**21 FEBRUARY 2017**

**THE COMPENSATION FUND’S FIRST AND SECOND QUARTERLY REPORT 2016/17**

**Issues for the Committee to consider**

In the previous financial year, i.e. 2015/16, the Audit Committee raised the following concerns;

* + Ineffective and inefficient Information Technology Systems/Strategy;
	+ Inadequate or ineffective governance structures/processes;
	+ Lack of capacity and skills, especially in Financial Management;
	+ Poor contracts and records management;
	+ Ineffective Supply Chain Management processes;
	+ Ineffective Revenue Management and Debt Collection;
	+ Non-compliance with laws, regulations, policies and contracts;
	+ Controls deficiencies are not timely addressed, as evident by the status of follow-up activities and repeat/recurring findings;
	+ Recommendations from assurance providers and management action plans are not timeously implemented
* Has the Fund been able to address these challenges? If so, what steps were taken to address the challenges?

**Programme 1: Administration**

The Fund’s administration programme is most important as it constitutes directorates such as the Risk Management and Internal Audit, Financial Management which are key in ensuring that the Fund fulfils its responsibilities for corporate governance and financial management, internal control, risk management systems and the internal and external audit functions.

For this programme, the Fund listed the following challenges:

* Inadequate staff capacity at Internal Audit
* HR strategies and plans not aligned to CF goals/objectives
* Lack of self-image (brand)
* Lack of integrated IT strategy
* What is the current vacancy rate at the Internal Audi unit?
* How far has the Change Management Project been implemented? Have there been noticeable results, in terms of staff behaviour and attitude?
* According to the CF’s Strategic Plan, the CF was interacting with the department of labour to seek permission for the establishment of CF website. This would improve self-image and the CF brand. Has the CF had discussions with the Department regarding the website? If so, what was the outcome of those discussions?
* According to the Strategic Plan, the Fund had plans to develop an IT strategy. How far is the Fund in developing the IT Strategy?
* It is concerning that the Fund could not achieve the set targets for this programme (administration) in quarter two.
* The Fund established a Task Team (CF Strategic Report 2015/16 -2019/20, pg. 19) to report to the Audit Committee to address negative audit findings from the Auditor-General. Does the Task Team meet? How often does the Task Team meet?

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

This programme is meant to provide effective safety net through the registration, processing and payment of medical claims resulting from occupational injuries and diseases, and monitoring of compliance with COIDA legislation.

When setting targets for the 2016/17 financial year, for programme2, the Fund listed critical challenges and as such developed a planned response action to these challenges. According to the entity, these responses are long term solutions and as such, the planned targets for the 2016/17 financial year would be difficult to achieve. Some of the listed challenges include:

* Inadequate monitoring of service delivery in Provincial offices. Poor Performance Management
* Poor service delivery. Failing to provide services within agreed turnaround time.
* Decentralisation and readiness of provinces
* Regulatory/non-compliance, poor enforcement of COIDA
* Governance/Ethics, unethical behaviour by clients, sometimes colluding with staff
* Ineffective information technology, inability for IT to deliver the required services to business.
* What measures has the Fund put in place to ensure that inadequate monitoring of service delivery in Provincial offices and poor performance management are addressed?
* What action has been taken to ensure that poor service delivery and failing to provide services within agreed turnaround time is addressed?
* What is the status of the Fund’s decentralisation project? Give details on the provinces state of readiness to deliver the full services of the CF? what is the vacancy rate in the provinces?
* What measures have been put in place to ensure that the regulatory/non-compliance, poor enforcement of COIDA are addressed?
* What action has been taken to ensure that Governance/Ethics, unethical behaviour by clients, sometimes colluding with staff is addressed?
* What measures have been taken to address ineffective information technology, inability for IT to deliver the required services to business?
* Can the Fund give details of how many claims were registered during the 2016/17 financial year, how many were accepted, how many were repudiated and how many claims were not accepted/outstanding information?

In the Fund’s APP for 2016/17 financial year, solutions range from upgrading of operational systems, buying COIDA buildings, etc. all these are long-term solutions to the challenges. Therefore, it can be expected that for the 2016/17 financial year, targets will again not be met.

* According to the Strategic Plan of the Fund, it is estimated that a total of R500 million is needed to procure offices/buildings. Has the Fund purchased any buildings or office space in the current financial year? If yes, where are these offices or buildings located? How much has been used or set aside for office buildings?
* The Fund prioritised the installation of air conditioners with an estimated cost of R10 million, according to the Strategic Plan, pg. 33. Has this been achieved? How much has been spent or set aside to install air conditioners?