of Trade and Industry.

Has the Department/Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regard to the following?		
Criteria	Response Yes / No	Discussion <i>(include a discussion on your response and indicate what measures have been taken to comply)</i>
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	The nature of the RAF business is in no way or form related to the issuing of licences or concessions. Thus, this section is not relevant to the RAF.
Developing and implementing a preferential procurement policy?	Yes	The RAF applies the Preferential Procurement Policy Framework regulations and the provisions and principles of the B-BBEE Policy Framework in its procurement processes.
Determining qualification criteria for the sale of state-owned enterprises?	No	The RAF has not been in a position of disposing any assets by selling; however, the qualification

Has the Department/Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regard to the following?		
		criteria may be aligned with economic transformation objectives should the need arise.
Developing criteria for entering into partnerships with the private sector?	No	The RAF has not been in a position where it has had to enter into partnerships with the private sector; however, the qualification criteria may be aligned with economic transformation objectives should the need arise.
Determining criteria for the awarding of incentives, grants and investment schemes in support of B-BBEE?	Yes	The RAF applies criteria such as percentage of ownership by black women, youth and/or people with disabilities when evaluating and awarding grants for Enterprise and Supplier Development beneficiaries in line with the provisions and principles of the B-BBEE Codes of Good Practice and broader B-BBEE Policy Framework.

11. SUPPLY CHAIN MANAGEMENT

Supply Chain Management (SCM) was and is recognised as one of the key mechanisms that enable the RAF to realise its business objectives. Even though traditionally across the public sector, SCM has always been misinterpreted and underrated, the importance of positioning SCM within the RAF was recognised as a hurdle against a favourable business outcome as SCM has currently been under-capacitated with limited resources. Management recognised that the SCM re-engineering process is critical for the provision of support services and must be an effective feeder to the successes of RAF operations. The re-engineering process of SCM as a Business Unit was to refine and establish effective mechanisms towards SCM components, operational efficiencies and alignment with the applicable legislative framework. This initiative was conducted to align SCM with the RAF new Operating Model, by ensuring effective demand, acquisition (procurement), supplier, reporting and contract management. To achieve effectiveness within SCM, the Business Unit will conduct a recruitment drive to acquire capacity of the SCM organisational structure that will mitigate the current gaps. Notwithstanding, it is envisaged that during Quarter 2 of the 2021/2022 financial year the SCM Strategy will be delivered. The SCM Strategy defines how the SCM Unit should operate in order to fulfil the business requirements that will assist the RAF to achieve its business objectives.

Another achievement was the attainment of Level Three Contributor of the RAF's B-BBEE rating status (by an accredited B-BBEE rating agency) to being below the Level Five target for 2019/20. The organisational preferential procurement spend achieved was 110% for the 2019/20 financial year.

REPORT OF THE AUDIT AND SCM COMMITTEE

The Report of the Audit Committee appears on page 139 under Part E: 'Annual Financial Information'.

PART D

HUMAN CAPITAL MANAGEMENT

1. INTRODUCTION

During the year under review, the Human Capital (HC) Division achieved significant progress against its strategic objectives, as contained in the 2020/21 APP. The division evolved and adapted its service offerings and structure to meet ongoing business demands. The following is a summary of the most notable achievements against the HC APP targets.

2. HUMAN CAPITAL OVERSIGHT STATISTICS

VACANCY STATUS

One of the key functions of the Human Capital Management is to capacitate the organisation with the right talent to fulfil the mandate of the RAF. This proved to be a challenging task during the 2020/21 financial year. The vacancy rate was 7.32% during the reporting period with 221 vacant positions. The appointment of external candidates directly influences the vacancy rate. However, finding the balance between external and internal appointments becomes more important to ensure that employees' progress within the organisation and key talent is retained. To ensure the RAF attracts the very best talent in a competitive labour market, it utilises online platforms which have proven to be an effective method of talent sourcing.

RAF EMPLOYMENT EQUITY

HC continuously monitors its progress on EE targets as reported to the Department of Labour. The National and Regional EE Committees focusing on the advancement of transformation and skills development support the HC transformation effort.

Below are the Employment Equity Statistics

Detail	Total	Percentage
Total number of RAF employees	2,909	100%
People with Disabilities	68	2.34%
White male employees	63	2.17%
Total EE Status employees	2,846	97.83%

The total of 2,909 includes temporary employees, fixed-term contractors and interns.

Female representation within the RAF is 57% (1,670/2,909) as at the end of Quarter 4 compared to male counterparts at 43% (1,239/2,909). At Management level, female representation is made up of 50.20% (253/504) versus males at 49.80% (251/504).

HUMAN CAPITAL PRIORITIES AND OUTCOMES

Priority	Outcomes for the 2020/21 Financial Year
Employees with Disabilities	The organisation achieved 2.34% with 68 employees with disability.

Priority	Outcomes for the 2020/21 Financial Year
Talent Acquisition	A total of 103 internal and external appointments were made during the year to date. Of this 103, 62 appointments were for the RAF Attorneys.
Policy Development and Review	<p>HC reviewed policies and key guidelines to promote diversity and transformation in the organisation. (Policies are reviewed for alignment with the latest legislation and the RAF Policy Review Standards on an ongoing basis.)</p> <p>The following HC Policies and SOPs were reviewed and implemented during the reporting period:</p> <ul style="list-style-type: none"> • Disciplinary Policy and SOP. • Grievance Policy and SOP. • Performance Management and Development Policy and SOP. • Resourcing Policy and SOP.
Knowledge Management	The Knowledge Management (KM) team continued to support business units by ensuring that intellectual property is preserved through capturing, evaluating, retrieving and sharing of information.
Employee Wellness	<p>The financial year activities took place while the world was affected by a global pandemic. As the country put into place measures to manage the pandemic, the RAF too had to support government's efforts to curb the spread of the virus by implementing its own processes to minimise the impact on the workplace.</p> <p>The RAF, as an employer and in compliance with the Occupational Health and Safety Act, had a duty to provide and maintain a working environment that is safe and without risk to the health of employees. EWS, in conjunction with the COVID-19 Crisis Management Task Team (CMTT) coordinated a RAF response to the pandemic. The task team ensured that it kept abreast of developments from global organisations, to align accordingly and to guide and facilitate the implementation of controls that would mitigate the risk of infection.</p>

3. OTHER NOTABLE ACHIEVEMENTS

The main highlights for the 2020/21 financial year included the following:

The KM team also facilitated the second RAF Annual Employee Awards during the 2020/21 financial year. Each region had the opportunity to nominate their best employees in the categories of Best Female Employee, Best Male Employee, Best Manager and Best Innovation. The winners of the Regional Awards were entered into the National RAF Annual Employee Awards. This was done through an adjudication process during which all nominees were taken through interviews.

During the financial year, three Leadership Forums were held for different categories of Management at Executive, General and Senior Management, as well as Managerial levels. The Forums are chaired by the CEO and are utilised as a platform to develop individual business competencies and skills informally.

4. ORGANISATIONAL DEVELOPMENT

Key to the HC Division is sound employee relations with ongoing development and effectiveness strategies being implemented. This is supported by ongoing change management, which in turn supports the organisational business strategy in terms of its transformation trajectory.

The above is bolstered by a robust and entrenched Performance Management System ensuring alignment between individual and organisational performance goals and objectives. The overarching objective remains building capability for an effective Management core and retaining people with scarce and critical skills.

PERFORMANCE MANAGEMENT

The RAF considers performance management a primary tool used to drive organisational performance through the alignment of individual objectives and organisational objectives and targets. The RAF has committed itself to a comprehensive and well-implemented Performance Management System, which ensures that everyone in the organisation works towards the attainment of the RAF's strategic objectives, as defined in the Strategic Plan and APP.

COVID-19 interruptions and the national lockdown resulted in the closure of RAF offices for the first six months of the financial year. The employees Performance Contracting process commenced immediately upon the full reopening of RAF offices in October 2020 to ensure the tracking and achievement of APP targets. The third quarter performance reviews and fourth quarter performance reviews were subsequently completed, which included the moderation of the performance ratings against departments, divisions and overall RAF performance.

MAINTAINING A SKILLED AND CAPABLE WORKFORCE

TALENT AND SUCCESSION MANAGEMENT

The RAF is continuously engaged in developing and building talent pools, moving from reactive to proactive talent management, ensuring operational continuity and the sustainability of the organisation as well as having the right people with the right skills in the right roles.

LEADERSHIP DEVELOPMENT

The RAF continues to develop its leadership capability through the formal development of skills and competencies. Talent pool successors continued to attend formal leadership development programmes. During the 2020/21 financial year, 22 staff members attended management and leadership development programmes, as outlined in the tables below:

Management Development Programmes	Talent Pool Employees
Master of Business Administration (MBA)	14
Senior Management Development Programme (SMDP)	0
Management Development Programme (MDP)	5
Management Advanced Programme (MAP)	1
New Management Development Programme (NMDP)	2
Total	22

TALENT POOL APPOINTMENTS

During the year under review, the RAF appointed four (4) talent pool successors into higher-level positions. All four (4) appointments were made at managerial level. This bears testimony to the RAF's commitment to provide opportunities for its employees to grow and advance within its own ranks, thereby retaining talented and top-performing employees.

CHANGE MANAGEMENT

The RAF Change Management Framework has been designed to provide the RAF with set guidelines, processes and tools that will be necessary for successful implementation and management of change within projects, programmes, departments and/or the organisation. The framework has been developed in line with the Prosci Change Management Methodology which has been adopted as the preferred change management methodology for the RAF. The framework is aligned with the RAF project management philosophy and benchmarked against the latest change management methodologies.

The approved RAF Change Management Framework (as mentioned above) makes provision for the re-enforcement of RAF Change Champions by providing guidelines on their roles and responsibilities. The purpose of the establishment of the Change Champions Network is to ensure a sustainable hierarchy implementation for engagement lines – from the Project Sponsor, Change Management team and Change Champions who are nominated based on their roles as subject matter experts.

The Change Champions are members of staff representing all areas of the business affected by change. Their role is to help plan and implement change at ground level and to provide a reality check for Change and Project Managers based on their functional and technical expertise. Change Champions act as a communication channel for key messages to the Change Agents and assist in identifying employee resistance.

The Framework is critical in driving and guiding the RAF transformation trajectory inclusive of its culture, ICARE Values, organisational structure review and skills assessment,

ORGANISATIONAL DESIGN AND SKILLS ASSESSMENT

The RAF has appointed the external service provider PricewaterhouseCoopers (PwC), through the requisite Supply Chain Management process, to assist with the realignment of the structure process and conduct a skills assessment. The initiative to review and realign the RAF's organisational structure for a fit-for-purpose structure that is aligned with its re-designed operating, servicing, and customer-centric business Operating Model. The skills assessment will ensure that the organisation's current resources are aligned more effectively to deliver on its strategic priorities and mandate, and that the organisation has adequate capacity to support its clients (claimants).

Key objectives include:

- An organisational structure that supports the future organisational strategy.
- Analysis of work in terms of complexity, span of control and quantity.
- Feedback and analysis on methods of improving productivity of work functions.
- Skills Assessment and Gap Analysis (as per future skills required).

The fit-for-purpose structure and skills audit key deliverables include:

- A To-Be Conceptual Model and Functional Structure
- Reviewed Business Process
- Work Capacity Analysis
- Post Establishment Structure with future roles and posts
- Reviewed and aligned Job Profiles
- Competency-based Skills Assessment and Deployment Plan for improvement opportunities
- Transition Plan with short-term, medium-term and long-term deliverables and milestones
- Skills Assessment and Gap Analysis (as per future skills required)

LEARNING AND DEVELOPMENT

Learning and Development focused on the following interventions during the review period:

MOTOR VEHICLE ACCIDENT (MVA) FOUNDATION COURSE

This training is conducted throughout the regional offices on a monthly basis. It equips new recruits with the necessary knowledge and expertise to move into the operational environment and enables Operations to deliver on its mandate and meet their APP targets.

MICROSOFT PACKAGES (OUTLOOK, WORD, EXCEL AND POWERPOINT)

This training is aimed at empowering staff by enabling them to navigate the system and equipping learners with the necessary skills to deliver their tasks in a professional and competent manner.

FOCUSED TRAINING INTERVENTIONS

Various interventions were developed and implemented to support the transformation of the operational environment in preparation for the New Operating Model.

A number of these interventions were driven by the gaps as identified during the Skills Assessment process. Other interventions arose not only from the needs identified within the different project deliverables emanating from the operational environment but also out of legislative requirements.

In terms of training rolled out as a result of legislative requirements, focus was placed on the implementation of the POPI Act and the knowledge required by employees to understand the import and effect of the said Act.

The table below reflects the interventions that were rolled out within the Registrations, Merits, Adjudication and Medical Management Units within the Operations environment:

Division	Activity Status
Registration	Training was rolled out and completed in the period under review. It focused on aligning the knowledge of the Registration Officers with the updated pre-assessment process.
Merits	Merits processes were developed and training conducted for all Merits Officers across the regions.

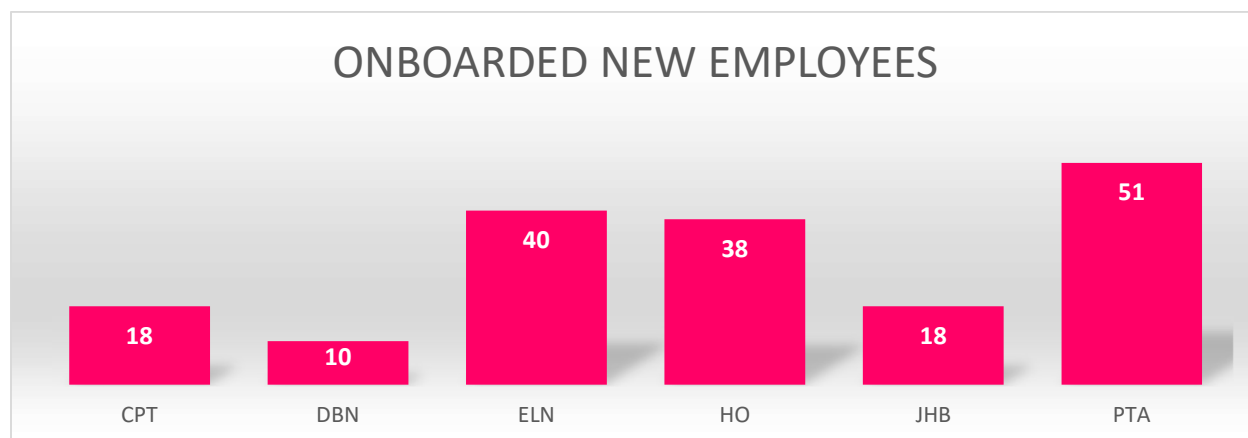
Division	Activity Status
Adjudication	The following interventions were developed and trained to the specific target audience within the Adjudication space <ul style="list-style-type: none"> • Actuarial Claims administration • Investigation Training
Medical Management	The following interventions were developed and trained within the Claims Medical environment <ul style="list-style-type: none"> • Medical Scheduling System • Medical Expert System • Clinical Training and Treatment Protocols
Computer-Based Training	The following computer-based training was conducted in order to support Core Business processes: <ul style="list-style-type: none"> • Document Services – KOFAX • Supplier Claim Management System • SAP Systems • Microsoft Office Applications

ON-BOARDING OF NEW EMPLOYEES

Learning and Development conducted Online Induction via the MS Teams platform throughout the period under review.

The Induction Programme not only enables new employees to be introduced to the organisation, but also provides them with the basic knowledge and understanding relating to the functions of the key departments within the RAF. During the period under review, a total of 175 new employees, inclusive of contractors, were inducted into the organisation.

The graphic illustration below reflects the number of new employees inducted per region for the period under review.

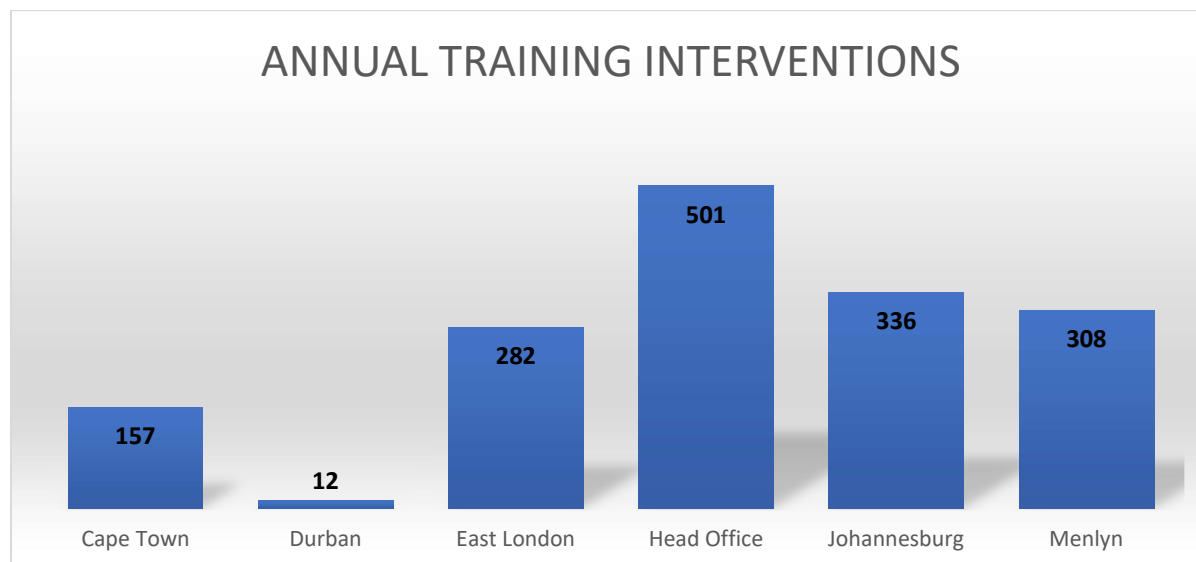


GRAPH: 25 On-boarding of new employees per region – 2020/21

INTERNSHIP AND LEARNERSHIP PROGRAMME

This programme is in line with the National Skills Development (NSD) Plan in terms of which the RAF offers unemployed youth and graduates an opportunity to acquire workplace skills and experience.

During the period under review, preparation for the upcoming financial year's Learnership and Internship Programmes has commenced. In terms of these programmes, 197 Interns and 46 Learners were employed on an eighteen-month contract.



GRAPH 26: Number of training interventions per region during the period under review

Despite the COVID-19 pandemic which placed a burden on the ability of the organisation to conduct and procure training, the organisation was able to pivot and adapt accordingly to online training platforms.

Most training was conducted virtually through the various online platforms, with MS Teams being the dominant platform. The support offered by the IT Division in terms of providing tools of the trade was crucial in allowing this digital training to take place.

As a result, employees were able to meet their training needs and objectives as set out in their personal development plans which were captured at the beginning of the period under review.

BURSARY PROGRAMME

The organisation coordinates and manages internal bursaries on an annual basis. During the period under review, 379 bursary applications were received and processed. 277 of these applications have been completed and finalised. The balance of the applications includes pending (to be finalised during second semester), withdrawn and declined.

The table below reflects a breakdown of the qualifications which will be pursued during the 2021 academic year.

Breakdown of Qualification	Quantity
Certificate, Higher Certificate and National Certificate	30

Diploma and Advanced Diploma Programmes	32
Undergraduate degrees	113
Postgraduate Diplomas and Honours Degrees	66
Master's Degrees	49
Doctorate	5
Total	299

CENTRE OF EXCELLENCE

The Centre of Excellence plays an important role in making the RAF an employer of choice by establishing a culture of performance through the Recognition and Reward System.

ANNUAL SALARY BENCHMARKING

The RAF participated in various Salary Benchmark Surveys to ensure that its salaries and benefits are in line with the marketplace. The results of the surveys were used to enhance remuneration practices in 2020/21.

MAINTENANCE OF INSTITUTIONAL KNOWLEDGE AND ENGAGEMENTS

The KM team focused on advocating knowledge management within the RAF by ensuring that knowledge and information are shared among staff. Knowledge-sharing sessions and focus group discussions were facilitated for transformation and claims estimates throughout the RAF regional offices. The knowledge-sharing platforms were created for the promotion of best practices, lessons learned, and uniformity.

EMPLOYEE WELLNESS SERVICES

EWS provides comprehensive health and wellness programmes and services to all RAF employees, with a mission to build and maintain a healthy workforce for increased productivity and excellent service delivery.

During the year under review, EWS continued to focus on the implementation of the COVID-19 Consolidated Direction on Occupational Health and Safety Measures in the workplace, as issued by the Minister of Labour. The services were provided to prevent the escalation of COVID-19 infections in the workplace as the country continued to battle the third and the fourth waves of the COVID-19 pandemic.

COVID-19 Preventative Programmes

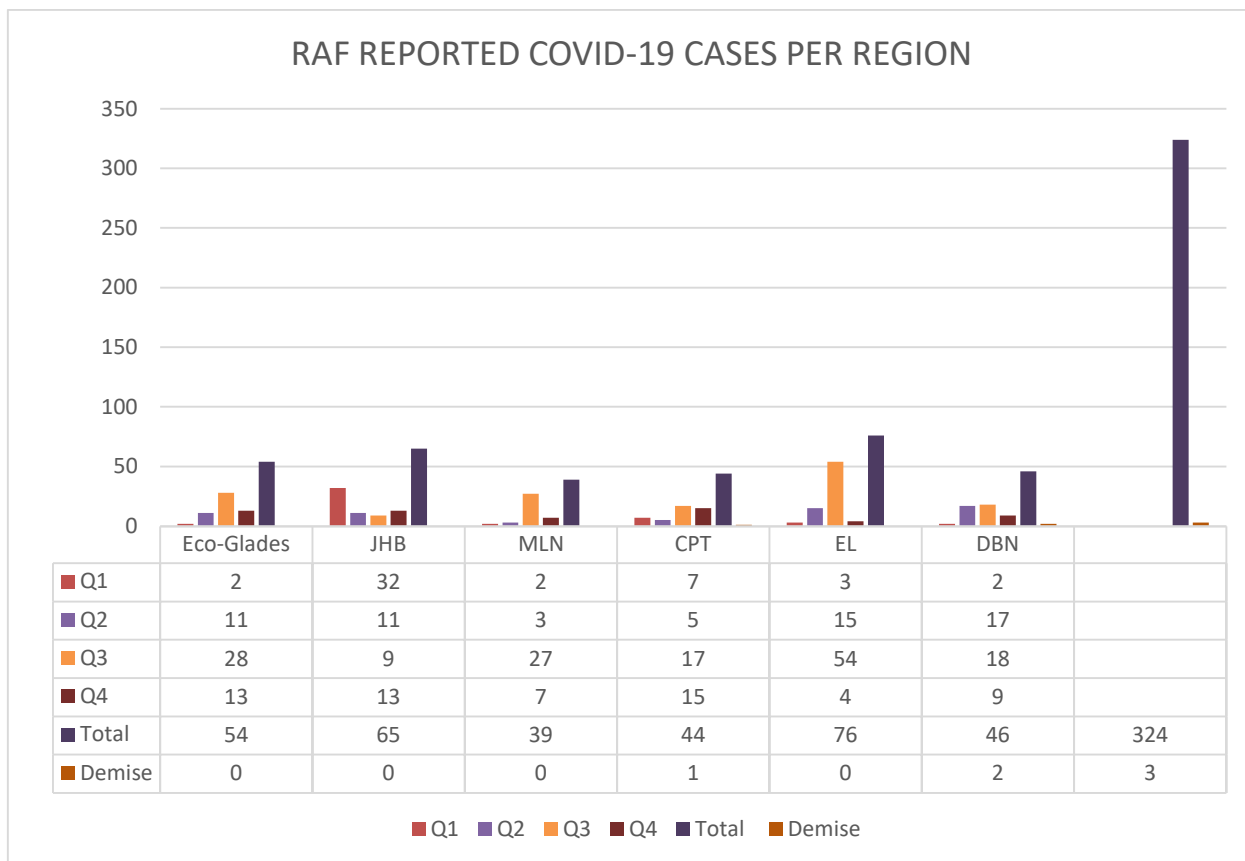
In its endeavour to raise awareness, the RAF, through EWS, continuously publishes articles pertaining to the management of COVID-19 organisation-wide. The focus was on the promotion of the national vaccine strategy, which began in February 2021, with the vaccination of healthcare workers, followed by essential workers, people over 60 years, and people with co-morbidities. In July 2021, vaccination was officially opened for all citizens aged 50 years and above and for those between 35 and 49 years on 15 July 2021.

Daily Employee Screening

EWS, in partnership with Occupational Health and Safety Officers continue to conduct the daily screening of employees, suppliers and stakeholders. Those presenting COVID-19 symptoms are assisted in terms of the set down protocols, i.e. seeking medical attention.

Management of Employees Diagnosed with COVID-19

A total of 324 COVID-19 confirmed cases were reported from April 2020 to March 2021.



Graph 27: Number of cases per quarter and per Region

All reported cases are managed in accordance with the approved RAF Protocols as well as the guidance note for workplaces in the event of identification of a COVID-19 positive employee. The following actions are implemented in each case:

Personal health procedures

- Providing counselling and support to affected employees.
- Assessing whether the employee(s) are able to self-isolate at home.

Public health communicable disease procedures.

- All cases reported to the National Institute for Communicable Diseases (NICD) in line with the Notifiable Medical Conditions protocols.
- Initiating and conducting contact tracing of fellow employees who may have come into contact with the positive employee.

Workplace related Occupational Health and Safety procedures

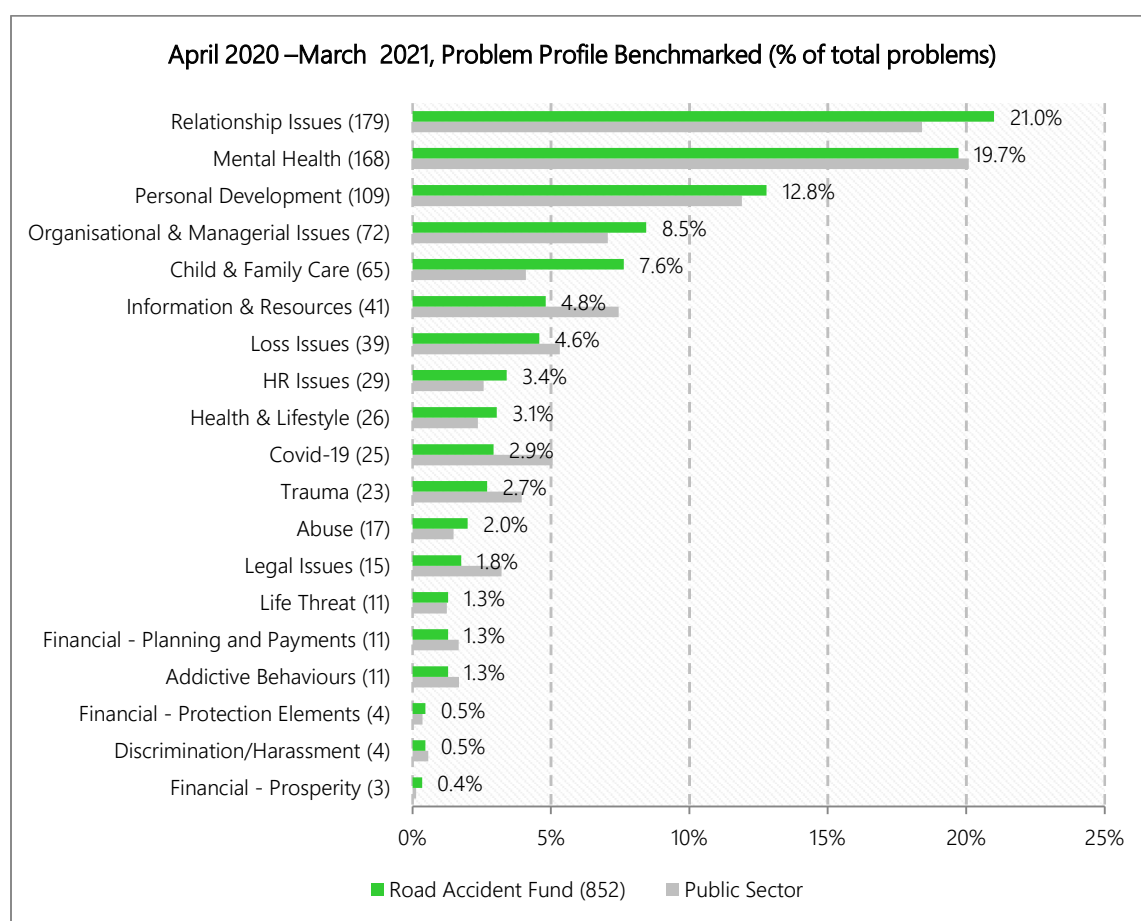
- The Compliance Officers conducted an incident-based risk assessment following each incident of a reported case.
- Conducting cleaning and decontamination of the identified area and issuing of confirmation certificates.

EMPLOYEE ASSISTANCE PROGRAMME

Employee wellness remained a top priority as employees continued to navigate the uncharted territory of remote work, coupled with significant changes in business operations and mental health issues exacerbated by the COVID-19 pandemic.

EWS, in partnership with ICAS, provided employees with psychosocial support through individual counselling, group debriefing as well as through emotional impact sessions to address the negative impact of the COVID-19 pandemic.

The top five employee wellness presenting problems, i.e. mental health, relationship issues, organisational and managerial issues, personal development and child and family care were noted. It was also noted that these mirrored the country's current challenges as exacerbated by the COVID-19 pandemic.



Graph 28: Utilisation of the EAP from 01 April 2020 to March 2021

HUMAN CAPITAL SYSTEMS AUTOMATION

HC is continually scanning the environment for new HC innovations, such as automated HC processes, reporting and enhancement of Management information to ensure data accuracy and precise reporting.

The SAP portal also provides employees with the opportunity to view and edit their personal information without completing manual forms in order to comply with the Protection of Personal Information (POPI) Act and to ensure that employees' data is correct and up to date.

TALENT SOURCING

A total of 103 appointments were made during the year, 21% of which was internal and 79% was external. The staff turnover rate remains below 10% at 2.47%. The RAF vacancy rate during the reporting period stood at 7.36%, with 221 vacant positions still to be filled in the new financial year. It is further pleasing to note that, in line with the RAF strategic objective to insource the Panel of Attorneys, of the 103 appointments made during the reporting period, 62 were magistrates and High Court attorney appointments.

The Skills Audit (reported on in the last Annual Report) has enabled HC to identify key future skills requirements. Planning in terms of future demand and supply of skills internally and externally is underway.

HC is constantly adapting to best HR practices to remain competitive and to be the Employer of Choice. The review of policies to align with best practice becomes a critical aspect within HC. As the world changes and continues to change as a result of the pandemic, HC had to assist the organisation and employees adapt to the new normal by introducing the Work-from-Home Policy which, together with the Regulation of Working Hours Policy will create flexibility for employees to achieve work-life balance.

The RAF's ability to attract and retain best talent is attributed to its competitive and benchmarked remuneration practices, supported by an enabling and conducive working environment to retain our most valued asset. Our retention strategies are a balance between fixed and variable remuneration. A working environment has been established within which employees can flourish and be developed through new learning opportunities.

PRIORITIES AND FUTURE PLANS

The following HC priorities have been identified for the new financial year:

Priority Goal	Outcomes
Workforce Planning and Skills Audit for Future Requirements	Future workforce and skills requirements assessed. Continuing talent and succession management, thereby ensuring capacity availability of leaders to fill strategic and critical positions supported by continued implementation of Management and leadership development interventions.
Talent and Change Management	Capacitating the RAF's critical and strategic positions. Entrenching change management through capable Line Managers leading and managing change.
Organisational Structure Maintained	The RAF will maintain its budgeted and approved positions (with no further plans for expansion) through an automated and integrated organisational modelling tool.

HUMAN CAPITAL OVERSIGHT STATISTICS

PERSONNEL COST BY PROGRAMME

2020/21 Programme	Total Expenditure for the Entity	Personnel Expenditure (Total Employment Cost (TEC) and Non-TEC HC-related Costs)	Personnel Expenditure as a % of Total Expenditure	No. of Permanent Employees	Average Personnel Cost per Employee
	(R'000)	(R'000)	%	No.	(R'000)
All	40,465,130	1,941,244	4.8%	2,797	694

PERSONNEL COST BY SALARY BAND (TEC)

2020/21 Level	Personnel Expenditure (TEC)	% of Personnel Expenditure to Total Personnel Cost	No. of Employees	Average Personnel Cost per Employee
	(R'000)	%	No.	(R'000)
Top Management	3,655	0%	1	3,655
Senior Management	41,891	3%	19	2,204
Professional qualified	468,314	29%	461	1,015
Skilled	851,147	53%	1,548	549
Semi-skilled	234,589	15%	752	311
Unskilled	2,787	0%	16	174
Total	1,602,385	100%	2,797	572

PERFORMANCE REWARDS

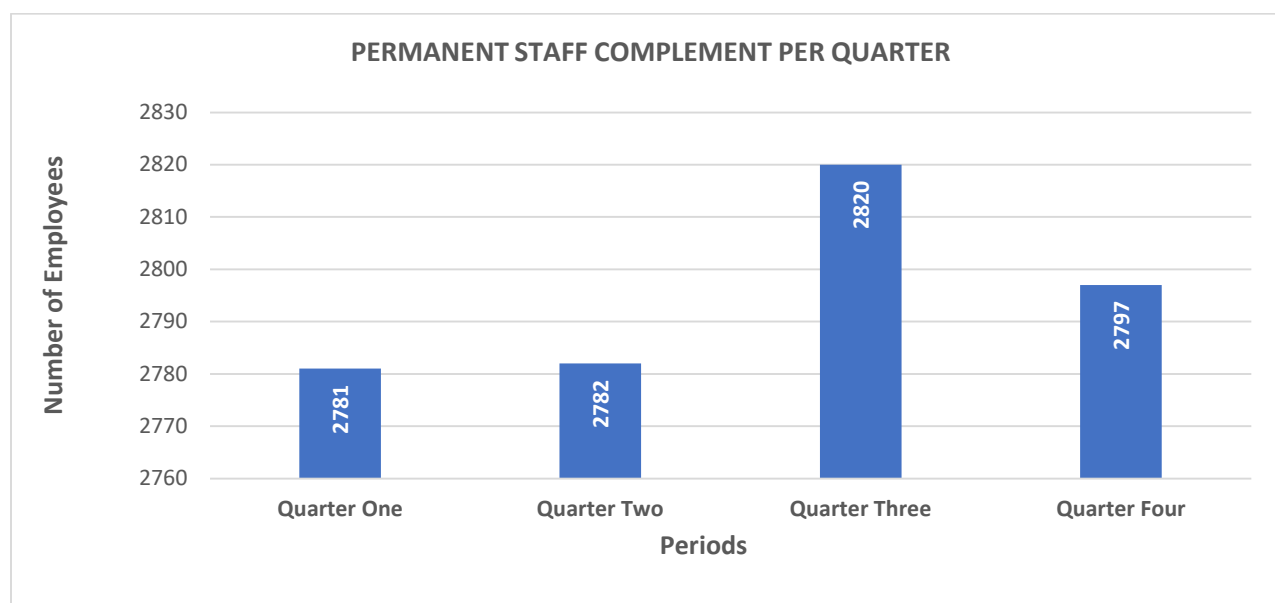
2020/21 Level	Performance Rewards	Personnel Expenditure (TEC)	% of Performance Rewards to Total Personnel Cost
	(R'000)	(R'000)	%
Top Management	-	3,655	-
Senior Management	-	41,891	-
Professional qualified	-	468,314	-
Skilled	-	851,147	-
Semi-skilled	-	234,589	-
Unskilled	-	2,787	-
Total	-	1,602,385	0%

TRAINING COSTS

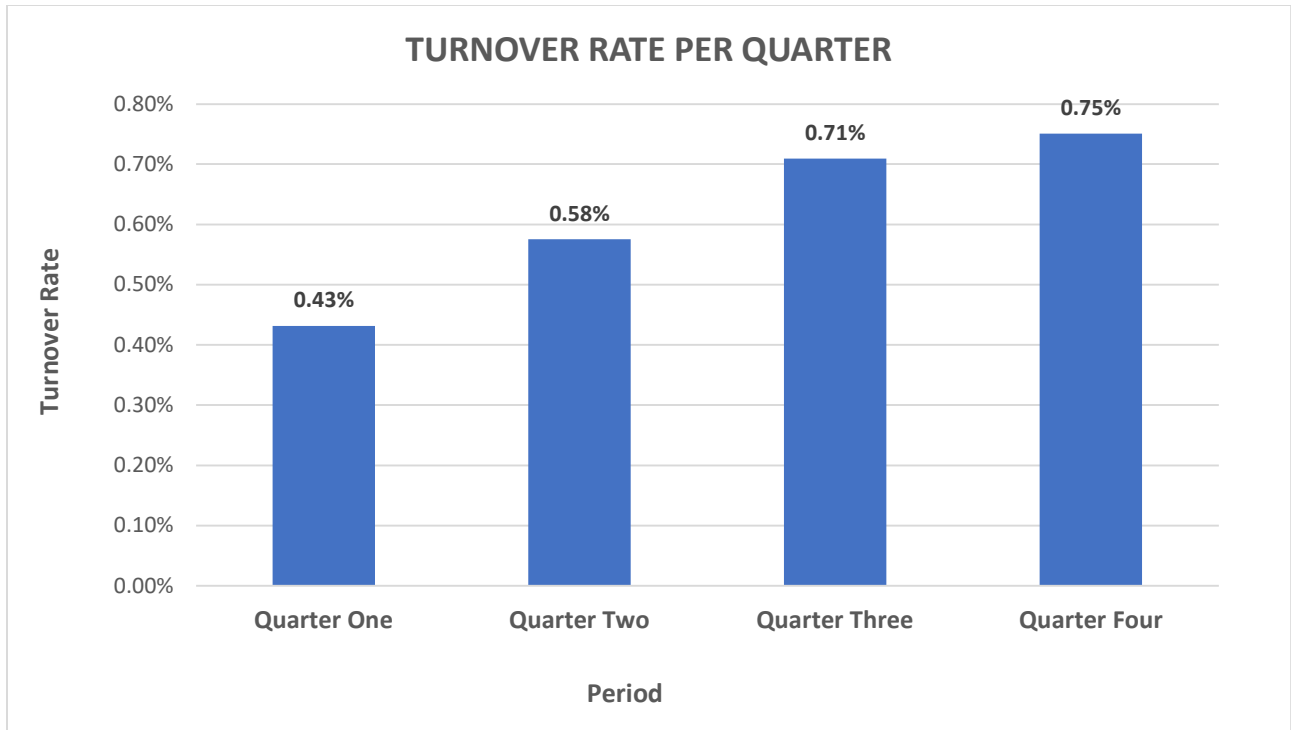
2020/21 Business Unit	Personnel Expenditure (TEC-related Costs)	Training Expenditure	Training Expenditure as a % of Personnel Cost	No. of Employees Trained	Average Training Cost per Employee
	(R'000)	(R'000)	%	No.	(R'000)
RAF Learning and Development	1,602,385	24,190	1.51%	1,183	20

EMPLOYMENT AND VACANCIES

2020/21 Level	No. of Employees 2019/2020	Approved Posts 2020/2021	No. of Employees 2020/2021	Vacancies 2020/2021	Vacancies %
Top Management	0	1	1	0	0.00%
Senior Management	23	29	19	10	34.48%
Professional qualified	407	544	461	83	15.26%
Skilled	1,581	1,644	1,548	96	5.84%
Semi-skilled	762	783	752	31	3.96%
Unskilled	16	17	16	1	5.88%
Total	2,789	3,018	2,797	221	7.32%



GRAPH 29: Permanent staff complement per quarter – 2020/21



GRAPH 30: Staff turnover rate per quarter – 2020/21

STAFF MOVEMENT

The RAF strives to attract and retain competent and capable staff for the attainment of its objectives. Emphasis is placed on candidates who will enhance equitable representation in the organisation, in terms of the National Economically Active Population (NEAP) guidelines.

2020/21 Level	Employment at Beginning of the Period	Appointments Internal	Appointments External	Terminations	Employment at the End of the Period
Top Management	0	0	1	0	1
Senior Management	23	0	1	4	19
Professional qualified	407	12	60	16	461
Skilled	1,581	10	15	40	1,548
Semi-skilled	762	0	4	12	752
Unskilled	16	0	0	0	16
Total	2,789	22	81	72	2,797

REASONS FOR STAFF LEAVING

Below is a table depicting employees exiting the organisation during the reporting period.

2020/21	Number	Percentage of Total Number of Staff leaving
Death	9	13%
Resignation	50	69%
Dismissal	4	6%
Retirement	4	6%
Ill health	2	3%
Expiry of contract	3	4%
Other	0	0%
Total	72	100%

EMPLOYEE RELATIONS

The RAF considers its relations with the Union and other employees as a key interface to meet employee expectations in the workplace. Similarly, the RAF considers employee discipline and adherence to the RAF Code of Conduct, as well as compliance to its policies, procedures and regulations imperative for harmonious employment relationship.

INCIDENTS AND GRIEVANCES

91 grievances were lodged during the year under review.

MISCONDUCT AND DISCIPLINARY ACTION

Nature of Disciplinary Action	Number 2018/19	Number 2019/20	Number 2020/21
Counselling	0	0	4
Verbal warning	17	36	2
Written warning	28	37	17
Final written warning	7	15	14
Suspension without pay	0	0	13
Dismissal	6	5	19
Total	58	93	69

EMPLOYMENT EQUITY

Equity Target and Employment Equity Status

Levels 2020/21	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	0	0	1	0	0	0	0
Senior Management	8	8	1	1	1	0	1	1
Professional qualified	171	145	15	17	14	5	29	18

Levels 2020/21	Male							
Permanent Employees	African		Coloured		Indian		White	
Skilled	536	518	51	66	24	21	27	67
Semi-skilled	266	264	33	33	9	11	6	34
Unskilled	0	0	0	1	0	0	0	0
Total	982	935	100	119	48	37	63	120

Levels 2020/21	Female							
Permanent Employees	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	7	10	0	1	0	0	1	1
Professional qualified	173	157	18	19	20	5	21	18
Skilled	719	602	61	72	63	21	67	69
Semi-skilled	376	305	36	36	12	11	14	35
Unskilled	15	7	1	1	0	0	0	0
Total	1,290	1,081	116	129	95	37	103	123

Employees with Disabilities 2019/20	Race							
Permanent Employees	African		Coloured		Indian		White	
	Male	Female	Male	Female	Male	Female	Male	Female
	19	26	2	5	0	4	6	6

PART E

ANNUAL FINANCIAL STATEMENTS

THE ROAD ACCIDENT FUND ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

The Reports and Statements set out below comprise the Annual Financial Statements presented to Parliament:

Report of the Auditor General to Parliament on the Road Accident Fund	132
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REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE ROAD ACCIDENT FUND

Report on the audit of the financial statements

Disclaimer of opinion

1. I was engaged to audit the financial statements of the Road accident Fund (RAF) set out on pages 153 to 230, which comprise the statement of financial position as at 31 March 2021, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. I do not express an opinion on the financial statements of the RAF. Because of the significance of the matters described in the basis for the disclaimer of opinion section of this Auditor's Report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

Claims liabilities; claims expenditure and related disclosure notes

3. I was unable to obtain sufficient appropriate audit evidence for claims liabilities as disclosed in the statements of financial position which is an amount of R27 850 million (2019-20 R25 546 million), Note 12 to the financial statements, claims expenditure amounting to R37 107 million (2019-20 R43 896 million) as disclosed in the statement of financial performance, Note 19 to the financial statements and the related disclosure notes. The entity has amended the Accounting Policy to recognise claims liabilities and claims expenditure in accordance with International Public Sector Accounting Standards (IPSAS) 42, Social Benefits.
4. The use of IPSAS 42 is not appropriate, as it is fundamentally conflicting with the conceptual framework, as the timing of recognising the liability for IPSAS 42 is significantly different to the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), i.e. the conceptual framework in terms of SA Standards of GRAP for general purpose financial reporting. Furthermore, the Accounting Standards Board (ASB) has prescribed the standards and pronouncements that are the GRAP Reporting Framework for public entities. These are included in Appendix A1 of Directive 5. The IPSAS 42 Social Benefits is not included as a standard that the public entities may use where applicable to formulate an Accounting Policy. Consequently, claims liabilities, claims expenditure and related disclosure notes are understated. I was unable to quantify the misstatement amount as an actuarial valuation is required to compute the value of the liability based on the types of outstanding claims using certain judgements and assumptions and the resultant adjustment to the claims expenditure. Consequently, I was unable to determine if any further adjustments were necessary to the claims liabilities as disclosed in the statements of financial position which is an amount of R27 850 million (2019-20 R25 546 million), Note 12 to the financial statements, claims expenditure amounting to R37 107 million (2019-20 R43 896 million) as disclosed in the statement of financial performance and Note 19 to the financial statements.

Voluntary change in Accounting Policy

5. The public entity did not adequately disclose the impact of the change in accounting policy on the current period in Note 31, voluntary change in accounting policy, to the financial statements, as required by GRAP 3 Accounting policies, estimates and errors. The disclosure note currently only reflects the impact on the prior periods and not the impact of the change to in the current year required

by the standard. As stated in paragraphs 3 and 4 herein, I was unable to confirm the extent of the misstatement through any alternative means.

Going concern

6. The public entity disclosed in Note 34 to the financial statements that it has an accumulated deficit of R13 588 million and the total liabilities exceeded its assets by R13 486 million as at 31 March 2021. As indicated in paragraphs 3 and 4 herein, I was unable to confirm the extent of the understatement of the claims liabilities and claims expenditure which may have an impact on the amounts included in Note 34. This is indicative of a material uncertainty as to the ability of the entity to meet its obligations in the foreseeable future. However, the entity did not adequately disclose in Note 34 to the financial statements all the principal events and conditions that may cast significant doubt on the ability of the entity to continue as a going concern, management's evaluation of its significance and management's plan to mitigate the effect of these events and significant judgements made by management as part of its assessment as required by GRAP 1 Presentation of Financial Statements. Consequently, I was unable to confirm or dispel whether it is appropriate to prepare the Financial Statements using the going concern assumption.

Claims expenditure

7. The public entity did not recognise claims expenditure in accordance with the SA Standards of GRAP conceptual framework. Some claims expenditure was recognised in the incorrect accounting period. Consequently, claims expenditure stated at R37 107 million (2019-20 R 43 896 million) in the statement of financial performance is materially misstated by R2 424 million (2019-20 R2 424 million). There was a resultant impact on the surplus for the period and the accumulated deficit.

Irregular expenditure

8. Section 55(2)(d)(i) of the PFMA requires the public entity to disclose in a note to the Financial Statements particulars of all irregular expenditure that occurred during the year. The public entity did not include all irregular expenditure in the notes to the financial statements, as required by section 55(2)(b)(i) of the PFMA. This was due to management not adjusting the financial statements to disclose irregular expenditure of R90 559 290 in the current period.

Preparation of the Financial Statements

9. I was unable to obtain sufficient appropriate audit evidence that the Accounting Authority has fulfilled its responsibility for the preparation and fair presentation of the Financial Statements in accordance with the SA Standards of GRAP, as written representations in this respect were not provided. I was also unable to obtain written representations from the Accounting Authority that I had been provided with all relevant information and access as agreed in terms of the audit engagement, and that all transactions had been recorded and were reflected in the financial statements. I could not determine the effect of the lack of such representations on the financial position of the public entity at 31 March 2021 or the financial performance and cash flows for the year then ended.

Responsibilities of the Accounting Authority for the Financial Statements

10. 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.

11. In preparing the Financial Statements, the Accounting Authority is responsible for assessing the public 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 appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor-General's responsibilities for the audit of the Financial Statements

12. 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.
13. 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

Introduction and scope

14. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected outcomes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
15. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected outcomes presented in the public entity's annual performance report for the year ended 31 March 2021:

Outcomes	Pages in the annual performance report
Outcome 1: A transformed and sustainable RAF	55- 57

17. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. I did not identify any material findings on the usefulness and reliability of the reported performance information for this Outcome 1: A transformed and sustainable RAF.

Other matters

19. I draw attention to the matters below.

Achievement of planned targets

20. Refer to the annual performance report on pages 52 to 63 for information on the achievement of planned targets for the year and management’s explanations provided for the under/over achievement of targets.

Report on the audit of compliance with legislation

Introduction and Scope

21. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity’s compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
22. The material findings on compliance with specific matters in key legislation are as follows:

Annual Financial Statements

23. The Financial Statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1) (a) and (b) of the PFMA.
24. Material misstatements identified by the auditors in the submitted Financial Statements were not corrected and/or the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer of opinion.

Expenditure Management

25. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R92 994 309 as disclosed in Note 26 to the annual financial statements, as required by section

51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with the PFMA and procurement related regulations.

Other information

26. The Accounting Authority is responsible for the other information. The other information comprises the information included in the annual report includes the foreword by the chairperson of the Board, the CEO's overview, the audit committee's report and the company secretary's certificate. The other information does not include the Financial Statements, the auditor's report and the selected outcome presented in the annual performance report that have been specifically reported on in the auditor's report.
27. 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 on it.
28. 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 and the selected outcome presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
29. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, 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

30. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis disclaimer of opinion and the findings on compliance with legislation included in this report.
31. The Accounting Authority did not implement adequate systems and measures to ensure that the financial statements are prepared in accordance with the appropriate accounting framework. The accounting policy adopted by RAF in the prior years is appropriate and the entity should consider reverting back to it until such time that the local accounting standard for entities with insurance like activities is developed by the standard setter. Any changes to the accounting policy in future should be done in accordance with the requirements of the standards.
32. Ineffective preventative controls in place to ensure compliance with laws, regulations and RAF policies over procurement and contract management, and the prevention of the incurrence of irregular expenditure. The entity should put preventative controls in place to ensure compliance with the applicable legislation especially supply chain management.

Other reports

33. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the public entity's Financial Statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the Financial Statements or my findings on the reported performance information or compliance with legislation.
34. At the date of this report an investigation was commissioned by the Special Investigating Unit (SIU) into alleged corruption and maladministration relating to the compensation or payments by RAF to claimants or claimants' agents. Furthermore, the SIU will probe any irregular, improper or unlawful conduct by officials or employees of the RAF or any person or entity in relation to the allegations being investigated. The impact, if any, on the Financial Statements of the RAF can only be determined once the investigation has been concluded.

Auditor - General

Pretoria

21 December 2021



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-General’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected outcome and on the public entity’s compliance with respect to the selected subject matters.

Financial Statements

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

Communication with those charged with governance

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

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

REPORT OF THE AUDIT COMMITTEE

The Audit Committee is pleased to present its report for the financial year ended 31 March 2021.

The Audit Committee is an independent statutory committee appointed by the Board of the RAF. The duties and responsibilities of the Audit Committee, as delegated by the Board of the RAF, are included in this report.

AUDIT COMMITTEE TERMS OF REFERENCE

The Audit Committee has adopted formal Terms of Reference as its Audit Committee Charter, which has been approved by the Board of the RAF. The committee has conducted its affairs in compliance with its Charter and has discharged its responsibilities up to the time prior the issuing of the audit report by the AGSA, to the Board by passing the Audit Committee.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee consists of five independent, non-executive Board members. It meets at least four times per year, as specified in terms of the Audit Committee Charter.

The Chairperson of the Board, Chief Executive Officer, Chief Financial Officer, Chief Audit Executive, external auditors and other assurance providers (legal, compliance, risk, health and safety) attend meetings by invitation only.

During the year under review, six Audit Committee meetings were held.

AUDIT COMMITTEE MEETINGS HELD FROM 01 APRIL 2020 TO 31 MARCH 2021

Name of member	23 April 2020	24 July 2020	23 October 2020	27 October 2020	22 January 2021	23 March 2021	Total
Mr H Daniels (Chairperson)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6
Mr L Mulaudzi	<input type="checkbox"/>	X	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5
Mr KM Mthobi	X	X	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	4
Ms LZ Francois	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6
Mr LM Nyama	<input type="checkbox"/>	<input type="checkbox"/>	X	<input type="checkbox"/>	X	X	3

X Apologies were rendered for meetings not attended.

DIRECTOR-GENERAL'S REPRESENTATIVE

Mr A Moemi	X	X	X	X	X	X	0
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X Apologies were rendered for meetings not attended.

ROLES AND RESPONSIBILITIES

The Audit Committee's roles and responsibilities include its statutory duties as per the PFMA, 1999 (Act No. 1 of 1999), as well as the NT Regulations issued in terms of the PFMA and the responsibilities assigned to it by the Board.

The committee was responsible for performing its duties as set out in the Audit Committee Charter, which included reviewing the following:

- The effectiveness of the RAF's internal control systems.
- The risk areas of the RAF's operations to be covered in the scope of the internal and external audits.
- The accounting and auditing concerns identified as a result of the internal or external audits.
- The RAF's compliance with legal and regulatory provisions, the Road Accident Fund Act, 1996 (Act No. 56 of 1996) (RAF Act); the Road Accident Fund Amendment Act, 2005 (Act No. 19 of 2005) (RAF Amendment Act); the PFMA, as well as NT Regulations.
- The activities of the Internal Audit function, including its work programmes, coordination with the external auditors, the reports of significant investigations, and the responses of Management to specific recommendations.
- The independence and objectivity of the external auditors.
- The Financial Statements with specific attention to:
 - Underlying accounting policies or changes thereto.
 - Major estimates and managerial judgements.
 - Significant adjustments flowing from the year-end audit.
 - Compliance with effective South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), the PFMA, IFRS 4 and other statutory precepts.
 - The appropriateness of the going concern assumption.

The Audit Committee was comfortable with the process followed with change in Accounting Policy the appropriateness and effectiveness and reliability of the change in Accounting Policy was accordingly researched. The change in Accounting Policy was relied on based on its researched effectiveness and reliability of the change which more accurately states the financial position and financial performance of RAF. Relevant specialist's report on which the adoption of the change in Accounting Policy was based was considered by the Audit Committee. The Audit Committee recommended the approval to the Board the Financial Statements which included the change in Accounting Policy.

The Audit Committee also undertook the following activities during the year under review:

- Reviewing and recommending the Internal Audit Department's Charter for approval by the Board.
- Reviewing and approving the Internal Audit Plan.
- Requesting investigations to be performed within its Terms of Reference.
- Encouraging communication between members of the Board, Senior and Executive Management, the Internal Audit Department, and the external auditors.

EXTERNAL AUDITORS

During the year, the Audit Committee met with the external auditors and with the Chief Audit Executive without Management being present. Prior to the issuing of the Audit report the Audit Committee complied with its legal, regulatory, and other responsibilities. The Audit Report was not tabled at the Audit Committee

for review and consideration in line with the Terms of Reference, before being submitted to the Board for consideration.

The Audit Committee, in consultation with Executive Management, agreed to the Engagement Letter, terms, Audit Plan and budgeted audit fees for the financial year ended 31 March 2021.

FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

The Audit Committee evaluated the Accounting Policies and Annual Financial Statements of the RAF for the year ended 31 March 2021 and concluded that they comply, in all material respects, with the requirements of the PFMA, and were prepared in accordance with the effective SA Standards of GRAP issued by the Accounting Standards Board (ASB).

Up to the 21 Dec 2021, the AC was aware that there was a dispute resolution process in place between Management and the AGSA as per the engagement letter to address outstanding audit matters. The AC was not advised of the outcome of the dispute resolution process between Management and the AGSA, as a result it was not given an opportunity to address this matter.

IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

The Audit Committee is satisfied with the processes in place to detect and disclose irregular and fruitless and wasteful expenditure. Any irregular and fruitless and wasteful expenditure that exceeds the materiality limit of 5% of the total asset value, as documented in the Materiality Framework, will be disclosed. For the year under review, there was no such expenditure which breached the materiality limit of R783,148,833 either individually or in aggregate.

OVERALL INTERNAL CONTROLS

Based on the quarterly review of Management Accounts by Internal Audit and recommended by the Audit Committee to the Board for approval for submission to the NT and the DoT, internal financial controls in place form a sound basis for the preparation of reliable Annual Financial Statements.

WHISTLE-BLOWING

The Audit Committee receives and deals with any concern or complaint, whether from within or outside the RAF, relating to the accounting practices and Internal Audit of the RAF, the content or auditing of the RAF's Annual Financial Statements, the internal financial controls of the RAF and related matters.

The predominant sources of information in respect of concerns raised to the Audit Committee in relation to these matters are the reports issued by the Internal Audit Department, the Management and Audit Report of the AGSA, as well as quarterly reports provided by the Combined Assurance Forum discussed below. Reporting mechanisms, such as hotlines, are also in place to enable employees to report suspected non-compliance and other matters to the various departments constituting the Combined Assurance Forum.

REPORTING AND COMBINED ASSURANCE

The Audit Committee fulfils an oversight role regarding the RAF's Annual Report and the reporting process, including the system of internal financial control. Furthermore, the committee oversees cooperation between the internal and external auditors and other service providers. A Combined Assurance Forum has

been formed, which is chaired by the General Manager: Risk, and reports to the Audit Committee on a quarterly basis.

GOING CONCERN

The Audit Committee reviewed a documented assessment by Management of the going-concern premise before agreeing that the adoption of the going-concern premise is appropriate in preparing the Annual Financial Statements (refer to the Report of the Board as it pertains to the section on 'going concern').

GOVERNANCE OF RISK

The Board has assigned oversight of the RAF's Risk Management function to the Risk, Governance and Actuarial Committee.

The Audit Committee fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud and IT risks as they relate to financial reporting.

INTERNAL AUDIT

The Audit Committee is responsible for ensuring that the RAF's Internal Audit function is independent and has the necessary resources, standing and authority within the RAF to enable it to discharge its duties. Its duties are focused on the evaluation and improvement of the effectiveness of risk management, control and governance processes.


The Internal Audit function reports centrally, with responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all the RAF's operations. The Chief Audit Executive is responsible for reporting the findings of the internal audit work against the agreed Internal Audit Plan to the Audit Committee on a regular basis.

The Chief Audit Executive has a functional reporting line to the Audit Committee, primarily through its Chairperson, and reports administratively to the Chief Executive Officer. The Audit Committee is also responsible for the assessment of the performance of the Chief Audit Executive and the Internal Audit function.

EVALUATION OF THE EXPERTISE AND EXPERIENCE OF THE CHIEF FINANCIAL OFFICER AND FINANCE FUNCTION

The assessment of the Finance function was done as part of a larger exercise carried out by the Remuneration and Human Resources Committee. The committee raised a concern regarding the SCM Unit, and it supports the view that the unit needs to be capacitated.

The Audit Committee is satisfied that it complied with its legal, regulatory and other responsibilities, as per its Terms of Reference during the year under review.


History of Mr H Daniels (Nov 7, 2022 19:57 GMT+2)

Mr H DANIELS

Chairperson of the Audit Committee

Date: Nov 7, 2022

STATEMENT OF RESPONSIBILITY BY THE BOARD

The Annual Financial Statements have been prepared in accordance with SA Standards of GRAP, including any interpretations, guidelines and directives issued by the ASB.

The PFMA requires the Accounting Authority to ensure that the RAF keeps full and proper records of its financial affairs. The Financial Statements should fairly present the state of affairs of the RAF, its financial results, its performance against predetermined objectives and its financial position at the end of the financial year in terms of the effective SA Standards of GRAP.

The Annual Financial Statements are the responsibility of the Board. The external auditors are responsible for independently auditing and reporting on the Annual Financial Statements.

To enable the Board to meet the above-mentioned responsibilities, the RAF Board sets standards and oversees systems of internal control. The controls are designed to provide cost-effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed.

Policies, procedures, structures and approval frameworks provide direction, accountability and division of responsibilities, and contain self-monitoring mechanisms. The controls throughout the RAF focus on the critical risk areas identified by operational Risk Management and confirmed by Executive Management. Both Management and the Internal Audit Department closely monitor the controls and actions taken to correct deficiencies as they are identified.

Based on the information and explanations provided by Management and based on independent reviews of quarterly Management Accounts by the Internal Audit function, which are recommended by the Audit Committee to the Board for approval to the NT and the DoT, internal financial controls form a sound basis to ensure that the financial records may be relied upon for preparing reliable Annual Financial Statements.

Nothing significant has come to the attention of the Board to indicate that any material breakdown has occurred in the functioning of these controls, procedures and systems during the year under review.

In the opinion of the Board, based on the information available, the Annual Financial Statements fairly present the financial position of the RAF as at 31 March 2021 and the results of its operations and cash flow information for the year.

On an annual basis, following the Minister of Finance's Budget Speech in Parliament, the Taxation Amendment Act indicates what the RAF Fuel Levy will be for the applicable financial year. The RAF Fuel Levy for the 2020/21 financial year was 207 c/l. This rate was increased by 9 c/l from 198 c/l in 2019/20 financial year.

The Annual Financial Statements of the RAF for the year ended 31 March 2021, which have been prepared on the going-concern basis (refer to the Report of the Board as it pertains to the section on 'going concern') have been approved by the Board and signed on its behalf by:



TN MSIBI (Nov 8, 2022 18:55 GMT+2)

MS TN MSIBI

Chairperson of the Board

Date: Nov 8, 2022

REPORT OF THE BOARD

INTRODUCTION

The Board presents its report, which forms part of the Annual Financial Statements of the RAF, for the year ended 31 March 2021 to the Minister of Transport, who is the Executive Authority in terms of section 55(1)(d) of the PFMA.

The RAF, as established by the RAF Act, is listed as a National Public Entity in accordance with schedule 3A of the PFMA and operates in the Republic of South Africa. The Board acts as the Accounting Authority in terms of the PFMA.

BOARD

The current Board was appointed by Cabinet on 04 December 2019.

The Board members who held office during the year under review are as follows:

NON-EXECUTIVE BOARD MEMBERS 01 APRIL 2020 TO 31 MARCH 2021

Adv GJ Rasethaba (Chairperson resigned 18 June 2020)
Ms TN Msibi (Acting Chairperson from 18 June 2020, appointed Chairperson on 24 February 2021)
Dr NB Mabuya (appointed Vice-Chairperson on 24 February 2021)
Ms LZ Francois
Dr MC Peenze
Mr L Mulaudzi
Mr H Daniels
Mr LM Nyama
Mr KM Mothobi
Mr TS Tshabalala
Mr A Moemi (DG's representative, appointed 10 July 2020)*

**The Director-General of the DoT or any other Senior Officer in the DoT, designated by him or her for a purpose, serves as an ex officio member of the Board.*

CHIEF EXECUTIVE OFFICER

Mr CP Letsoalo (Acting from 09 September 2019, appointed on 06 August 2020)

CHIEF FINANCIAL OFFICER

Mr VM Songelwa (Acting from 30 August 2018 to 01 June 2020)
Ms B Mabusela (Acting from 02 June 2020 to 07 May 2021)
Ms B Potgieter (Acting from 27 May 2021)

COMPANY SECRETARY

Ms JR Cornelius

PURPOSE AND OBJECTIVES OF THE RAF

To provide appropriate cover to all road users within the borders of South Africa; to rehabilitate persons injured; compensate for injuries or death; indemnify wrongdoers as a result of motor vehicle accidents in a timely, caring and sustainable manner; and to support the safe use of our roads.

SOLVENCY AND GOING CONCERN

We draw attention to the fact that as at 31 March 2021, the entity had an accumulated deficit of R15,953,937,000 and that the entity's total liabilities exceeded its assets by R15,833,937,000.

The RAF has been technically insolvent for a considerable amount of time. This is mainly due to the lack of nexus between the revenue (assets) and expenditure (liabilities). The revenue collected is not on the basis of the risk profile attributable to claims or occurrence of road accidents; but on the amount of fuel, in litres, that are purchased each month. In receiving these funds, RAF then pays out compensation, mostly in lump sums, to the claimants.

The Statement of Financial Position as at 31 March 2021 reported current assets of R15.4 billion of which Cash and Cash Equivalents was a total of R4.7 billion and Fuel Levies receivable was R10.3 billion. The current asset position in comparison with the Claims requested not yet paid as at 31 March 2021 of R14.8 billion reflects a positive liquidity position for the RAF. This demonstrates that the RAF will be able to fulfil its mandate and meet its obligations over the next 12 months.

The RAF also reported a surplus in the Statement of Financial Performance for the period ended 31 March 2021 of R1,78 billion in comparison with a restated deficit reported in the prior year of R6.26 billion. In addition, Finance costs has reduced from R265 million reported in the prior year to R62 million reported in the current year.

Investments held in the current year increased from R1.3 billion to R4.7 billion, which is the highest value it has been in 5 years.

The total Claims Liability reported as at 31 March 2021 is R29.6 billion of which R14.7 billion are claims which have not yet been requested for payment, but which will be requested and paid within the next 12 months. The Fuel Levy Income to be received during the 2021/22 financial year is projected to amount to R42 billion.

The RAF will further secure a finance facility of R20 billion, which will be used to settle the backlog of finalised claims included in the Claims liability for offers requested but not yet paid. This debt restructuring initiative will provide relief in the form of more stable cash out flows and, dependent on the rate negotiated, relief in the form of reduced interest costs as well as no costs associated with Court Orders and Sheriff.

The projected levies to be received coupled with the funds from the finance facility, will provide sufficient funding to make payment to the R14.7 billion Claims Liability which have not yet been requested for payment as at 31 March 2021 as well as all claims settled during the 2021/22 financial year. It must be understood that RAF is classified as pay-as-you-go, instead of a fully funded Fund.

Management has exercised a voluntary change in accounting policy in the 2020/21 financial year in order to more accurately recognise, present and disclose the Social Benefit activities and liabilities resulting from

those activities in the Annual Financial Statements. This will provide reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position and performance.

To achieve the level of accuracy, reliability and relevance required, management considered the requirements of GRAP 3 in changing its accounting policy. International Public Sector Accounting Standards 42 on Social Benefits (IPSAS 42 – the only Social Benefits standard available globally) was used to develop an Accounting Policy for the recognition, measurement and disclosure of the liability and expenditures arising from motor vehicle accident claims.

The change in Accounting Policy has resulted in a liability only being recognised when all the eligibility criteria of a potential claim are met. The effect of the implementation of the above has resulted in a significant reduction in the claims liability from R361.9 billion to R29.6 billion reported as at 31 March 2021.

Given the balances reported and highlighted above, as well as the projections which has been indicated, the going concern risk has been considered as insignificant to the RAF as at 31 March 2021.

Notwithstanding the insignificant going concern risk for the Fund, RAF has still implemented the following measures to improve its financial sustainability:

- The next medium term, 2021/24 period, will see RAF change its operating model, funding and payout models to ensure operational and financial sustainability of the RAF. The RAF has adopted a new Strategic Plan for the period 2020–25. The strategy is under-pinned by the following strategic initiatives:
 - Reduction of operational and administrative costs.
 - Reviewing of operating model to improve efficiencies to replace the current litigation model which has proven to incur significant legal costs. Objectives such as decreasing the settlement period of a claims and reducing the validation time of claims will assist in decreasing the legal costs incurred through the lengthy litigation process. A decrease in 40% of legal and other costs paid has already been observed in the current financial year.
 - Reviewing of the funding and debt restructuring – to secure a finance facility which can be used to settle the backlog of finalised claims included in the Social Benefit liability for offers re-requested but not yet paid. This debt restructuring initiative will provide relief in the form of more stable cash out flows and, dependent on the rate negotiated, relief in the form of reduced interest costs as well as no costs associated with Court Orders and Sheriff.
 - Implementation of asset liability matching strategies and payments in annuities.
 - The introduction of the RAF tariff to improve on the settlements' efficiencies.
 - Enhancement of the claim's administration process and the introduction of integrated claims management system.
 - Review the current regulation to introduce efficiencies.
- On 09 April 2021, the RAF was granted an Order of Court suspending all writs of execution and attachments based on court orders already granted against it, which will further assist in enhancing the liquidity position of the Fund.
- Updated cash flow forecasts are prepared on a daily/weekly and monthly basis.
- Extensive reporting mechanisms exist to monitor cash flows on a real time basis and to report as is relevant to the various affected parties and stakeholders as well as to develop a proactive response to the extent possible.

- Writs instances and the processes followed in responding thereto are actively monitored and tracked by the Operations and Treasury teams, whilst being supported by Corporate Legal Department.
- The Corporate Legal Department with the support of Treasury has implemented measures to drastically minimise the occurrence of writs through engagements in legal process which have allowed for relief from writs instances.
- Assess the risk against the risk bearing capacity of the Institution and respond accordingly on an ongoing basis.
- Continuously considered the fact that the RAF Act contemplated that the RAF may be 'unable' to pay and may be insolvent but to liquidate the RAF is not possible. To wind up the RAF will furthermore require an Act of Parliament. Section 21 of the RAF Act did provide for the revival of the common law claim of the person injured in the road crash, or the dependents of the person killed because of the injuries sustained in the road crash, to sue the wrongdoer. However, should section 21 of the RAF Act be 'triggered' by the RAF's inability to pay claimants the implications for the public, and the state, would be dire. It thus remains clear that the RAF cannot stop making payments despite the cash flow constraints.
- A Cash Management Strategy was designed and implemented to ensure available funding is distributed in an equitable and fair manner. This has since evolved to cash management in the ordinary course of business which is reviewed in response to the business environment. Ongoing engagements between Operations and Treasury are facilitated to ensure that the strategy is applied accurately across all payment categories.
- An extensive, multipronged communication strategy remains in place and ensures that all service providers are kept informed in a transparent and frank manner.
- The Fund, on a continuous basis, seeks to optimise its own cost base and any funds that are not committed due to general savings or an inability to procure services are allocated to the settlement of claims.
- Extensive engagement with the stakeholders – National Treasury, Department of Transport (DOT) and other relevant parties and forums – are ongoing to ensure awareness, to present status updates and to seek solutions.
- Reporting on going concern in the Annual Financial Statements and Annual Report.

In the context of the above, Management takes the following assumptions into consideration in its assessment of the going concerns of the RAF:

- RAF it is not a commercial enterprise.
- The RAF is, as its name implies, a fund. It is a receptacle of all monies procured from the National Treasury pursuant to section 5(1) of the RAF Act from which all claims for damages arising from bodily injuries are to be paid. The RAF therefore has no realistic alternative other than to continue to operate in accordance with the above said legislation.
- Conventional means of assessing the going concern of RAF will always yield negative results which are not indicative of the realities of the ability of RAF to continue its operations.
- The Insolvency Act applies only to individuals and partnerships. The RAF is neither.
- The Companies Act, 2008 applies to the various categories of entities which fall within the definition of a 'company' under that Act and under the 1973 Companies Act. The RAF does not fall within such category.
- In the case of the statutory body, one has to consider the statute in question to determine precisely when the body is to be regarded as insolvent and what consequences are to flow from that state of affairs. Thus, factually, the body may be insolvent, but whether any legal consequence flows from this is a matter to be determined by having regard to the empowering statute.

- The RAF Act does not deal with the insolvency of the RAF. It is clear, however, from section 21(2) (a) of the RAF Act that the legislature contemplated that the RAF may be 'unable' to pay "any compensation" and, in that sense, the liability will fall on the wrongdoer.
- The RAF is incapable of being liquidated. To wind up the business of the RAF will require an intervention through an Act of Parliament. The winding up process will however not absolve the RAF from the debts that it would have incurred as at the time of the culmination of such a process. (Source: 2014/15 Financial Year Legal Opinion, refer to Annexure A)

Management is not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

There is, however, a liquidation application lodged against the Fund. The application was brought in terms of the Companies Act for the RAF to be wound down. Our Legal Counsel is that the prospects of success of this application is non-existent in that it has been brought under the provisions of the Companies Act. The RAF is not a company incorporated under the Companies Act, it is a creature of statute as established in terms of section 2 of the RAF Act. It can only cease to exist in its current form by repealing the current legislation.

Based on the above, Management is of the opinion the going concern basis is appropriate for the presentation of the Financial Statements for 31 March 2021 based on this assessment.

Based on the assessment performed, the going concern risk has been considered as insignificant to the RAF as at 31 March 2021 and the Fund will be able to fulfil its mandate and meet its obligations over the next 12 months.

The accumulated deficit has decreased by the surplus for the year of R1,783,386,000 in the 2020/21 financial year.

Financial Year ended 31 March	2021	2020 Restated	2019 Restated
	R'000	R'000	R'000
Total assets	15,662,977	11,116,593	11,332,034
Total liabilities	(31,496,933)	(28,738,275)	(22,699,751)
Total net liabilities	(15,833,956)	(17,621,682)	(11,367,717)

SUBSEQUENT EVENTS

No undisclosed material events have taken place between the Statement of Financial Position date and the authorisation of the Annual Financial Statements.

ACCOUNTING POLICIES

The Annual Financial Statements were prepared in accordance with the prescribed SA Standards of GRAP issued by the ASB as the prescribed framework by NT. There were no new GRAP standards applicable to the Fund that became effective during the current financial year.

MATERIALITY FRAMEWORK

A Materiality Framework was developed for reporting losses through criminal conduct and irregular, fruitless and wasteful expenditure, or for significant transactions that require approval by the Executive Authority, as envisaged in section 54(2) of the PFMA.

The framework was finalised by the RAF and approved by the Board on 06 February 2014. The Board is currently in the process of reviewing the Materiality Framework.

FRUITLESS AND WASTEFUL AND IRREGULAR EXPENDITURE

Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure of R1,634,931 (2019/20: R15,352,941) relating to administrative, interest, Sheriff and writ costs, has been disclosed in Note 25 of the Annual Financial Statements.

Interest, Sheriff and Writ Costs

Interest cost is the cost paid for late payment of the claim compensation, as agreed to in a settlement agreement or order of the court, and taxed legal bills settled through taxation, as these costs are due immediately. The interest is charged under the Prescribed Rate of Interest Act of 1975 at 10.25% as per *Government Gazette No. 42179*, issued on 22 January 2019 until 27 March 2020, thereafter, at 9.75% as per *Government Gazette No. 43146*, issued on 27 March 2020 until 31 August 2020, thereafter, at 7.00% as per *Government Gazette No. 43873*, issued on 06 November 2020.

Sheriff cost is the cost paid to the Sheriff for their service regarding serving the warrants of execution (writs) on the Fund.

As per the definition in the PFMA, fruitless and wasteful expenditure means “expenditure which was made in vain and could have been avoided had reasonable care been exercised”. The amounts listed below are costs incurred in the settlement process of claims influenced by external legal processes and time limits legally enforced on the RAF in respect of the settlement of claims.

The total value of claims-related fruitless and wasteful expenditure included in the Annual Financial Statements for the year ended 31 March 2021 is R1,226,056 (2019/20: R15,333,805) representing a 92% decrease. This, as a percentage of Claims expenditure, is 0.003% (2019/20: 0.03%). The total value of claims-related fruitless and wasteful expenditure, had it not been reduced for the current cash position and Management Strategy, would have been R67,271,193 (2019/20: R257,736,563).

Reporting and adherence to the Writs Standard Operating Procedure (SOP) will continue.

Legal costs create operational constraints, as there are no legal obligations for plaintiff attorneys to submit their bills within any stipulated time frames. The majority of legal cost bills are disputed, because the content, or the items billed, are incorrect or invalid. The process of taxation of legal cost bills through the Office of the Taxation Master is the only option to settle these disputes.

The taxation of legal cost bills exposes the RAF to a risk of non-compliance with court processes, despite an Instruction Note from NT that all payments arising from legal settlements must be paid within 30 days from the date of settlement. Court rules require that taxed bills must be paid immediately after taxation, and plaintiff attorneys issuing writs (i.e. immediately after settlement).

As a result, payments may comply with the PFMA, but not the court rules.

The following information relates to the legal cost bills settled through taxation for 2020/21:

- Number of bills settled through taxation: 17,237 (2019/20: 23,225) – decreased by 26%.
- Number of bills where a saving was made through taxation: 17,044 (2019/20: 23,022) – decreased by 26%.
- Amount saved through taxation: R3,681,085,880 (2019/20: R5,367,236,482) – decreased by 31%.
- The success rate in terms of savings on legal cost bills was 99% (2019/20: 99%).

As highlighted above, the number of taxed legal cost bills decreased by 26%. This decrease can be attributed to initiatives to settle claims with plaintiff attorneys before a summons is issued, and to offer cost contributions to avoid taxing of legal cost bills. However, the impact of COVID-19, and preventative measures implemented related to the pandemic, also had an impact on the processing of legal cost bills during the 2020/21 financial year.

Furthermore, the total amount saved through taxation decreased by 31%, which is in line with the decrease in bills processed. The average bill value submitted by attorneys increased by 4% compared to 2019/20, while the average bill settlement value increased by 21%, which resulted in an overall decrease on the average savings per bill of 7% compared to 2019/20. The value of bills claimed and settled are driven by a number of factors that are mainly related to whether attorneys are overreaching when drawing up bills, while the use of cost consultants during taxation may lead to increased savings.

RAF officials are required to diligently apply the process of the legal cost bills assessments. Writs SOPs are in place to ensure that all taxed bills are paid timeously to minimise the impact of the interest cost at a rate of 9.75%.

The number of claims paid as a result of writs received in the 2020/21 financial year was 3,871 (2019/20: 8,740). It was 55.7% lower than in 2019/20 as a result of continued stakeholder engagements, implementation of cash management policies, and improved communication and transparency of payments that are due for payment on the basis of the settlement date rather than the date of payment request.

Fruitless and wasteful expenditure is monitored closely by the Executive Management and the Board. There are processes in place to ensure that this risk is mitigated.

Fruitless and wasteful expenditure relating to administrative costs totalled R407,452 (2019/20: R19,136) and comprised of additional travel costs which could have been avoided.

Disciplinary action was taken against staff members because of negligence resulting in the payment of interest, sheriff and writ costs, as well as duplicate payments and administrative costs. During the financial year, one staff member received counselling, and four verbal warnings and six written warnings were issued. No dismissals were necessary. (These figures were obtained from the Writs and Financial Misconduct Registers.)

Irregular Expenditure

Irregular expenditure of R92,994,309 (2019/20: R3,733,766) was reported during the financial year and is disclosed in Note 26 of the Annual Financial Statements.

Irregular expenditure arose as a result of non-compliance with SCM legislation and acts that contravened or failed to comply with provisions of the PFMA.

A total of nine instances to the value of R92,994,309 were identified and reported during the 2020/21 financial year. Further details regarding the actions taken by Management to prevent irregular expenditure are disclosed under Note 26 of the Annual Financial Statements.

Any employee who committed an act that undermined the financial management and internal control systems of the RAF, as required by relevant legislations and policies, was dealt with in terms of the Disciplinary Policy.

Disciplinary action in respect of employees who incurred the four instances of irregular expenditure is ongoing.

ADDRESSES

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Eco Glades Office Park 2
420 Witch-hazel Avenue
Centurion
0046

Postal Address:


Private Bag X178
Centurion
0046

Website:

www.raf.co.za


APPROVAL

The Annual Financial Statements, which have been prepared on the going-concern basis, were approved by the Board on 11 October 2022 and were signed on its behalf by:



TN MSIBI (Nov 8, 2022 18:55 GMT+2)

MS TN MSIBI
Chairperson of the Board
Date: October 2022



Collins Letsoalo (Nov 8, 2022 16:44 GMT+2)

MR CP LETSOALO
Chief Executive Officer
Date: October 2022

CORPORATE SECRETARY'S CERTIFICATION

I hereby certify that the RAF has lodged all returns as required by the Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended by Act No. 29 of 1999.



Thamsanqa Phechudi (Nov 9, 2022 08:48 GMT+2)

Mr T PHECHUDI

Acting Board Secretariat

Date: October 2022

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

		2021	2020 Restated
	Note(s)	R '000	R '000
Assets			
Current Assets			
Cash and cash equivalents	3	4 684 204	1 351 455
Receivables from non-exchange transactions	4	10 314 763	8 852 457
Receivables from exchange transactions	5	21 087	2 912
Other financial assets	6	422 769	657 571
Consumable stock	7	4 962	4 586
		15 447 785	10 868 981
Non-Current Assets			
Property, plant and equipment	8	173 984	188 629
Intangible assets	9	41 208	58 983
		215 192	247 612
Total Assets		15 662 977	11 116 593
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	331 416	117 123
Other financial liabilities	11	51 395	31 027
Claims liabilities	12	29 572 408	26 986 667
Other provision	13	1 481 663	1 548 378
Operating lease liability	15	11	741
		31 436 893	28 683 936
Non-Current Liabilities			
Employee benefit obligation	14	55 609	53 246
Operating lease liability	15	4 431	1 093
		60 040	54 339
Total Liabilities		31 496 933	28 738 275
Net Liabilities		(15 833 956)	(17 621 682)
Net Liabilities			
Reserves			
Revaluation reserve		101 981	97 641
Accumulated deficit		(15 935 937)	(17 719 323)
Total Net Liabilities		(15 833 956)	(17 621 682)

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2021

	Note(s)	2021 R '000	2020 Restated R '000
Revenue			
Revenue from Exchange Transactions			
Other income	17	2 863	25
Investment revenue	18	157 061	62 784
Total Revenue from Exchange Transactions		159 924	62 809
Revenue from Non-exchange Transactions			
Transfer revenue			
Net fuel levies	16	42 088 592	41 177 671
Total Revenue		42 248 516	41 240 480
Expenditure			
Claims expenditure	19	(37 877 447)	(44 869 663)
Depreciation and amortisation		(49 719)	(52 258)
Employee costs	21	(1 941 244)	(1 752 737)
Finance costs	22	(62 273)	(265 113)
Reinsurance premiums	20	(4 021)	(23 965)
Loss on disposal of assets and liabilities		(406)	(578)
General expenses	23	(530 020)	(534 456)
Total Expenditure		(40 465 130)	(47 498 770)
Surplus/ (Deficit) for the Year		1 783 386	(6 258 290)

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2021

	Note	Revaluation reserve	Accumulated deficit	Total net assets
		R '000	R '000	R '000
Balance at 1 April 2019 before restatement		93 328	(262 208 042)	(262 114 714)
Restatement	31		250 747 009	250 747 009
Restated Balance at 1 April 2019		93 328	(11 461 033)	(11 367 705)
Changes in net assets				
Revaluation of land		300	-	300
Revaluation of building		4 013	-	4 013
Restated Deficit for the year		-	(6 258 290)	(6 258 290)
Total changes		4 313	(6 258 290)	(6 253 977)
Restated balance at 1 April 2020		97 641	(17 719 323)	(17 621 682)
Changes in net assets				
Revaluation of land		700	-	700
Revaluation of building		3 640	-	3 640
Surplus for the year		-	1 783 386	1 783 386
Total changes		4 340	1 783 386	1 787 726
Balance at 31 March 2021		101 981	(15 935 937)	(15 833 956)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

	Note(s)	2021 R '000	2020 Restated R '000
Cash Flows from Operating Activities			
Receipts			
Fuel levies		40 559 571	42 632 836
Interest income		138 886	66 323
Other income		2 863	25
		<u>40 701 320</u>	<u>42 699 184</u>
Payments			
Employee costs		(1 941 244)	(1 752 737)
Claims paid		(35 291 706)	(39 162 837)
Finance costs		(62 273)	(265 113)
Reinsurance premiums		(4 021)	(23 965)
Other expenditure		(55 962)	(1 027 374)
		<u>(37 355 206)</u>	<u>(42 232 026)</u>
Net Cash Flows from Operating Activities	27	3 346 114	467 158
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	8	(9 759)	(7 197)
Purchase of other intangible assets	9	(3 606)	(16 514)
Proceeds on sale of property, plant and equipment		-	6
Net Cash Flows from Investing Activities		(13 365)	(23 705)
Net Increase in Cash and Cash Equivalents		3 332 749	443 453
Cash and cash equivalents at the beginning of the year		1 351 455	908 002
Cash and Cash Equivalents at the End of the Year	3	4 684 204	1 351 455

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 MARCH 2021

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Note
	R '000	R '000	R '000	R '000	R '000	
Statement of Financial Performance						
Revenue						
Revenue from Exchange transactions						
Other income	-	-	-	2 863	2 863	36
Investment revenue	98 257	-	98 257	157 061	58 804	36
Total Revenue from Exchange Transactions	98 257	-	98 257	159 924	61 667	
Revenue from Non-exchange Transactions						
Transfer Revenue						
Net fuel levies	43 934 347	-	43 934 347	42 088 592	(1 845 755)	
Total Revenue	44 032 604	-	44 032 604	42 248 516	(1 784 088)	
Expenditure						
Employee costs	(2 451 265)	-	(2 451 265)	(1 941 244)	510 021	36
Claims expenditure	(96 818 938)	-	(96 818 938)	(37 877 447)	58 941 491	36
Depreciation and amortisation	(78 605)	-	(78 605)	(49 719)	28 886	36
Finance costs	(1 524 665)	-	(1 524 665)	(62 273)	1 462 392	36
Reinsurance premiums	(26 906)	-	(26 906)	(4 021)	22 885	36
General expenses	(763 405)	-	(763 405)	(530 020)	233 385	36
Total Expenditure	(101 663 784)	-	(101 663 784)	(40 464 724)	61 199 060	
Operating deficit	(57 631 180)	-	(57 631 180)	1 783 792	59 414 972	
Loss on disposal of assets and liabilities	-	-	-	(406)	(406)	36
Deficit for the Year	(57 631 180)	-	(57 631 180)	1 783 386	59 414 566	

ACCOUNTING POLICIES

1. PRESENTATION OF FINANCIAL STATEMENTS

The Annual Financial Statements have been prepared in accordance with the SA Standards of Generally Recognised Accounting Practice (GRAP), issued by the ASB in accordance with section 91(1) of the PFMA, 1999 (Act No. 1 of 1999).

These Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specified otherwise. It is presented in South African rand and rounded to the nearest thousand rand.

A summary of the significant Accounting Policies applied in the preparation of these Annual Financial Statements are disclosed below and are consistent with those applied in the prior period with the exception of the change in accounting policy detailed in note 31.

Where the SA Standards of GRAP are not available, accounting policies are formulated in accordance with GRAP 3. The International Public Sector Accounting Standards (IPSAS) have been applied as indicated below.

IPSAS 42 Social Benefits

IPSAS 42 *Social Benefits* has been early utilised to develop appropriate accounting policies for the financial year under review as there is currently no standard of GRAP that can be applied for the recognition, measurement, presentation and disclosure of liabilities and expenditures arising from motor vehicle accident claims (presented as Claims Liabilities and Claims Expenditure in the Statement of Financial Position, Statement of Financial Performance and Notes to the Annual Financial Statements) that will result in more reliable and relevant information to be presented and disclosed in the Annual Financial Statements. The standard is effective for Accounting Periods beginning on or after 01 January 2022.

1.1 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 Statements and related disclosures. Use of available information and the application of judgement are 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 as new information becomes known, circumstances change or more experience is obtained. The RAF recognises the effect of these changes in accounting estimates prospectively, by including the effects in surplus or deficit in the period of the change if the change affects that period only, or in the period of the change and future periods, if the change affects both. Significant judgements include:

Impact of the COVID-19 Crisis

The nationwide lockdown that came into effect on 27 March 2021 as a result of the COVID-19 pandemic has had a significant impact on the South African economy. The significant reduction in economic activity and limitation of movement of people resulted in a significant decrease in the use of South African roads during the lockdown period. The impact of the COVID-19 crisis on the RAF and the information presented

in the Annual Financial Statements has been assessed and has been included in the amounts presented in the Annual Financial Statements.

Review of Accounting Policies

Management has reviewed the accounting policies applied in the Annual Financial Statements and has determined that they are appropriate.

Impact on the Components of the Annual Financial Statements

Revenue from Non-Exchange Transactions

Fuel Levy revenue is recognised through the gross collections of the Fuel Levy by the SARS. As the revenue is recognised on actual collections, there is no impact on the Revenue recognised in the Annual Financial Statements for the 2020/21 financial year.

Expenditures

While additional pressures are experienced by certain departments and state-owned entities as a result of increased spend on government programmes, the expenditure of the RAF remains relatively unaffected.

Assets

There is no impact on the measurement of the Fuel Levy receivable disclosed under 'Receivables from Non-exchange Transactions'. The amount recognised as receivable as at 31 March 2021 has already been received in cash and no impairment is required.

No impact was identified in the measurement of the carrying value of tangible assets or on the estimates used at arriving at the carrying value of the assets recognised in the Annual Financial Statements.

Liabilities

No additional obligations were identified as a result of the crisis. Relief measures implemented by government have not placed any constructive obligations on the RAF and thus no additional liabilities are required to be recognised.

Impact on Going Concern

Although the lockdown resulted in a significant drop of petrol and diesel sales in the 2020/21 financial year, the RAF continues to execute its mandate and will continue to settle and pay claims to the extent that the Fuel Levy revenue received allows. Refer to the Report of the Board and Note 34 for further information concerning the appropriateness of preparing the Annual Financial Statements on a going-concern basis.

Impairment Testing

A cash-generating or non-cash-generating asset is impaired when the carrying amount of the asset exceeds its recoverable service amount. These calculations require the use of estimates and assumptions.

The RAF reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Claims Liabilities

The estimation of the ultimate liability arising from offers presented to the claimant, but not yet requested for payment at the reporting date is the RAF's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the amount that the RAF will ultimately pay for such claims. More detail on the estimation can be found in Note 12 – Claims Liabilities.

Post-retirement Benefits

The RAF provides a defined benefit post-retirement medical plan to some of its employees. The measurement of the obligations (and assets) in respect of this liability requires actuarial estimates and valuations. An actuary is engaged to perform these calculations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 14.

Impairment of Financial Assets Held at Amortised Cost

Financial assets held at amortised cost include receivables from exchange transactions, receivables from non-exchange transactions and other financial assets held at amortised cost. On the financial assets, an impairment loss is recognised in surplus or deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition. Additional information is disclosed in Notes 6 and 23.

Revenue Recognition on the RAF Fuel Levy

With effect from 01 April 2006, the responsibility for the collection of the RAF Fuel Levy was devolved from the Central Energy Fund (CEF) to the South African Revenue Service (SARS).

The changes to the Customs and Excise Act, 1964 (Act No. 91 of 1964) have introduced new provisions that require fuel companies to pay 50% of the RAF Fuel Levy at the end of the month following the month of removal of the fuel from the refinery, and the remaining 50% at the end of the following month.

The effect of these provisions is that cash receipts of RAF Levies do not correspond with the accrual of fuel levy revenue by the RAF. This particularly impacts the year-end revenue receivable raised from the RAF Fuel Levy. To correctly accrue for the revenue for the period, RAF Management makes an estimate as to what the expected RAF Fuel Levy income should be based on historical evidence. Additional information is disclosed in Notes 4 and 16.

Diesel Refunds

Diesel refunds are concessions deducted from the fuel levy received. Diesel concessions are granted to certain sectors of the economy based on the level of use by the diesel consumer in primary production activities.

In terms of section 5(2) of the RAF Act, after being amended by the Revenue Laws Amendment Act, 2005 (Act No. 31 of 2005), the RAF receives the RAF Fuel Levy net of diesel refund after it has been collected by SARS.

Diesel refunds affect the amount of revenue to be recognised and cannot be measured accurately at the point of revenue recognition.

Consequently, estimates are made by Management as to what the value of the diesel refunds will be. The estimates are based on historical evidence, and Management formulates a percentage that is applied to the RAF Fuel Levy. The average percentage for diesel refunds for the current year was 10.48% of the gross RAF Fuel Levy for the year. Additional information is disclosed in Notes 13 and 16.

Revaluation of Land and Buildings

Land and buildings held for administrative purposes are carried at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are performed by an independent valuer on a yearly basis, such that the carrying amounts do not differ materially from those that would be determined using fair values at the reporting date. The fair value of land and buildings, measured using the Valuation Model, is based on market values. The market value of property is determined by taking into account the market rentals that are paid in the immediate area. The applicable relevant market rental is used to determine potential income. Thereafter, the relevant expenditure is deducted to determine the net income and with a relevant capitalisation rate, the market value is calculated.

Additional information is disclosed in Note 8.

1.2 PROPERTY, PLANT AND EQUIPMENT

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

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

- It is probable that future economic benefits or service potential associated with the item will flow to the RAF.
- The cost of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

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

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

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

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

Cost includes costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by Management.

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

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses, except for land and buildings, which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

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

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

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

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

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

Item	Depreciation Method	Average Useful Life
Buildings	Straight line	30 years
Office furniture	Straight line	15 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	10 years
IT equipment	Straight line	7 years
Leasehold improvements	Straight line	3 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential is expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is amended to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset has changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit, unless it is included in the carrying amount of another asset.

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

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

1.3 INTANGIBLE ASSETS

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

- It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the RAF.
- The cost or fair value of the asset can be measured reliably.

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- It is technically feasible to complete the asset so that it will be available for use or sale.
- There is an intention to complete and use or sell it.
- There is an ability to use or sell it.
- It will generate probable future economic benefits or service potential.
- There are available technical, financial and other resources to complete the development and to use or sell the asset.
- The expenditure attributable to the asset during its development can be measured reliably.

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

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

Amortisation commences when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by Management. Amortisation ceases at the date that the asset is derecognised.

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally, generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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

Item	Useful Life
Computer software	5 years

Intangible assets are derecognised:

- On disposal; or
- When no future economic benefits or service potential is expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised (unless the SA Standard of GRAP on leases requires otherwise on a sale and lease-back).

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.

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 should estimate cash flows considering all contractual terms of the financial instrument (e.g. prepayment, call and similar options), but should 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 SA 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 should 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, 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 RAF.

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 RAF.

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 holds for trading.

Classification

The RAF has the following types of financial assets in terms of classes and category, as reflected in the Statement of Financial Position or the Notes thereto:

Class	Category
Advance payment in respect of suppliers' claims	Financial asset measured at amortised cost
Employee debtors	Financial asset measured at amortised cost
Sundry debtors	Financial asset measured at amortised cost
Claims debtors	Financial asset measured at amortised cost
Other deposits	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Rent-a-Captive insurance	Financial asset measured at amortised cost

Advance payment in respect of suppliers' claims represents a payment made to a third party to settle claims on the RAF's behalf. Though all the ring-fenced claims have been settled, an overall debtor remains. Claims debtors represent overpayments, duplicate payments and wrong payments made to claimants.

The entity has the following types of financial liabilities (classes and category) as reflected in the Statement of Financial Position or the Notes thereto:

Class	Category
Trade and other creditors	Financial liability measured at amortised cost

Initial Recognition

The RAF 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.

The RAF recognises financial assets using trade date accounting.

Initial Measurement of Financial Assets and Financial Liabilities

The RAF 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 RAF measures all financial assets and financial liabilities after initial recognition using the category 'financial instruments at amortised cost'.

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

Impairment and Uncollectability of Financial Assets

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

Objective evidence of impairment includes:

- amounts not recovered or no instalments received within 90 days of recognition of the financial asset or the previous instalment received;
- information received about the debtor indicating their inability to settle the financial asset; or
- legal action has been instituted to recover the amount receivable.

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. When a receivable is uncollectable, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are 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 RAF derecognises financial assets using trade date accounting.

The RAF 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 RAF:
 - derecognises the asset; and
 - recognises separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial Liabilities

The entity removes a financial liability, or a part of a financial liability, from its Statement of Financial Position when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled, waived, or expires.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Presentation

A financial asset and a financial liability are only offset, and the net amount presented in the Statement of Financial Position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.5 STATUTORY RECEIVABLES

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The entity recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

The entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Derecognition

The entity derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the entity, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable 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 receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP.

Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.6 TAX

Tax Expenses

The RAF is exempt from taxation in terms of the provision of section 10(1) (cA)(i) of the Income Tax Act, 1962 (Act No. 58 of 1962) and section 16 of the RAF Act, 1996 (Act No. 56 of 1996).

1.7 LEASES

A lease is classified as a 'finance lease' if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an 'operating lease' if it does not transfer substantially all the risks and rewards incidental to ownership.

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

Operating Leases – Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 CONSUMABLE STOCK

Consumable stock is recognised as an asset if, and only if, (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and (b) the cost of the consumable stock can be measured reliably.

Consumable stock is initially measured at cost except where it is acquired through a non-exchange transaction, then its costs represent its fair value as at the date of acquisition.

Subsequently, consumable stock is measured at the lower of cost and net realisable value.

Consumable stock is measured at the lower of cost and current replacement cost where it is held for distribution at no charge, or for a nominal charge.

Current replacement cost is the cost the RAF incurs to acquire the asset on the reporting date.

The cost of consumable stock comprises all costs of purchase, conversion and other costs incurred in bringing it to its present location and condition.

The cost of consumable stock is assigned using the weighted average cost formula. The same cost formula is used for all consumable stock which has a similar nature and use to the RAF.

When consumable stock is utilised, the carrying amounts of the consumable stock are recognised as an expense in the period in which the stock is distributed. The amount of any write-down of consumable stock to net realisable value or current replacement cost and all losses of consumable stock are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of consumable stock, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of consumable stock recognised as an expense in the period in which the reversal occurs.

1.9 IMPAIRMENT OF CASH-GENERATING ASSETS

'Cash-generating assets' are assets managed with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

'Impairment' is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

'Carrying amount' is the amount at which an asset is recognised in the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A 'cash-generating unit' is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use, that are largely independent of the cash inflows from other assets or groups of assets.

'Costs of disposal' are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

'Depreciation (amortisation)' is the systematic allocation of the depreciable amount of an asset over its useful life.

'Fair value less costs to sell' is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties less the costs of disposal.

'Recoverable amount of an asset or a cash-generating unit' is the higher of its fair value less costs to sell and its value in use.

'Useful life' is either:

- the period of time over which an asset is expected to be used by the RAF; or
- the number or production of similar units expected to be obtained from the asset by the RAF.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The RAF assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the RAF estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the RAF also tests a cash-generating intangible asset with an indefinite useful life, or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset is initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Reversal of Impairment Loss

The RAF assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the RAF estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount less its residual value (if any) on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit *pro rata* with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated *pro rata* to the other assets of the unit.

1.10 IMPAIRMENT OF NON-CASH-GENERATING ASSETS

'Non-cash-generating assets' are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The RAF assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the RAF also tests a non-cash-generating intangible asset with an indefinite useful life, or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset is initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in Use

'Value in use' of non-cash-generating assets is the present value of the non-cash-generating assets' remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated Replacement Cost Approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition.

An asset may be replaced either through reproduction (replication) of the existing asset, or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated based on such cost to reflect the already consumed or expired service potential of the asset.

The replacement and reproduction costs of an asset are determined on an 'optimised' basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset.

'Overdesigned assets' contain features that are unnecessary for the goods or services the asset provides. 'Overcapacity assets' are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration Cost Approach

'Restoration cost' is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service Units Approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and Measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss, which is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount less its residual value, if any, on a systematic basis over its remaining useful life.

Reversal of an Impairment Loss

The RAF assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the RAF estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase represents a reversal of an impairment loss.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount less its residual value (if any) on a systematic basis over its remaining useful life.

1.11 EMPLOYEE BENEFITS

Employee benefits represent all forms of consideration given by an entity in exchange for service rendered by employees.

Short-term Employee Benefits

'Short-term employee benefits' are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- Wages, salaries and social security contributions.
- Short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 months after the end of the reporting period in which the employees render the related employee service.
- Bonus, incentive and performance-related payments payable within 12 months after the end of the reporting period in which the employees render the related service.
- Non-monetary benefits (e.g. medical care and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the RAF recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as:

- A liability (accrued expense) after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the RAF recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.
- An expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense, as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The RAF measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonuses, incentives and performance-related payments when the RAF has a present legal or constructive obligation to make such payments as a result of past events, and a reliable estimate of the obligation can be made. A present obligation exists when the RAF has no realistic alternative but to make the payments.

Post-employment Benefits

'Post-employment benefits' are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the staff concerned.

The RAF contributes towards the Employees' Pension Fund administered by ABSA Consultants and Actuaries (Pty) Limited, the cost of which is recognised in surplus or deficit in the year that it is paid.

Post-employment Benefits: Defined Medical Benefit Plans

'Defined benefit plans' are post-employment benefit plans other than defined contribution plans. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability, the RAF recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a benefit fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits. These assets are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation) and cannot be returned to the reporting entity unless either the remaining assets of the fund

are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity, or the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

'Current service cost' is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

'Interest cost' is the increase during a period in the present value of a defined benefit obligation, which arises because the benefits are one period closer to settlement.

'Past service cost' is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the introduction of, or changes to post-employment benefits or other long-term employee benefits in the current period. Past service cost may be either positive, i.e. when benefits are introduced or changed so that the present value of the defined benefit obligation increases, or negative, i.e. when existing benefits are changed so that the present value of the defined benefit obligation decreases.

In measuring its defined benefit liability, the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

'Plan assets' comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The RAF accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the RAF's informal practices. Informal practices give rise to a constructive obligation where the RAF has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the RAF's informal practices could cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) from which the obligations are to be settled directly;
- plus, any liability that may arise as a result of a minimum funding requirement.

The amount determined as a defined benefit liability may be negative (i.e. an asset). The RAF measures the resulting asset at the lower of the amount determined above, or the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate that reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The RAF determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity, such that the amounts recognised in the Annual Financial Statements do not differ materially from the amounts that would be determined at the reporting date.

The RAF recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- Current service cost
- Interest cost
- The expected return on any plan assets and on any reimbursement rights
- Actuarial gains and losses
- Past service cost
- The effect of any curtailments or settlements
- The effect of applying the limit on a defined benefit asset (i.e. a negative defined benefit liability)

The RAF uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (also known as the Accrued Benefit Method Pro-rated on Service, or as the Benefit/Years of Service Method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the entity should attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the entity should attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

Actuarial Assumptions on the Post-Retirement Medical Scheme

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations at the reporting date for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money are consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- Estimated future salary increases.
- The benefits set out in terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date.
- Estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan if, and only if, either:
 - those changes were enacted before the reporting date; or
 - history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, e.g. in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take into account estimated future changes in the cost of medical services resulting from both inflation and specific changes in medical costs.

Termination Benefits

Termination benefits are recognised as an expense when the RAF is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the RAF has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

1.12 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the RAF 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.
- 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 will affect the decisions of the users of the Annual Financial Statements, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

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

Where some or all 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 literally certain that reimbursement will be received if the entity settles the obligation;
- the reimbursement is treated as a separate asset; and
- 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.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised.

Contingencies are disclosed in Note 33.

1.13 PAYABLES

Liabilities are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

Provisions can be distinguished from other liabilities, such as payables and accruals, because there is uncertainty about the timing or amount of the future expenditure required in settlement.

By contrast:

- Payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier (and include payments in respect of Claims where formal agreements for specified amounts exist).
- Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees (e.g. amounts relating to accrued leave pay).

Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much less than for provisions. The RAF reports accruals as part of 'Trade and Other Creditors and Other Financial Liabilities'.

Recognition

The RAF recognises payables in accordance with GRAP 19.

The recognition criteria for accruals are similar to those of the provisions, except that the amount of the obligation is not estimated.

The amount recognised is accurately determined using the relevant report, contract or invoice.

In most instances, the system is used to derive these amounts.

Measurement

The amount recognised as a provision should be the best estimate of the expenditure required to settle the present obligation at the reporting date.

It will often be impossible or prohibitively expensive to settle or transfer an obligation at the reporting date. However, the estimate of the amount that the RAF would rationally pay to settle or transfer the obligation gives the best estimate of the expenditure required to settle the present obligation at the reporting date.

The estimates of outcome and financial effect are determined by the judgement of the Management of the RAF, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date.

The RAF measures the accruals based on the actual amount as per internal and external reports, including contracts and invoices.

The risks and uncertainties that inevitably surround many events and circumstances are considered in reaching the best estimate of a provision.

Regarding accruals, there is little to no risk and uncertainty as compared to provisions, as actual amounts are used.

1.14 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 one entity receives assets or services, or has liabilities extinguished and directly provides 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.

Measurement

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

Income

Income arising from the use by others of entity assets yielding interest, reinsurance income and other income is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the RAF, and the amount of the revenue can be measured reliably.

'Investment revenue' comprises interest received and is recognised in surplus or deficit using the effective interest rate method.

'Reinsurance income' comprises income received in terms of high-value claims insured by reinsurance companies and commutation offers received from same.

'Other income' comprises fees that are collected for published tenders, vending machines and parking fees received from employees and other immaterial inflows not related to the mandate of the RAF.

1.15 REVENUE FROM NON-EXCHANGE TRANSACTIONS

'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 providing approximately equal value in exchange or provides value to another entity without directly receiving approximately equal value in exchange.

'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 depicted as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the RAF satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction likened to an asset, it reduces the carrying amount of the liability identified, 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 RAF.

The main income received by the RAF is a levy that is based on fuel sales known as the RAF Fuel Levy. The RAF Fuel Levy income is a charge levied on fuel throughout the country and the quantum of the RAF Fuel Levy per litre is determined by NT. The RAF Fuel Levy amendments are communicated through the Budget Speech.

The RAF recognises revenue from fuel levies when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the RAF.

Revenue is measured at the fair value of the consideration received or receivable (net of the diesel rebate).

1.16 FINANCE COSTS

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

1.17 TRANSLATION OF FOREIGN CURRENCIES

Foreign Currency Transactions

A foreign currency transaction is recorded on initial recognition in rand, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:

- Foreign currency monetary items are translated using the closing rate.
- Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.
- Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition, during the period or in previous Annual Financial Statements, are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in rand by applying to the foreign currency amount the exchange rate between the rand and the foreign currency at the date of the cash flow.

1.18 CLAIMS PAYMENTS

The Fund recognises and measures liabilities and expenditures arising from motor vehicle accident claims in accordance with accounting policies derived from the General Approach set out in International Public Sector Accounting Standard (IPSAS) 42 *Social Benefits*.

The change in accounting policy derived from IPSAS 42 *Social Benefits* has been applied to the financial year under review as there is currently no standard of Generally Recognised Accounting Practice that can be applied for the recognition, measurement, presentation and disclosure of liabilities and expenditures arising from motor vehicle accident claims. The standard is effective for Accounting Periods beginning on or after 01 January 2022.

Expenditures arising from motor vehicle accident claims are regarded as a Social Benefit in accordance with IPSAS 42 as the expenditures represent cash transfers provided to:

- a) specific individuals/households that meet the eligibility criteria;
- b) mitigate the effect of Social Risks; and
- c) address the needs of society as a whole.

Recognition of liabilities for the Social Benefit Scheme

The Fund recognises a liability of the Social Benefit scheme when:

- a) The entity has a present obligation for an outflow of resources that results from a past event; and

- b) The present obligation can be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in general purpose financial reports as set out in the Conceptual Framework for General Purpose Financial Reporting.

There may be uncertainty associated with the measurement of the liability. The use of estimates is an essential part of the accrual basis of accounting. Uncertainty regarding the outflow of resources does not prevent the recognition of a liability unless the level of uncertainty is so large that the qualitative characteristics of relevance and faithful representativeness cannot be met. Where the level of uncertainty does not prevent the recognition of a liability, it is taken into account when measuring the liability.

The past event that gives rise to a liability for a Social Benefit scheme is the satisfaction by each beneficiary of all eligibility criteria to receive a Social Benefit payment. The satisfaction of eligibility criteria for each Social Benefit payment is a separate past event.

Claims Liabilities for Offers not yet Requested are claims for which all eligibility criteria have been met, but the final value to be paid is not yet finalised and subject to uncertainty. The value of these claims is estimated using past settlement patterns.

Claims Liabilities Requested for Payment but not yet paid represents claims for which all eligibility criteria are met and the value of the amount to be paid is finalised and not subject to uncertainty, but the obligation has not yet been extinguished.

Recognition of expenses for the Social Benefit scheme

The Fund recognises an expense for the Social Benefit scheme at the same point that it recognises a liability.

The Fund does not recognise an expense for the Social Benefit scheme where a Social Benefit payment is made prior to all eligibility criteria for the next payment being satisfied. Rather, the Fund recognises a payment in advance as an asset in the statement of financial position, unless the amount becomes irrecoverable, in which case the Fund recognises an expense in the statement of financial performance.

Initial measurement of liabilities for the Social Benefit Scheme

The Fund measures the liability for a Social Benefit scheme at the best estimate of the costs (i.e., the Social Benefit payments) that the Fund will incur in fulfilling the present obligations represented by the liability.

The Fund's best estimate of the costs (i.e., the Social Benefit payments) that the Fund will make takes into account the possible effect of subsequent events on those Social Benefit payments.

When the liability in respect of the Social Benefit scheme is not expected to be settled before twelve months after the end of the reporting period in which the liability is recognised (i.e., the next Social Benefit payment will not be made for more than twelve months), the liability shall be discounted using a discount rate that best reflects the time value of money in respect of the currency used to settle the Claims liabilities.

Subsequent measurement of liabilities for the Social Benefit Scheme

The liability for a Social Benefit scheme is reduced as Social Benefit payments are made. Any difference between the cost of making the Social Benefit payments and the carrying amount of the liability in respect of the Social Benefit scheme is recognised in surplus or deficit in the period in which the liability is settled.

Where a liability is discounted in accordance with this accounting policy, the liability is increased and interest expense recognised in each reporting period until the liability is settled, to reflect the unwinding of the discount.

Where a liability has yet to be settled, the liability is reviewed at each reporting date, and adjusted to reflect the current best estimate of the costs (i.e., the Social Benefit payments) that the Fund will incur in fulfilling the present obligations represented by the liability.

The rate used to discount the liability in respect of a Social Benefit scheme reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the Claims liability.

Measurement of expenses for the Social Benefit Scheme

The Fund initially measures the expense for a Social Benefit scheme at an amount equivalent to the amount of the liability. Where the Fund makes a Social Benefit payment prior to all eligibility criteria for the next payment being satisfied, it measures the payment in advance or expense recognised at the amount of the cash transferred.

Recognition and measurement of compensation paid to claimants for costs

Compensation paid to claimants for costs are recognised as Social Benefit payments after the default eligibility criteria have been met. The liability is recognised when the eligibility criteria for this compensation are met and is measured at the best estimate of the costs that the Fund will incur in fulfilling the present obligations represented by the liability.

Undertakings for future medical costs are reimbursive in nature where the RAF pays back incurred medical expenses in accordance with the applicable legislation, due to the injuries sustained in the motor vehicle accident. Transactions where an entity is paying for the provision of the services do not meet the definition of a social benefit. Payments in respect of Undertakings are recognised where they satisfy the criteria for recognition as liabilities.

Reinsurance Contracts Held

The RAF procures reinsurance cover for the purposes of limiting its net loss potential. The Reinsurance Policies do not release the RAF from its direct obligations to its claimants, as the duty to compensate the claimants remains with the RAF although reinsurance cover has been procured.

The contracts entered into by the RAF with reinsurers, under which the RAF is compensated for losses on one or more 'contracts' issued by the Fund and that meet the classification requirements for the insurance contracts above, are classified as 'reinsurance contracts held'. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

Reinsurance premiums are charged to the Statement of Financial Performance over the period that the reinsurance cover is provided based on the expected pattern of the reinsured risks. The reinsurance contracts held were terminated in the 2020/21 financial year.

1.19 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'.

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

1.20 IRREGULAR EXPENDITURE

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

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

NT Practice Note No. 4 of 2008/09, which was issued in terms of sections 76(1) to 76(4) of the PFMA, requires the following (effective from 01 April 2008):

- Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year-end and/or before finalisation of the Financial Statements must also be recorded appropriately in the Irregular Expenditure Register. In such an instance, no further action is required except for updating the Notes to the Financial Statements.
- Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year-end must be recorded in the Irregular Expenditure Register. No further action is required except for updating the Notes to the Financial Statements.
- Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the Register and the Disclosure Notes to the Financial Statements must be updated with the amount(s) condoned.
- Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the NT or the relevant authority must be recorded appropriately in the Irregular Expenditure Register. If the liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the Accounting Officer or Accounting Authority may write off the amount as debt impairment and disclose such in the relevant Note to the Financial Statements. The Irregular Expenditure Register must also be updated accordingly.

- If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the Notes to the Financial Statements and updated accordingly in the Irregular Expenditure Register.

1.21 BUDGET INFORMATION

Entities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which are given effect through authorising legislation, appropriation or similar.

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

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

The approved budget covers the fiscal period from 01 April 2020 to 31 March 2021.

The Annual Financial Statements and the budget are prepared on the same basis of accounting. Therefore, a comparison with the budgeted amounts for the reporting period has been included in the Statement of Comparison of Budget and Actual Amounts. Material movements will be explained in the Statement of Comparison of Budget and Actual Amounts, and movements of greater than 10% will be assumed material.

1.22 RELATED PARTIES

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

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 RAF. As a minimum, a person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

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

The RAF 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.

1.24 COMPARATIVE AMOUNTS

Comparative amounts have been included in the annual financial statements and have been adjusted where appropriate to promote better disclosure.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. NEW STANDARDS AND INTERPRETATIONS

2.1. STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

The entity has applied the following Standards and Interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2020 or later periods:

IGRAP 20: Interpretation of the Standards of GRAP on Accounting for Adjustments to Revenue

The objective of this interpretation is to address that:

- In the public sector, there are a number of legislative and regulatory processes (hereafter referred to as “legislation or similar means”) that govern how entities levy, charge or calculate (hereafter referred to as “charge”) revenue.
- Adjustments to revenue already recognised in terms of legislation or similar means arise from the completion of an internal review process within the entity, and/or the outcome of an external appeal or objection process undertaken in terms of legislation or similar means. Adjustments to revenue include any refunds that become payable as a result of the completion of a review, appeal or objection process.
- The adjustments to revenue already recognised following the outcome of a review, appeal or objection process can either result in a change in an accounting estimate, or a correction of an error.
- Some revenue is based on prescribed tariffs, bases, percentages or formulas that are promulgated in legislation or similar means after the completion of a due process.
- Revenue charged can be appealed by the person or entity responsible for the payment of the revenue charged through the following processes:
 - (a) an appeal or objection process established by the entity that charged the revenue;
 - (b) specific legislation or similar means that establishes an appeal and/or an objection process; and/or
 - (c) another legal process.
- The entity that charges revenue can also apply its own internal review process to assess if the revenue was charged correctly in terms of the prescribed tariff, basis, percentage or formula as promulgated in legislation or similar means. This may result in the entity itself identifying that the revenue already recognised needs to be IGRAP 20 Issued December 2018 *Accounting for Adjustments to Revenue* adjusted.
- Following the outcome of the processes outlined in the Interpretation, this Interpretation addresses how revenue already recognised, including interest and penalties, is adjusted when:
 - (a) a due process was not followed in promulgating the tariff, basis, percentage or formula that led to the charging of the revenue;
 - (b) the tariff, basis, percentage or formula was incorrectly applied in charging revenue; and/or
 - (c) an estimate may need revision as a result of changes in the circumstances on which the estimate was based, or as a result of new information that becomes known to the entity

It furthermore covers definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

RAF Annual Financial Statements for the Year ended 31 March 2021

In accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3), adjustments to revenue are either accounted for as a change in an accounting estimate, or a correction of an error.

An entity shall apply this Interpretation prospectively for annual financial statements covering periods beginning on or after 01 April 2020. Earlier application is permitted.

The Standard did not have a material impact on the RAF's Financial Statements for the current financial year as there were no appeals or reviews on revenue already recognised.

2.2. STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

Standards and Interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2020 or later periods, have been reviewed and found not to be relevant to the operations or Annual Financial Statements of the RAF.

3. CASH AND CASH EQUIVALENTS

	2021 R '000	2020 R '000
Cash and cash equivalents include the following:		
Short-term deposits	4,683,092	1,348,405
Current accounts	1,062	3,028
Cash on hand	50	22
	4,684,204	1,351,455

The effective interest rate on call deposits in 2020/21 was 3.64% and 6.43% in 2019/20.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Statutory Receivables

	2021 R '000	2020 R '000
Fuel Levy receivable	10,314,763	8,852,457

The RAF Fuel Levy is recovered directly from the oil refineries by SARS and is paid into the National Revenue Fund. SARS pays the funds into the National Revenue Fund after certain deductions are made in terms of section 47 of the Customs and Excise Act, 1964 (Act No. 91 of 1964), section 5 of the RAF Act, as well as Schedule No. 6 of the Customs and Excise Act, 1964. NT then pays these levies from the National Revenue Fund to the RAF.

Approximately 50% of the levies due are payable by the refineries at the end of the month following the month of removal from the refinery, and the remaining 50% at the end of the following month.

RAF Annual Financial Statements for the Year ended 31 March 2021

This amount is reduced by any bad debts that the refineries have sustained that need to be refunded by the RAF.

5. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2021 R '000	2020 R '000
Interest receivable from short-term investments	21,087	2,912

6. OTHER FINANCIAL ASSETS

	2021 R '000	2020 R '000
At amortised cost		
Refunds receivable i.r.o. supplier claims and other	68 692	70 151
Employee debtors	2 063	2 726
Sundry debtors	3 794	3 486
Rent-a-captive insurance	134 406	128 355
Other deposits	160	160
Claims debtors	344 809	482 614
	553 924	687 492
Impairments of claims, employee and sundry debtors and refunds receivable	(131 155)	(29 921)
	422 769	657 571

Financial assets which are past due but are not considered to be impaired amount to R58,258,223.66 as at 31 March 2021 and R4,816,377 as at 31 March 2020.

	2021 R '000	2020 R '000
The breakdown of amounts past due but not impaired is as follows:		
Claims debtors (greater than 90 days)	57 307	1 345
Employee debtors (greater than 90 days)	494	618
Sundry debtors (greater than 90 days)	457	2 853
	58 258	4 816

RAF Annual Financial Statements for the Year ended 31 March 2021

Financial Assets at Amortised Cost Impaired

Claims, advance payments, employees and sundry debtors that are impaired were R131,155,048.43 as at 31 March 2021 and R29,921,228.46 as at 31 March 2020

The breakdown of amounts is as follows:

Employee debtors	852	776
Sundry debtors	2 334	536
Claims debtors	115 186	15 826
Refund receivable in respect of supplier claims and other	12 783	12 783
	131 155	29 921

Reconciliation of Provision for Impairment of Financial Assets at Amortised Cost

Employee debtors		
Opening balance	776	381
Provision for impairment	176	395
Amounts written off as uncollectable	(100)	-
	852	776
Sundry debtors		
Opening balance	536	227
Provision for impairment	1 798	309
	2 334	536
Claims debtors		
Opening balance	15 826	9 622
Provision for impairment	99 360	6 253
Amounts written off as irrecoverable	-	(49)
	115 186	15 826
Refund receivable in respect of supplier claims and other		
Opening balance	12 783	12 783
Unused amounts reversed	-	-
Amounts recovered	-	-
	12 783	12 783

The creation and release of provision for impairment receivables have been included in Note 23: General Expenses.

The impairment of financial liabilities was estimated using the factors set out in the Accounting Policies.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The RAF does not hold any collateral as security.

7. CONSUMABLE STOCK

	2021	2020
	R '000	R '000
Consumable stock	4,962	4,586

Included in consumable stock is printing paper, printer cartridges and stationery.

8. PROPERTY, PLANT AND EQUIPMENT

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Land	19,900	-	19,900	19,200	-	19,200
Buildings	79,300	-	79,300	79,100	-	79,100
Office furniture	49,360	(32,378)	16,982	46,244	(29,812)	16,432
Motor vehicles	204	(204)	-	204	(204)	-
Office equipment	32,385	(25,057)	7,328	32,173	(24,397)	7,776
IT equipment	245,016	(194,564)	50,452	253,762	(187,769)	65,993
Leasehold improvements	17,433	(17,411)	22	17,433	(17,305)	128
Total	443,598	(269,614)	173,984	448,116	(259,487)	188,629

Reconciliation of Property, Plant and Equipment – 2021

	Opening balance	Additions	Disposals	Transfers	Revaluations	Accumulated depreciation on disposals	Depreciation	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Land	19,200	-	-	-	700	-	-	19,900
Buildings	79,100	-	-	-	3,639	-	(3,439)	79,300
Office furniture	16,432	5,438	(2,322)	-	-	2,143	(4,709)	16,982
Motor vehicles	-	-	-	-	-	-	-	-
Office equipment	7,776	1,319	(1,107)	-	-	971	(1,631)	7,328
IT equipment	65,993	3,003	(11,748)	-	-	11,657	(18,452)	50,452
Leasehold Improvements	128	-	-	-	-	-	(106)	22
	188,629	9,759	(15,176)	-	4,339	14,770	(28,337)	173,984

Reconciliation of Property, Plant and Equipment – 2020

	Opening balance	Additions	Disposals	Transfers	Revaluations	Accumulated depreciation on disposals	Depreciation	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Land	18,900	-	-	-	300	-	-	19,200
Buildings	78,500	-	-	-	4,013	-	(3,413)	79,100
Office furniture	18,136	1,532	(817)	-	-	699	(3,118)	16,432
Motor vehicles	31	-	-	-	-	-	(31)	(0)
Office equipment	9,113	693	(779)	-	-	726	(1,976)	7,776
IT equipment	81,180	4,972	(18,283)	-	-	17,870	(19,746)	65,993
Leasehold Improvements	233	-	-	-	-	-	(105)	128
	206,093	7,197	(19,879)	-	4,313	19,295	(28,390)	188,629

The carrying amount of fully depreciated property, plant and equipment that are still in use is as follows:

	2021	2020
	R'000	R'000
Cost	303,121	271,140
Accumulated depreciation	(303,104)	(271 122)
Carrying amount	17	18

Repairs and Maintenance

The following repairs and maintenance was performed on Property, Plant and Equipment during the financial year

	2021	2020
	R'000	R'000
Buildings	3,390	6,875
IT equipment	4,592	6,488

Revaluations

The effective date of the revaluations was 31 March 2021. Revaluations were performed independently by Mr TP Mokhuwa (Reg. No. 7006/9), professional valuer of Black Dot Property Consultants (Pty) Ltd. Neither the valuer nor Black Dot Property Consultants (Pty) Ltd are related parties of the RAF.

Land and buildings are revalued independently every year in terms of the RAF Policy.

The valuation was performed using the Income Capitalisation Method to determine the market value by discounting the future cash flows to a present value. A capitalisation rate of 9.3% (2019/20: 9.3%) was applied to the first year's net income to arrive at the capitalised value.

The RAF purchased the vacant land from SANRAL and erected an office building for its staff on this property. Registration of the land in the name of the RAF has not yet taken place due to circumstances beyond the control of the Fund. The Deed of Sale specifically states that all risks and rewards incidental to ownership pass to the RAF upon signature of the Deed of Sale. In the meantime, economic benefits are flowing to the entity in the form of use of the land, as well as any appreciation in value. The cost of the land was measured reliably at recognition as the consideration paid for the purchase of the property. The asset has therefore been recognised in the Annual Financial Statements in accordance with the definition of an asset, as set out in GRAP 1 *Presentation of Financial Statements*, and recognition criteria, as set out in GRAP 17 *Property, Plant and Equipment*.

On 27 February 2020, the Board resolved to terminate the Deed of Sale as legal title had not yet passed to the RAF and to lease the building from SANRAL for five years. A settlement agreement is currently being negotiated with SANRAL for the repayment of the purchase price, including interest after deducting monthly

RAF Annual Financial Statements for the Year ended 31 March 2021

rentals for the period the RAF has occupied the building. At the date of approval of the Annual Financial Statements, the settlement agreement had not yet been finalised.

9. INTANGIBLE ASSETS

	2021			2020		
	Cost / Valuation	Accumulated amortisation and impairment	Carrying value	Cost / Valuation	Accumulated amortisation and impairment	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Computer Software	222,095	(180,887)	41,208	218,649	(159,666)	58,983

Reconciliation of Intangible Assets – 2021

	Opening balance	Additions	Disposals	Accumulated Amortisation on Disposals	Amortisation	Total
	R '000	R '000	R '000	R '000	R '000	R '000
Computer Software	58,983	3,606	(160)	160	(21,382)	41,208

Reconciliation of Intangible Assets – 2020

	Opening balance	Additions	Disposals	Accumulated	Amortisation	Total
	R '000	R '000	R '000	R '000	R '000	R '000
Computer Software	66,337	16,513	(7)	7	(23,867)	58,983

10. PAYABLES FROM EXCHANGE TRANSACTIONS

	2021 R '000	2020 R '000
Accrual for overtime	5 275	4 464
Accrual for leave	120 602	94 862
Accrual for 13th cheque	18 361	17 797
Accrual for incentive bonus	187 178	-
Total	331 416	117 123

11. OTHER FINANCIAL LIABILITIES

	2021 R '000	2020 R '000
At amortised cost		
Trade and other creditors	51 395	31 027

12. CLAIMS LIABILITIES

	2021 R '000	2020 restated R '000
Claims liability for offers not yet requested	14,687,596	10,688,835
Claims liability for claims requested but not yet paid	14,884,812	16,297,832
	29,572,408	26,986,667

The RAF is a juristic person established by an Act of Parliament, namely the RAF Act. Section 3 of the RAF Act stipulates that ‘the object of the Fund shall be the payment of compensation in accordance with this Act for loss or damage wrongfully caused by the driving of motor vehicles. The RAF is classified as a Schedule 3A national public entity in accordance with section 48 of the PFMA.

The Claims liability for claims requested not yet paid at year end includes amounts owing to suppliers of the RAF for services rendered related to the settlement of the claims requested.

The Claim payments made in order to carry out the mandate of the Fund are categorised into the following products:

Section of RAF Act 56 of 1996	Description of Claim
Section 17(1) Section 17(1A)	Non-pecuniary loss (general damages). Limited to serious injury as assessed per regulation 3.
Section 17(4)(a)	Future medical costs/undertakings subject to the medical tariffs contemplated in section 17(4B) and regulation 5.
Section 17(4)(b)	Future loss of income and support subject to the statutory thresholds contemplated in section 17(4)(c).
Section 17(4)(c)	Future loss of income and support subject to the statutory thresholds.
Section 17(6)	Past medical costs, loss of income and loss of support subject to the medical tariffs contemplated in section 17(4B) and regulation 5.
Section 18(4)	Funeral costs limited to the necessary actual costs to cremate the deceased or to enter him/her into a grave.

The below discussions regarding special damages, non-patrimonial damages and prospective patrimonial loss have been extracted from RAF Practitioners guide, authored by HB Kloppers.

Special damages

By definition, patrimonial damages relate to a loss or diminution of one’s patrimony. This can occur in a number of ways: *past loss of earnings, medical and hospital expenses actually incurred and costs of services and equipment.*

The claimant has to prove a legal obligation for the payment of the disbursements and costs claimed. This obligation arises where the claimant him- or herself suffered the injuries and paid the expenses and incurred the other losses referred to. Also where the claimant’s minor child or spouse is involved and the claimant is legally responsible for their support and maintenance or where other indigent dependents are involved,

provided the claimant establishes a recognised duty of support. Damages of this nature are treated as special damages.

Non-patrimonial damages

A loss in respect of pain and suffering, disfigurement, diminished earning capacity, loss of amenities and expectation of life and nervous shock, is a non-patrimonial loss. The following extract from Hoffa NO v SA Mutual Fire & General Insurance Co Ltd 1965 (2) SA 944 (A) 954 serves to explain the position: *“Although it is true that pain and loss of the amenities of life are not commensurable with money, our law has, as is apparent from the authorities quoted above, accorded the injured party a monetary compensation in respect of the foregoing. Every person is entitled to live free from pain and in the enjoyment of those pleasures of life which accrue to the possessor of a healthy mind and body and if, through the wrongful act of another, he has lost these advantages, the law affords him the comfort which is assumed to flow from being put in possession of a sum of money derived from an award of damages given against the wrongdoer. Whether the basis of a money award is to compensate the unhappiness flowing from the injury with the happiness resulting from the possession of money – a subject, as Viscount Simon L.C. remarked in Benham v Gambling, 1941 A.C. at p 160, more suitable for a discussion in an essay on Aristotelian ethics than a judgment of a court of law – or is one which has its origin in custom, perpetuated by judicial practise, or whether it is in its essential nature a penalty directed against a wrongdoer, are matters not calling for a decision in this case. They may very well be germane to a determination of the quantum of damages to be awarded under the various heads referred to. The fact remains that the object of our law in making provision for the award appears to me to compensate the injured party personally for what he has suffered, be it for pain or for loss of amenities. Without becoming embroiled in the controversy as to whether the measure of his compensation is to be determined upon an objective or subjective basis, it is clear from a consideration of our judgments that slight pain or a slight loss of amenities attracts slight compensation and vice versa. The damages awarded therefor bear a direct relationship to the personal sufferings of the injured party, and are intended for his personal benefit. The damages awarded to him are in a certain sense analogous to the solatium which is awarded under the actio injuriarum to someone as a salve to his wounded feelings.”*

Since 01 August 2008 only non-patrimonial damages for serious injury can be recovered from the RAF. No other non-patrimonial damages are recoverable as section 21 absolves the wrongdoing driver from liability. The procedure to determine “serious injury” is prescribed by regulation 3.

Prospective patrimonial loss

It is not difficult to understand the nature of the loss here referred to. Those patrimonial losses which have not yet materialised, such as future medical expenses to be incurred, or a loss of income to be suffered at some future date, fall within this category. Although the loss is eventually patrimonial, it falls within the category of general damages, since the loss has not yet been incurred. The court will, where there is no doubt that a loss had been sustained, but the proof thereof presents grave difficulties, resort to the rough and ready method of the proverbial educated guess and to do the best it could on such material as was placed before it. In a claim for loss of support, objective available and acceptable evidence of the loss must be presented. As a first step, the financial support which the plaintiffs received and were accustomed to receive and which was lost as a result of the death of the breadwinner. The onus of proof in that regard rested upon the plaintiff throughout and the plaintiff is required to produce such evidence as was available to discharge the onus. Where evidence should be available and should have been adduced, and the plaintiffs did not adduce such evidence, the court will adopt a generous approach, requiring an adjustment to be made by the court in its assessment. However, a court cannot and will not make an award if a loss had not been proved, and where inadequate evidence is placed before the court, a court will inevitably absolve a defendant from the instance.

Key features of the Social Benefit Scheme

The Fund is governed by the Road Accident Fund Act 56 of 1996 in fulfilling its mandate. The eligibility criteria for the Social Benefit scheme are legislated and are as follows:

Act	Section	No.	Eligibility criteria
RAF Act 56 of 1996	Section 17	1.	The claimant (being “any person whomsoever” or “third party”) must have suffered damage or loss in the form of bodily injury to him- or herself or by virtue of the death of another person.
		2.	There must have been negligent driving of a motor vehicle or another unlawful act resulting in.
		3.	Damage or loss flowing from personal injury or loss of maintenance to the third party.
		4.	The damage or loss must have been caused by or arisen from the negligent driving of a motor vehicle [or another unlawful act].
		5.	The collision must have occurred within the borders of the Republic of South Africa.
	Section 17 and Regulation 2 [as regards hit-and-run accidents]	6.,	The claimant bears the onus to prove conduct comprising of the driving of a motor vehicle or another [related] unlawful act; negligence; wrongfulness; causation; loss or damage (deriving from bodily injury or death of another person); and, the accident must have occurred within the boundaries of the Republic.
	Section 18	7.	The RAF’s liability may be limited as prescribed, which limitation may result in the reduction of the claimant’s benefit or in the extinguishing of the benefit in certain cases.
	Section 19	8.	The RAF’s liability must not be excluded based on one, or more, of the prescribed instances.
	Section 23	9.	The RAF’s liability must not be excluded due to the effluxion of time.
	Section 24	10.	The claim must be lodged on the prescribed form and in the prescribed manner.
Apportionment of Damages Act 34 of 1956	Section 1	11.	Where any person suffers damage which is caused partly by his own fault and partly by the fault of any other person, a claim in respect of that damage shall not be defeated by reason of the fault of the claimant but the damages recoverable in respect thereof shall be reduced by the court to such extent as the court may deem just and equitable having regard to the degree in which the claimant was at fault in relation to the damage.
	Section 2	12.	Where it is alleged that two or more persons are jointly or severally liable in delict to a third person for the same damage, such persons.

Act	Section	No.	Eligibility criteria
Assessment of Damages Act 9 of 1969	Section 1	13.	When in any action, the cause of which arose after the commencement of this Act, damages are assessed for loss of support as a result of a person's death, no insurance money, pension or benefit which has been or will or may be paid as a result of the death, shall be taken into account.
Compensation for Occupational Injuries and Diseases Act 130 of 1993	Section 36	14.	<p>Recovery of damages and compensation paid from third parties.</p> <p>(1) If an occupational injury or disease in respect of which compensation is payable, was caused in circumstances resulting in some person other than the employer of the employee concerned (in this section referred to as the "third party") being liable for damages in respect of such injury or disease—</p> <ul style="list-style-type: none"> (a) the employee may claim compensation in terms of this Act and may also institute action for damages in a court of law against the third party; and (b) the Director-General or the employer by whom compensation is payable may institute action in a court of law against the third party for the recovery of compensation that he is obliged to pay in terms of this Act. <p>(2) In awarding damages in an action referred to in subsection (1)(a) the court shall have regard to the compensation paid in terms of this Act.</p>
Defence Act 42 of 2002	Section 86	15.	<p>Right of recourse in respect of expenditure for injuries of members.</p> <p>(1) Whenever the Department</p> <ul style="list-style-type: none"> (a) has incurred expenditure or has paid any amount in respect of medical, dental or hospital treatment of the bodily injuries of a member of the Defence Force or the supply of articles or the rendering of service in connection with that treatment; or (b) has made any payments in respect of any salary, pay, allowances or any compensation to the member during his incapacity, and the expenditure has been incurred or the payments have been made in circumstances where the member or his or her estate would otherwise have a claim against another person as a result of the bodily injury to or incapacity of the member, the Department shall, without obtaining a formal cession of action, have the same right of recourse against that other person for restitution of the payments made as that member or his or her estate from such person.

Act	Section	No.	Eligibility criteria
			In terms of this section, the Department is entitled to recover the expenditure referred to in paragraphs (a) and (b). The section has to be read with the provisions of section 18 (3) of the RAF Act. The right of recourse applies to expenditure incurred and amounts paid in respect of medical, hospital or dental treatment, as well as payments made in respect of salary, pay, allowances and compensation. The Government acquires the right of recourse "where the member or his or her estate would otherwise have a claim against another person". However, a claim for compensation lies against the RAF as substituted wrongdoer only. It follows therefore that the right of recourse is enforceable against the RAF.

Eligibility criteria for legal costs

Legal costs on claims are recognised as Social Benefits in the Annual Financial Statements and are therefore recognised when all eligibility criteria are met. The eligibility criteria of legal costs are as follows:

- a court order;
- a bill of costs; and
- an allocator issued by the taxing master/agreement between the parties of the amount due.

All three criteria must be met before the bill of costs is payable.

Products claimable under the Social Benefit Scheme

The products that are claimable under the Social Benefit Scheme are set out below

Product	Definition
Loss of support	When a person (breadwinner) is killed in a motor vehicle accident and the dependent (third party) of the breadwinner may claim from the RAF his/her proven past and future loss of support.
Funeral expenses	Compensation for the person who was in law responsible to pay for the funeral expenses of a person killed in a motor vehicle accident.
Loss of earnings	A third party may claim his/her proven past and future loss of income from the RAF if the third party is, as a result of the injuries sustained in the motor vehicle accident, not able to work.
General damages	General damages or non-patrimonial loss refers to damages for pain and suffering and loss of amenities of life that the third party has suffered due to the injury that he/she has suffered as a result of the motor vehicle accident.
Medical expenses	A third party may claim all his/her proven past and future medical expenses from the RAF. The medical expenses must be directly related to the injuries sustained in the accident.

Additional information relating to the Social Benefit Scheme is available at www.raf.co.za.

Funding of the Social Benefit Scheme

The Road Accident Fund is mainly funded through the Fuel Levy. The Fuel Levy received is not a contribution to the Fund, but rather a fixed levy charged on the sale of Fuel. Further information in respect of the Fuel Levy is disclosed under Note 2.

Key factors influencing the level of expenditure related to the Social Benefit Scheme

Demographic influence

- Population age:
 - Loss of income claims are calculated as the loss of future income due to the inability to work because of an accident. All else being equal, a younger claimant will have a higher claim due to a greater number of years left to retirement.
 - But other factors will also play a role:
 - Younger people will have fewer dependants, reducing loss of support claims.
 - Younger people's careers are still developing, and an estimate will be made regarding future promotions and salary increases. The level of optimism in these estimates play a large role in the level of the claim.
 - Younger people tend to be less responsible. In the actuarial world we are all aware of the "accident hump" in mortality curves, reflecting the more reckless nature of younger people. Hence, a younger population should lead to a higher number of road accidents, all else being equal.
- Income levels:
 - A higher income population:
 - Should reduce the number of accidents on the road, due to factors such as:
 - More responsible driving, including lower tendency to drive under the influence of alcohol
 - Using more roadworthy vehicles
 - Safer level of occupants per vehicle (for example fewer overcrowded taxi's)
 - Better road maintenance.
 - But the cost of each claim will be higher due to a higher level of lost income.
- Education levels:
 - The considerations regarding education levels are very similar to income level considerations. Hence, fewer road accidents would be expected, but the average cost per claim will be higher.
- Employment levels:
 - Higher employment levels are good and should reduce the number of accidents on the road, due to similar factors resulting from higher income/education levels.
 - But the proportion of road accidents leading to claims will be higher if more people are employed and have future income to lose.

- It should also be considered that higher education/income individuals will have a reduced need for a central road accident fund, since they could provide for their own personal insurance.

Economic influence

- Higher economic activity increases traffic on the roads, and the number of people using public transport, etc. This will place upward pressure on the number of claims, and on the liability.
- But the Fund will also benefit from higher income in the form of Fuel Levy due to higher fuel sales.
- In addition, a higher volume of claims may lead to the inability to process claims efficiently if claims handling resources are not increased as well. This could lead to:
 - More fraudulent claims.
 - Higher average claims cost, since the need to settle a high volume of claims will reduce the level of care taken with each claim.
- Good economic conditions should also relate to a higher average income, so this could increase claim costs that are based on the loss of income.
- In times of economic downturn, the number of claims (and the claims liability) will reduce as a result of the following factors:
 - Exposure to road accidents will reduce due to lower traffic volumes.
 - Lower employment levels will reduce the number and cost of loss of income claims.
- But economic downturn also leads to:
 - More fraudulent claims.
 - Lower income in the form of Fuel Levy from reduced fuel sales.

External influence

- Legal:
 - A change to the RAF Act could change the level of costs and have a large impact on the liability. For example, the introduction of the New Act on 01 July 2008 placed a cap on the earnings to be used for loss of earnings and loss of support claims.
 - Legal judgments could set a precedent exposing the Fund to claims from a previously unanticipated source. Normally a liability will have to be set up to allow for this.
- The Fuel Levy:
 - The liability is not directly influenced by the Fuel Levy, but there could definitely be indirect effects:
 - An insufficient Fuel Levy could lead to cost cutting initiatives within the Fund, possibly leading to reduced resources for claims handling. This will increase the average cost of claims due to fraud, or simply due to inefficient processes leading to settling claims for higher amounts than necessary.
- Road maintenance:
 - The condition of South African roads is an important contributor to the number of road accidents. Hence improved (deteriorating) road maintenance will reduce (increase) the number of road accidents, directly impacting the Fund.
- Governance of road use and traffic:
 - Measures taken by the government to reduce road accidents and deaths will directly impact the Fund. Examples will be:
 - Improving the licensing of vehicles to ensure that all vehicles using the roads are roadworthy.
 - Ensuring that all drivers are licensed and are able to operate a vehicle.

- Improving regulation in the taxi industry.
- Reducing the legal limit of alcohol in the bloodstream while driving.
- Increasing the severity of punishments for breaking traffic rules.
- Public transport:
 - Improving the quality of public transport in South Africa could reduce the level of traffic on the roads. For example, a more reliable train system could reduce the need for overcrowded taxis.

13. OTHER PROVISIONS

Movement in other provision	2021 R '000	2020 R '000
Opening balance	1,548,378	1,092,115
Increase in the provision charged to surplus or deficit	4,116,646	4,818,436
Provision utilised	(4,183,361)	(4,362,173)
Total	1,481,663	1,548,378

In terms of legislation, the RAF has an obligation to refund a portion of the RAF Fuel Levy, 207 c/l (2019/20: 198 c/l), relating to the diesel usage in other economic sectors where vehicles are not used. The provision is calculated based on actual claims from these sectors processed through SARS. The provision is settled on a quarterly basis with the provision at year-end being based on the last quarter's results. These results are generally finalised after year-end and after all rebates have been taken into account.

14. EMPLOYEE BENEFIT OBLIGATION

Defined Benefit Plan

Post-retirement Medical Aid Plan

The RAF operates a post-employment medical benefit scheme that covers employees who were appointed prior to 1 May 1988.

The latest valuation of the RAF's liability in respect of post-retirement medical benefits for the financial year-end was performed on 31 March 2021 and it will be valued at annual intervals thereafter.

36 pensioners qualify for this benefit and 111 employees are prospectively entitled to this benefit. The initial liability and future increases or decreases thereof are charged to surplus or deficit.

No plan assets are shown, as the medical benefits are unfunded.

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	2021 R'000	2020 R'000
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	53,246	63,107
Contributions by plan participants	(960)	(1,317)
Net expense/(gain) recognised in the Statement of Financial Performance	3,323	(8,544)
	55,609	53,246
Net (gain)/expense recognised in the Statement of Financial Performance		
Current service cost	1,186	1,598
Interest cost	7,193	6,545
Actuarial (gains) / losses	(5,056)	(16,687)
	3,323	(8,544)
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used	13.64%	13.48%
Healthcare cost inflation	10.33%	9.47%
Real discount rate	3.00%	3.67%
Spouse age gap	3	3
Expected average age of retirement	60	60
Normal retirement age	65	65
Proportion married at retirement	80%	80%
Continuation at retirement	100%	100%
Mortality: Pre-expected retirement age	SA85-90 light	SA85-90 light
Mortality: Post-expected retirement age	PA(90) - 1	PA(90) - 1

Expected Return on Assets

There are currently no assets set aside in respect of the post-employment medical scheme liability. Therefore, no assumption specific to the assets has been made.

The expected contribution to the plan during the 2021/22 financial year is R1,251,000.

Sensitivity Analysis

Assumed healthcare cost trend rates have a significant impact on the amounts recognised in surplus or deficit. A percentage point change in assumed healthcare cost trend rates will have the following effects:

Amounts for the current and previous four years are as follows:

	One percentage point increase R'000		One percentage point decrease R'000		
Effect on the aggregate of the service cost and interest cost	7,715		(6,384)		
Effect on defined benefit obligation	63,324		49,225		
Amounts for the current and previous four years are as follows:	2021 R'000	2020 R'000	2019 R'000	2018 R'000	2017 R'000
Defined benefit obligation	55,609	53,246	63,107	65,500	58,117

15. OPERATING LEASE LIABILITY

Amounts for the current and previous four years are as follows:

	2021 R '000	2020 R '000
Current Liability	11	741
Non-current liability	4,431	1,093
Total	4,442	1,834

The operating lease liability relates to the leasing of certain office buildings occupied by the RAF.

Refer to Note 32 for the disclosure of the minimum payments due in respect of operating leases.

16. NET FUEL LEVIES

	2021 R '000	2020 R '000
Gross fuel levies	46,205,238	45,996,107
Less: diesel rebate	(4,116,646)	(4,818,436)
Total	42,088,592	41,177,671

17. OTHER INCOME

	2021 R '000	2020 R '000
Recoveries	734	20
Foreign exchange gains	2,129	5
Total	2,863	25

Recoveries relate to minor recoveries that do not form part of the normal business of the RAF, such as bad debts recovered, foreign exchange gains and SETA refunds.

18. INVESTMENT REVENUE

	2021 R '000	2020 R '000
Interest revenue		
Interest received from short-term investments	151,158	55,477
Interest received from Rent-a-captive insurance	5,903	7,307
Total	157,061	62,784

19. CLAIMS EXPENDITURE

	2021 R '000	2020 restated R '000
Claims paid	35 291 706	39 162 837
Claims liability as at 31 March	29 572 408	26 986 667
Reversal of prior year Claims liability	(26 986 667)	(21 279 841)
Total	37 877 447	44 869 663

The breakdown of the Claims paid is as follows:

Claimant compensation (loss of earnings and support, general damages and funeral costs)	27 174 731	26 087 441
Claimant medical costs	2 357 276	3 211 936
Claimant legal and other costs	4 553 494	5 550 856
Other costs related to Claims payments	1 206 205	4 312 604
	35 291 706	39 162 837

20. REINSURANCE PREMIUMS

	2021 R '000	2020 R '000
Paid to reinsurers during the year	4,021	23,965

21. EMPLOYEE COSTS

	2021 R '000	2020 R '000
Total staff costs	1 941 244	1 752 737
Included in staff costs are:		
Contributions to post-retirement healthcare benefit	1 186	1 915
	1 186	1 915

As at 31 March 2021, 2,909 staff members (of which 2,797 are permanent) were employed by the RAF (2019/20: 3,068 staff members of which 2,789 were permanent).

22. FINANCE COSTS

	2021 R '000	2020 R '000
Foreign exchange losses	-	2
Interest charged by creditors	3	31
Interest charged on claims	62,270	265,080
Total	62,273	265,113

Finance costs of R709,446 (2019/20: R4,929,128) included in the amounts above have been considered as fruitless and wasteful expenditure and have been included in the disclosures in Note 25.

23. GENERAL EXPENSES

Included in general expenses are:

	2021	2020
	R '000	R '000
Advertising	-	33,629
Auditors' remuneration	7,624	9,232
Bad debts	101,234	6,957
Board members' expenses	191	2,073
Computer expenses	123,503	100,750
Consulting and professional fees	40,013	51,435
Electricity	15,214	16,302
Enterprise Supplier Development	20	3,274
Insurance	8,800	5,531
Lease rentals on operating lease	72,124	79,037
Legal costs	50,800	4,889
Marketing	6,936	49,385
Motor vehicle expenses	1,153	19,663
Operating costs	9,167	10,524
Printing and stationery	2,752	8,533
Repairs and Maintenance	34,119	20,014
Security	10,057	11,916
Telephone and fax	18,116	18,208
Travel local	4,037	47,954
Travel overseas	23	6,298
	505,883	505,604

The expenses indicated above are viewed as significant and have therefore been separately disclosed.

24. TAXATION

In accordance with section 16(1) of the RAF Act, 1996 (Act No. 56 of 1996), the RAF is exempt from income tax and all customs, excise and stamp duties, as well as any liability for payment, withholding or collecting of any tax or duty.

25. FRUITLESS AND WASTEFUL EXPENDITURE

	2021	2020
	R '000	R '000
Opening balance	-	453
Fruitless and wasteful expenditure - relating to prior year	1	3
Fruitless and wasteful expenditure - relating to current year	1 633	15 350
Less: Amounts finalised	(1 226)	(15 798)
Less: Amounts transferred to receivables for recovery	(4)	(8)
Fruitless and wasteful expenditure awaiting resolution	404	-
Reconciliation of fruitless and wasteful expenditure recoverable		
Opening balance	10	12
Recoverable fruitless and wasteful expenditure identified in the current year	4	8
Less: Amounts recovered	(5)	(10)
Fruitless and wasteful expenditure recoverable	9	10

Analysis of Fruitless and Wasteful Expenditure Reported in the Current Year

		2021 R '000
Nature of expenditure	Disciplinary steps taken	
Claims-related expenditures	1 employee counselled, 4 verbal warnings and 6 written warnings issued.	1 227
Additional travel costs	One responsible party is no longer employed with the Fund. One disciplinary hearing is currently pending.	3
Interest incurred	Disciplinary action currently pending	100
Contract not cancelled	No disciplinary action can be taken as the individual responsible is not identifiable.	303
		1 633

Analysis of Fruitless and Wasteful Expenditure Reported in the Prior Year

		2021 R '000
Nature of expenditure	Disciplinary steps taken	
Additional travel costs	No action could be taken as there was no employee directly responsible.	1
		1

Claims-related Expenditure

Claims-related fruitless and wasteful expenditure relates to interest, Sheriff and writ costs and wrong, duplicate and overpayments written off.

Interest cost is the cost paid for the late payment of the Claims compensation as agreed to in a settlement agreement or an order of the court, and taxed legal bills settled through taxation, as these costs are due immediately. The interest is charged under the Prescribed Rate of Interest Act of 1975 at 10.25% as per *Government Gazette No. 42179*, issued on 22 January 2019 until 27 March 2020, thereafter, at 9.75% as per *Government Gazette No. 43146*, issued on 27 March 2020 until 31 August 2020, thereafter, at 7.00% as per *Government Gazette No. 43873*, issued on 06 November 2020.

Sheriff cost is the cost paid to the Sheriff for its service with regard to serving the warrant of execution (writs) on the RAF.

As per the definition in the PFMA, fruitless and wasteful expenditure means 'expenditure which was made in vain and could have been avoided had reasonable care been exercised'. The amounts listed below are costs incurred in the settlement process of claims influenced by external legal processes and time limits legally enforced on the RAF in the settlement of claims.

The total value of Claims-related fruitless and wasteful expenditure included in the Annual Financial Statements for the year ended 31 March 2021 is R1,226,056 (2019/20: R15,333,805) representing a 92% decrease. This, as a percentage of Claims expenditure, is 0.003% (2019/20: 0.01%). The total value of

Claims-related fruitless and wasteful expenditure, had it not been reduced for the current cash position and Management Strategy, would have been R67,271,193 (2019/20: R257,736,563).

Reporting and adherence to the Writs SOPs will continue.

Legal costs create operational constraints as there are no legal obligations for plaintiff attorneys to submit their bills within any stipulated time frames. The majority of legal cost bills are disputed because their content or the items billed are incorrect or invalid. The process of taxation of legal cost bills through the Office of the Taxation Master is the only option to settle these disputes.

The taxation of legal cost bills exposes the RAF to a risk of non-compliance to court processes, despite an Instruction Note from NT that all payments from legal settlements must be paid within 30 days from the date of settlement. Court rules require that taxed bills must be paid immediately after taxation and plaintiff attorneys issue writs immediately after settlement.

As a result, payments may comply with the PFMA, but not the court rules.

The following information relates to the legal cost bills settled through taxation for 2020/21:

- Number of bills settled through taxation: 17,237 (2019/20: 23,255) – decreased by 26%.
- Number of bills where a saving was made through taxation: 17,044 (2019/20: 23,022) – decreased by 26%.
- Amount saved through taxation: R3,681,085,880 (2019/20: R5,367,236,482) – decreased by 31%.
- The success rate in terms of savings on legal cost bills was 99% (2019/20: 99%).

As highlighted above, the number of taxed legal cost bills decreased by 26%. This decrease can be attributed to initiatives to settle claims with plaintiff attorneys before a summons is issued, and to offer cost contributions to avoid taxing of legal cost bills. However, the impact of COVID-19, and preventative measures implemented related to the pandemic, also had an impact on the processing of legal cost bills during the 2020/21 financial year.

Furthermore, the total amount saved through taxation decreased by 31%, which is line with the decrease in bills processed. The average bill value submitted by attorneys increased by 4% compared to 2019/20, while the average bill settlement value increased by 21%, which resulted in an overall decrease on the average savings per bill of 7% compared to 2019/20. The value of bills claimed and settled are driven by a number of factors that are mainly related to whether attorneys are overreaching when drawing up bills, while the use of cost consultants during taxation may lead to increased savings.

RAF officials are required to diligently apply the process of the legal cost bills assessments. Writs SOPs are in place to ensure that all taxed bills are paid timeously to minimise the impact of the interest cost at a rate of 9.75%.

The number of claims paid as a result of writs received in the 2020/21 financial year was 3,871 (2019/20: 8,740). It was 55.7% lower than in 2019/20 as a result of continued stakeholder engagements, implementation of cash management policies, and improved communication and transparency of payments that are due for payment on the basis of the settlement date rather than the date of payment request.

Administrative Expenditure

Fruitless and wasteful expenditure for the 2020/21 financial year relating to administrative costs totalled R407,452 (2019/20: R19,136) and comprised of additional travel costs.

Consequence Management

During the financial year, Management-maintained initiatives implemented in prior years continued to enhance the consequence management of the entity in respect of fruitless and wasteful expenditure. These included, among others:

- Enhancing the recording and reporting of financial misconduct transactions to better facilitate consequence management.
- Designing practical consequence management mechanisms to ensure that required corrective actions taken are appropriate and applicable to the nature of the transactions incurred. Details of disciplinary measures considered appropriate and completed are set out in the Analysis of the Current Year Fruitless and Wasteful Expenditure table above.
- Engaging with NT and the AGSA to address shortcomings in current practices and reporting mechanisms.

The most significant action taken, however, remains the taxation of legal cost bills resulting in a cost saving of R R3,681,085,880 (2019/20: R5,367,236,482) as discussed under Claims-related expenditure above.

26. IRREGULAR EXPENDITURE

	2021 R '000	2020 R '000
Opening balance	341 995	338 421
Add: Irregular expenditure - prior year	69 031	3 734
Add: Irregular expenditure - current year	23 963	-
Less: Amounts condoned	-	(160)
Irregular expenditure pending condonation or recovery	434 989	341 995

Details of Irregular Expenditure – Current Year

Nature of transaction	Disciplinary steps taken	R '000
Non compliance with the PFMA and NT Regulations	Disciplinary actions are still pending	23 963
		23 963

Details of Irregular Expenditure – Prior Year

Nature of transaction	Disciplinary steps taken	R '000
Non compliance with the PFMA and NT Regulations	1 written warning was issued	69 031
		69 031

Consequence Management

Irregular expenditure arose as a result of non-compliance with the required Procurement legislation.

Any employee who commits an act which undermines the financial management and internal control systems of the RAF, as required by relevant legislations and policies, is dealt with in terms of the RAF Disciplinary Policy.

A total of nine instances to the value of R92,994,309 were identified and reported during the 2020/21 financial year.

In accordance with section 51(1)(b)(ii) of the PFMA, 1999 (Act No. 1 of 1999), Management implemented the following actions to enhance efficient prevention of irregular expenditure, which resulted in the reduction of the number of instances incurred:

- SCM compliance was enhanced by the effective operation of a revised Supply Chain Management Policy and Delegation of Authority within IT systems and various other mechanisms implemented in the 2016/17 financial year.
- Training of employees and creating awareness of applicable SCM practices.
- The regular issue of Management Directives to guide business units and manage expectations, roles and responsibilities, as well as timelines.
- Skilled and experienced resources were appointed within the SCM Department.
- Processes informing the requests for extension of contracts have been significantly tightened.
- Enhancing consequence management through implementation of initiatives discussed under Note 25 and ensuring individuals are held accountable when transgressions are identified.

27. CASH FLOWS FROM OPERATING ACTIVITIES

	2021	2020
	R '000	restated
		R '000
Surplus/(Deficit) for the year	1 783 386	(6 258 290)
Depreciation and amortisation	49 719	52 258
Loss on sale or derecognition of assets	406	578
Movements in retirement benefit assets and liabilities	2 363	(9 861)
Movements in Claims liabilities	2 585 741	5 706 826
Movement in diesel rebate provision	(66 715)	456 263
Movement in operating lease liability	2 608	(853)
Changes in Working Capital		
Consumable stock	(376)	1 281
Receivables from exchange transactions	(18 175)	3 539
Other receivables from non-exchange transactions	(1 462 306)	998 902
Other financial assets	234 802	(369 646)
Payables from exchange transactions	234 661	(113 829)
	3 346 114	467 168

28. RELATED PARTIES

Related Party Relationships

The RAF is an entity created by statute, with the Minister of Transport being the Executive Authority representing the DoT and, by extension, the government of South Africa. The RAF is a Schedule 3A Public Entity in terms of the PFMA. The related party disclosures are in terms of the requirements of GRAP 20. The related parties of the RAF mainly consist of Departments, SOEs, other public entities in the national sphere of government and key Management personnel of the RAF, or its Executive Authority and close family members of related parties. The list of public entities in the national sphere of government is provided by NT on their website, www.treasury.gov.za. The NT also provides the names of subsidiaries of public entities.

Related Party Transactions and Balances

During the financial year, the RAF transacted with the DoT in the form of the secondment of an Acting Chief Executive Officer and a General Manager: Special Projects from the DoT to the RAF. The salaries of the individuals were paid by the DoT on behalf of the RAF until the employees were appointed permanently by the RAF during the 2020/21 financial year. As such, at 31 March 2021 the RAF owed the department monies related to the secondment of the General Manager: Special Projects. All these transactions took place at arm's length.

RAF Annual Financial Statements for the Year ended 31 March 2021

	2021	2020
	R '000	R '000
Trade payables owing to related Parties		
Department of Transport	50	3 657
	2021	2020
	R '000	R '000
Transactions with related parties		
Department of Transport		
Reimbursement of Salary expenses paid on behalf of the RAF	6 475	3 657

There were no further transactions with entities under the Minister of Transport during the 2020/21 financial year which represented the purchase of goods or services directly from the related entity.

Although the RAF transacted with other public entities within the national sphere of government, none of the related parties identified influenced, or was influenced by the RAF during the reporting period and therefore no related party transactions with other entities in the national sphere of government are disclosed. All these transactions took place at arm's length.

The following transactions were concluded with key Management of the RAF in terms of employment contracts entered into with the RAF (please refer to Note 29 – Board and Executive members' Emoluments for detailed information relating to compensation of Board members and other key Management staff). The value of key management compensation disclosed below includes the employment cost of the seconded Acting Chief Executive Officer paid by the DoT on behalf of the RAF.

	2021	2020
	R '000	R '000
Compensation to members and other key Management		
Key Management compensation	20,958	24,670
Non-executive Board members	6,983	7,680
	2021	2020
	R '000	R '000
Compensation owing to members		
Non-executive Board members	36	365

29. BOARD MEMBERS' AND EXECUTIVE MANAGEMENT'S EMOLUMENTS

Non-executive Board Members

The Executive Authority approves the remuneration of the Board. Remuneration of non-executive members is benchmarked against the norms for organisations of a similar size and in line with the guidelines issued by the Executive Authority.

Non-executive Board members receive a fixed monthly remuneration. Remuneration is not determined by meeting frequencies and it is escalated by inflationary adjustments only.

Executive Remuneration

The Chief Executive Officer makes recommendations to the Board concerning the remuneration of Executives (EXCO) and the Board approves the remuneration of EXCO members, including that of the Chief Executive Officer, in accordance with the approved Remuneration Policy. The RAF introduced performance-based remuneration for its Management staff by linking annual salary increases to individual contributions. Management receives an annual increase based on a combination of CPI and individual performance. The organisation conducts an annual Salary Survey/Benchmark to ensure that Management rewards and remuneration are market-related and kept at levels that will assist in retaining and attracting key leadership skills. The RAF aims to remunerate in line with the 50th percentile (median) of the market to recruit and retain the Management team to lead the organisation. Over and above the basic salary, staff members receive a performance incentive as a percentage of their total cost of employment.

All EXCO members are employed on fixed-term contracts of employment.

The table below reflects amounts paid to the Board members and Executive remuneration.

RAF Annual Financial Statements for the Year ended 31 March 2021

Executive Remuneration

2021	Salary	Leave pay	Performance Bonus	Pension Contributions	Medical Contributions	Acting Allowance	Termination Benefits	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Collins Phutjane Letsoalo (CEO) (Appointed permanently 06 August 2020)	3,568	-	-	-	-	-	-	3,568
Lindelwa Xingwana-Jabavu (COO) (Resigned 30 September 2020)	1,458	234	-	175	34	-	-	1,901
Maria Rambauli (Acting COO from 1 October 2020)	855	-	-	110	20	99	-	1,084
Victor Mzokhanyo Songelwa (Acting CFO ended 01 June 2020)	262	-	-	32	23	47	-	364
Boitumelo Zeppora Mabusela (Acting CFO from 02 June 2020)	1,407	-	-	-	-	168	-	1,575
Phathutshedzo Lukhwareni (Acting CSO)	1,637	-	-	129	68	275	-	2,109
June Rebecca Cornelius (CS)	2,158	-	-	253	-	-	-	2,411
Ravesh Premlal Komal (CIO) (Resigned 31 March 2021)	2,198	164	-	248	68	-	841	3,519
Vincent King Sotshede (CAE)	1,910	-	-	151	99	-	-	2,160
Ian Granville Barriel (Acting CHCO)	1,723	-	-	226	66	252	-	2,267
Total	17,176	398	-	1,324	378	841	841	20,958

2020	Salary	Leave pay	Performance Bonus	Pension Contributions	Medical Contributions	Long service Award	Acting Allowance	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Mr CP Letsoalo (Acting CEO from 9 September 2019)	2,917	-	-	62	-	-	-	2,979
Ms L Xingwana Jabavu (COO) (Acting CEO from 1 July 2017 to 6 September 2019)	2,933	-	-	338	63	-	574	3,908
Mr VM Songelwa (Acting CFO from 30 August 2018)	1,608	-	-	186	104	-	285	2,183
Ms M Kola (CSO) (Contract Expired on 30 September 2019)	1,373	114	-	124	45	-	-	1,656
Mr P Lukhwareni (Acting CSO from 1 October 2019)	820	-	-	64	33	-	87	1,004
Mr PE Dhlomo (CMO) (Resigned on 30 June 2019)	534	39	-	52	11	-	-	636
Dr AL Taljaard (Acting CMO from 1 July 2019)	982	-	-	83	-	-	114	1,179
Ms JR Cornelius (CS)	2,158	-	-	253	-	-	-	2,411
Ms LP Gumbi (Resigned on 31 March 2020)	2,616	99	-	205	29	-	-	2,949
Ms D Thabede (Acting COO from 1 July 2017 to 9 September 2019)	826	-	-	88	21	-	147	1,082
Mr RP Komal (CIO)	2,212	-	-	247	64	-	-	2,523
Mr VK Sotshede (CAE)	1,924	-	-	151	85	-	-	2,160
Total	20,903	252	-	1,853	455	-	1,207	24,670

Non-Executive Board Members

2021	Members' fees R'000	Total R'000
Adv Rasethaba - Chairperson Resigned 18 June	213	213
Ms Msibi - Vice Chair (Acting Chairperson from 18 June to 31 July)	965	965
Ms Francois - Chair Committee	745	745
Dr Mabuya - Chair committee	748	748
Dr Peenze - Member	726	726
Mr Mulaudzi - Chair Committee	744	744
Mr Daniels - Chair Committee	744	744
Mr Nyama - Chair Committee	744	744
Mr Mothobi - Member	676	676
Mr Tshabalala - Member	678	678
	6,983	6,983

2020	Members' fees R'000	Total R'000
Adv GJ Rasethaba (Chairperson of the Board) (Appointed 4 December 2019)	334	334
Ms TN Msibi (Vice-Chairperson) (Appointed 4 December 2019)	255	255
Mr L Mulaudzi (Appointed 4 December 2019)	235	235
Dr DP du Plessis (Appointed 4 December 2019, Resigned 4 March 2020)	167	167
Mr H Daniels (Appointed 1 January 2020)	239	239
Ms LZ Francois (Appointed 4 December 2019)	237	237
Dr MP Mathebula (Term expired 4 December 2019)	703	703
Ms MRV Mashigo-Mokgalong (Term expired 3 December 2019)	533	533
Dr HF Bale (Term expired 3 December 2019)	464	464
Ms D Molefe (Term expired 3 December 2019)	425	425
Dr NB Mabuya-Moloele (Re-appointed 4 December 2019)	751	751
Mr KM Mothobi (Re-appointed 4 December 2019)	741	741
Mr LM Nyama (Re-appointed 4 December 2019)	749	749
Dr MC Peenze (Re-appointed 4 December 2019)	684	684
Dr MF Randerera (Term expired 3 December 2019)	466	466
Mr TS Tshabalala (Re-appointed 4 December 2019)	697	697
	7,680	7,680

30. RISK MANAGEMENT

Overview

The RAF is exposed to a range of financial and insurance risks through its financial assets, financial liabilities and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of financial risk are credit risk, liquidity risk and market risk, which comprise interest rate risk, currency risk and other price risks. The risks that the RAF primarily faces due to the nature of its assets and liabilities are liquidity risk, interest rate risk and currency risk.

Liquidity Risk

Liquidity risk is the risk that the RAF will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board, which has established an appropriate Liquidity Risk Management Framework for the management of the RAF's short-, medium- and long-term funding and liquidity management requirements.

Cash management is rigorously applied to manage the liquidity risk of the RAF, which ensures available funding is distributed in an equitable and fair manner. For further information on how the RAF manages liquidity risk, also refer to the Report of the Board.

Reinsurance is also used to manage liquidity risk.

The following table divides the RAF's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

As at 31 March 2021	Within 1 year	2 - 5 years	After 5 years	Total
	R'000	R'000	R'000	R'000
Payables from exchange transactions	331 416	-	-	331 416
Other financial liabilities	51 395	-	-	51 395
Claims liabilities	29 572 408	-	-	29 572 408

As at 31 March 2020	Within 1 year	2 - 5 years	After 5 years	Total
	R'000	R'000	R'000	R'000
Payables from exchange transactions	117 123	-	-	117 123
Other financial liabilities	31 027	-	-	31 027
Claims liabilities	26 986 667	-	-	26 986 667

Credit Risk

The RAF has exposure to credit risk, which is the risk of financial loss to the RAF if a counterparty to a financial instrument fails to meet its contractual obligations. Key areas where the RAF is exposed to credit risk are:

- Reinsurers' share of insurance liabilities.
- Amounts due from reinsurers in respect of claims already paid.

- Amounts due from claims debtors.
- Amounts due with regard to study loans and bursaries (this risk is very minimal as the amounts are immaterial).
- Short-term call deposits.
- The ultimate amount due from the self-funding Claims Reinsurance Policy.
- Fuel Levy debtor.

The nature of the RAF's exposure to credit risk, as well as the policies and processes for managing the credit risk have not changed significantly from the prior period.

Potential concentrations of credit risk consist mainly of short-term cash. Money market instrument operations are only entered into with well-established and reputable financial institutions.

It is the RAF's policy to grant bursaries, relevant only to its line of business, to employees.

The Rent-a-Captive insurance includes an amount set aside as a self-funding Claims Reinsurance Policy. This policy will be utilised to fund the first R100 million of the retention amount of the Claims Reinsurance Policy in the event of a catastrophic claim being instituted against the RAF. The deposit amount of R134,406,000 (2019/20: R128,355,000) represents the balance of the special experience account, an account the insurer maintains for the purposes of recording this policy. The insurer is a well-established and reputable financial institution.

Under the terms of reinsurance agreements, reinsurers agree to reimburse the settled amount in the event that a gross claim is paid. The RAF, however, remains liable to its claimants regardless of whether the reinsurer meets the obligations it has assumed. Consequently, the RAF is exposed to credit risk.

The RAF monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically.

The carrying amounts of financial assets included in the Statement of Financial Position represent the RAF's exposure to credit risk in relation to these assets. As at 31 March 2021, the RAF did not consider there to be a significant concentration of credit risk, which had not been adequately provided for.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the RAF's income or the value of its holdings of financial instruments, will bring about. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on investment.

The RAF is also exposed to foreign exchange fluctuations where claims from foreigners have been lodged, and damages for future medical expenses and loss of earnings or support are claimed in a foreign currency. When such claims are settled, the RAF pays the compensation as soon as possible after settlement date to minimise the risk of foreign exchange fluctuations.

Interest Rate Risk

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. The RAF is exposed to interest rate risk, as it invests funds in the money market at floating interest rates.

As at 31 March 2021, no derivative financial instruments were used to manage the RAF's exposure to interest rate risk.

All liquid funds are invested with registered South African banking institutions with maturities of 90 days or less, thereby minimising interest rate risk.

Interest rates of interest-bearing debts are linked to the prime overdraft rate.

Interest Rate Risk Sensitivity Analysis

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. For financial instruments and insurance contracts, the sensitivity is solely associated with the former, as the carrying amounts of the latter are not directly affected by changes in the interest rate.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the RAF's deficit for the year ended 31 March 2021 would decrease/(increase) by R31,492,000 (2019/20: decrease/(increase) by R12,545,000). This is mainly attributable to the RAF's exposure to interest rates on its floating-rate investments. The sensitivity analysis has been determined based on the exposure to interest rates for the RAF's non-derivative instruments at the financial reporting date. The analysis was prepared assuming that the investments at year-end were constant throughout the year. A 100-basis point increase or decrease is used when reporting interest rate risk internally to key Management personnel and represents Management's assessment of the reasonably possible change in interest rates.

Foreign Exchange Risk

The financial items that are exposed to currency risk at the reporting date are claims that have not been paid to foreign claimants yet. The engaging of forward cover is considered on a case-by-case basis if the period between making an offer and final payment is material. As at 31 March 2021, no derivative financial instruments were used to manage the RAF's exposure to foreign currency risk; only fixed-term forward cover contracts were utilised.

The Carrying Amount of the RAF's Outstanding Foreign Currency Denominated Claims

<i>Liabilities</i>			2021	2020
			R'000	R'000
USD	6,823	(2019/20: 4,564)	101,230	101,230
GBP	464	(2019/20: 464)	9,467	9,109
Euro	1,011	(2019/20: 1,011)	17,616	19,990
			128,313	130,329

The following table details the RAF's sensitivity to a 10% increase and decrease in the South African Rand against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key Management personnel and represents Management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated claims at reporting date and adjusts their translation at the end of the period for a 10% change in foreign currency rates. The figures below indicate an increase in surplus or deficit where the presentation currency strengthens 10% against the relevant currency. For a 10% weakening of the presentation currency against the relevant currency, there would be an equal and opposite impact on the surplus or deficit, and the balances above would be negative.

	USD Impact R'000	GBP Impact R'000	Euro Impact R'000	All Foreign Currencies R'000
2021	10,123	947	1,762	12,832
2020	10,123	910	1,999	13,032

31. RESTATEMENT OF COMPARATIVE FIGURES

Voluntary change in accounting policy

The Fund has amended its accounting policy on liabilities and expenditures arising from motor vehicle accident claims with respect to how these liabilities and expenditures are recognised, measured and presented in the Annual Financial Statements. Management is of the view that the accounting policies applied to these liabilities and expenditures under IFRS 4 did not result in the accurate and reliable presentation of the liabilities and expenditures in the Annual Financial Statements.

Under IFRS 4, the obligating event which determined when a motor vehicle accident claim was incurred was identified as when the accident took place instead of when the potential claim was lodged and the merit of the claim ascertained. This deviated from the requirement of par 5.14 of the Conceptual Framework for General Purpose Financial Reporting in the sense that the accident date was not the date that a present obligation arose from which the RAF had no realistic alternative to avoid an outflow of resources from the Fund. The obligation to settle the potential claim remained contingent on a claim being lodged and the said claim being assessed for merit in meeting all the eligibility criteria for a valid claim to exist.

The eligibility criteria that are required to be met in order for a claim to be valid are prescribed by legislation governing the Fund and are set out in Note 12. The economic substance of these transactions is therefore directly linked to their legal form as a person will not be eligible to claim from the Fund unless the criteria prescribed by legislation are met.

Management has therefore exercised a voluntary change in accounting policy in accordance with GRAP 3 *Accounting Policies, Changes in estimates and Errors* in order to more accurately recognise, present and disclose the Social Benefit activities and liabilities resulting from those activities in the Annual Financial Statements.

There is currently no GRAP standard in issue that specifically applies to Social Benefits or deals with similar transactions. The Fund has therefore amended its accounting policies to recognise liabilities and

expenditures resulting from motor vehicle accident claims in accordance with accounting policies derived from IPSAS 42 *Social Benefits*.

The application of accounting policies derived from IPSAS 42 *Social Benefits* to the recognition, presentation and disclosure of liabilities and expenditure resulting from motor vehicle accident claims will result in the Fund recognising a liability at the point where there is no realistic alternative but to settle the obligation through an outflow of economic benefits. The resulting information presented will be more reliable and relevant as liabilities will be recognised more consistently with the recognition criteria of a liability as set out in the Framework for General Purpose Financial Reporting.

The effect of the change in accounting policy on the current and prior period is detailed below.

Prior period Error

During the 2018/19 and 2019/20 financial years, certain transactions relating to bank attachments were not allocated correctly. Comparative figures have been restated to correctly account for these transactions and the effect on the elements of the Financial Statements are shown below.

	2020
	R'000
Statement of Financial Position	
Claims liabilities	
As previously reported - Current portion	(59 584 784)
As previously reported - Non-current portion	(271 055 328)
As previously reported - Total Claims Liabilities	<u>(330 640 112)</u>
Effect of change in accounting policy	✔ 303 653 445
Restated balance as at 31 March 2020	<u>(26 986 667)</u>
Other financial assets	
As previously reported	197 843
Effect of prior period error	459 728
Restated balance as at 31 March 2020	<u>657 571</u>

	2020
	R'000
Statement of Financial Performance	
Claims expenditure	
As previously reported	98 264 139
Effect of change in accounting policy	(53 047 015)
	(347 461)
Restated value as at 31 March 2020	44 869 663
Finance costs	
As previously reported	236 803
Effect of change in accounting policy	28 310
Restated value as at 31 March 2020	265 113
Statement of Changes in Net Assets	
Accumulated deficit	
As previously reported - Opening balance as at 1 April 2019	262 208 042
Effect of change in accounting policy - Claims Liabilities	(250 725 446)
Effect of change in accounting policy - Claims Expenditure	90 705
Effect of prior period error	(112 267)
Restated balance as at 1 April 2019	11 461 033
Cash Flow Statement	
Cash Flows from operating Activities	
As previously reported - Claims paid	(39 538 609)
Effect of change in accounting policy - Claims Liabilities	28 311
Effect of prior period error	347 461
Restated value as at 31 March 2020	(39 162 837)
Note 27 Cash flow from operating activities	
As previously reported - Movement in claims liability	58 725 530
Effect of change in accounting policy - Claims Liabilities	(53 018 704)
Restated value as at 31 March 2020	5 706 826
As previously reported - Movement in other financial assets	(22 185)
Effect of prior period error	(347 461)
Restated value as at 31 March 2020	(369 646)

32. COMMITMENTS

The commitments below for property, plant and equipment and intangible assets represent unrecognised contractual commitments that exist on executory contracts entered into by the RAF at the reporting date, as well as future purchases of property, plant and equipment which have been approved but not yet contracted for at the reporting date.

The commitments in respect of operating expenses relate to unrecognised contractual commitments on non-cancellable (or only cancellable at significant cost), executory contracts for non-claims, administrative expenditures (not related to the routine, steady, state business of the RAF) that exist as at the reporting date, as well as non-claims, administrative expenditures which have already been approved, but not yet contracted for.

	2021 R'000	2020 R'000
Already contracted for but not provided for		
Property, plant and equipment	559	-
Intangible assets	81,779	-
Operating expenditure	606	81,183
	82,944	81,183
Not yet contracted for and authorised		
Property, plant and equipment	-	100
Intangible assets	1,255	25,787
Operating expenditure	76,239	152,321
	77,494	178,208
Total commitments		
Already contracted for but not provided for	82,944	81,183
Not yet contracted for and authorised by members	77,494	178,208
	160,438	259,391

Operating leases - as lessee (expense)**Minimum lease payments due**

- within one year	7,001	8,835
- in second to fifth year inclusive	13	227
	7,014	9,062

Operating lease payments represent rentals payable by the RAF under non-cancellable operating leases for certain of its office properties.

The terms and escalation clauses of the significant lease agreements are set out below. No renewal rights are included in the contracts.

Lease	Escalation per year	Remaining term in months
Office space rental - Head office	6.5%	43
Office space rental - Johannesburg	6%	51

33. CONTINGENCIES

There are a number of outstanding corporate legal matters. These are as follows:

Description	2021	2020
Litigation by/against service providers	23	14
Constitutional challenges	14	16
Other litigation/disputes	26	30
Total legal matters outstanding	63	60

The RAF is involved in commercial and labour-related litigious matters. The total value of the contingent liability in respect of the above legal matters and their related legal costs is estimated at R262,499,835 (2019/20: R106,951,571).

Guarantees

There were no active guarantees held during the 2020/21 and 2019/20 financial years.

34. GOING CONCERN

We draw attention to the fact that as at 31 March 2021, the entity had an accumulated deficit of R15,935,937,000 and that the entity's total liabilities exceeded its assets by R15,833,956,000.

The RAF is, as its name implies, a fund. It is a receptacle of all monies procured from the National Treasury pursuant to section 5(1) of the RAF Act from which all claims for damages arising from bodily injuries are to be paid. The RAF therefore has no realistic alternative other than to continue to operate in accordance with the above said legislation.

The RAF is incapable of being liquidated. To wind up the business of the RAF will require an intervention through an Act of Parliament. The winding-up process will, however, not absolve the RAF from the debts that it would have incurred as at the time of the culmination of such a process. There is currently no indication of any intention to repeal the Act.

The Statement of Financial Position as at 31 March 2021 reported current assets of R15.4 billion of which Cash and Cash Equivalents was a total of R4.7 billion and Fuel Levies receivable was R10.3 billion. The current asset position in comparison with the Claims requested not yet paid as at 31 March 2021 of R14.8 billion reflects a positive liquidity position for the RAF. This demonstrates that the RAF will be able to fulfil its mandate and meet its obligations over the next 12 months.

Management is not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

There is however a liquidation application lodged against the Fund. The application was brought in terms of the Companies Act for the RAF to be wound down. Our Legal Counsel is that the prospects of success of this application is non-existent in that it has been brought under the provisions of the Companies Act. The RAF is not a company incorporated under the Companies Act, it is a creature of statute as established in terms of section 2 of the RAF Act. It can only cease to exist in its current form by repealing the current legislation.

Based on the above, Management is of the opinion the going concern basis is appropriate for the presentation of the Financial Statements for 31 March 2021 based on this assessment.

35. EVENTS AFTER THE REPORTING DATE

No undisclosed material events have taken place between the Statement of Financial Position date and the authorisation of the Annual Financial Statements, as disclosed in the Report of the Board.

36. BUDGET DIFFERENCES

Material Differences between Budget and Actual Amounts

A material difference between the Approved Budget and Actual Amounts is considered to be any variance larger than 10%. The material differences can be explained as follows:

Other Income

Other income is not budgeted for, because it is incidental and does not represent a recurring revenue stream.

Investment Revenue

The favourable variance resulted from actual cash holdings being higher than expected throughout the year.

Employee Costs

The favourable variance is due to vacancies which were not filled during the financial year and a 0% increase in employee costs against the projected average increase of 7.5%.

Claims Expenditure

The favourable variance is due to a projected increase in Claims liabilities under IFRS 4 *Insurance contracts* which was included in the budget. Upon adoption of IPSAS 42 *Social Benefits*, the change in Claims liabilities that realised was significantly lower than the projected increase in the budget.

Finance Costs

Finance costs were projected to increase due to a credit facility that was projected to be obtained by the Fund in order to settle Claims Liabilities for Offers Requested but not yet Paid. The higher projected finance costs were significantly larger than the finance costs realised.

Reinsurance Premiums

During the financial year, the Fund decided to terminate the cover for claims over R500 million held with reinsurance companies. This resulted in a lower expense than the premiums that were projected.

General Expenses

The favourable variance resulted from reduced spending in the first part of the financial year due to the COVID-19 pandemic. Expenditure was therefore lower than projected in the budget for the entire financial year.

Loss on Disposal of Assets and Liabilities

The loss on disposal of assets and liabilities was not budgeted for due to it being incidental and not representing a recurring expenditure that requires an allocation of funds.

PART F

APPENDIX A

CONTACT DETAILS

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