SCOPA QUESTIONS IF CLEAN AUDITS TRANSLATE INTO IMPACT AND OUTCOMES

The Standing Committee on Public Accounts (Scopa) held a hearing with the Road Accident Fund (RAF) recently on the entity’s 2019/2020 financial statements, deviations and expansions, as well as irregular, fruitless and wasteful expenditure.

Scopa believes that as much as a clean audit is indicative of good financial management it does not necessarily translate to service delivery. The Chairperson of Scopa, Mr Mkhuleko Hlengwa, stated that there may be a need to find time to drill into the outcomes and the impact of entities and departments generally who have clean audits.

The committee was informed by the Minister of Transport, Mr Fikile Mbalula, that the RAF has operated on a financially unsustainable model for a number of decades. In recent years, the fund has also experienced liquidity challenges, as claims against the fund have outpaced the growth in the RAF levy.

“The current system is inequitable, as the payment of damages, loss of earnings and general damages per individual are assessed in relation to the person’s earning capacity and potential earning capabilities is disproportionate to those that are deemed to have or be able to reach that earning capacity”, he said.

Members of the committee raised concerns about the RAF’s R300 billion liability. The chief executive officer, Mr Colin Letsoale, explained that this liability is actuarial liability and they are looking at accounting properly for this liability, which will be reflected accurately in the 2020/21 financial statements.

On the issue of the 350 000 claims received by the RAF, Mr Letsoalo said they have a process to deal with the backlog, which will take about two years to complete.

Mr Letsoale also informed the committee that part of the RAF strategy indicates that there may be a need to go to the market to raise the funds to pay some of the claims. Mr Letsoale has assured the committee that they have no plans to make an application to Parliament for a tax-payer bailout. “At this point that is not part of our plan to apply for a bailout. We don’t think that a bailout is necessary at this stage”, he said.

Mr Letsoale also echoed what Minister Mbalula said on the need for asset and liability matching, where the RAF pays in instalments or periodically, rather than in lump sums. He said this approach will assist the RAF to build reserves and build an asset base to match future liabilities.

The RAF obtained a clean audit outcome from the Auditor-General for the 2019/20 financial year, which is an improvement from three consecutive years of unqualified audit outcomes. The RAF has further strengthened internal control measures to prevent instances of fruitless, wasteful and irregular expenditure.

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