ANNUAL REPORT 2021/22

employment & labour
Department:
Employment and Labour
REPUBLIC OF SOUTH AFRICA

Compensation Fund
WORKING FOR YOU

CONTENTS

PART A
General Information

PART A: GENERAL INFORMATION

PUBLIC ENTITY'S GENERAL INFORMATION

Registered Name:	COMPENSATION FUND
Physical Address:	167 Thabo Sehume Street, Delta Heights Building Pretoria
Postal Address:	Private Bag X 955 Pretoria 0001
Telephone Number/s:	+27 0860 105 350
Fax Number:	+27 012 326 1570 / 012 357 1772
Email Address:	CF-info@labour.gov.za
Website Address:	www.labour.gov.za
External Auditors Information:	Auditor General of South Africa (AGSA)
Bankers:	ABSA

LIST OF ABBREVIATIONS/ACRONYMS

ABBREVIATION	DEFINITION
AGSA	Auditor General of South Africa
APP	Annual Performance Plan
CF	Compensation Fund
CFO	Chief Financial Officer
COIDA	Compensation of Occupational Injuries and Diseases Act
CPI	Consumer Price Index
CRMP	Compliance Risk Management Plan
DG	Director-General
DEL	Department of Employment and Labour
EXCO	Executive Committee
FEM	Federated Employers Mutual
GRAP	Generally Recognised Accounting Principles
HRM	Human Resource Management
IES	Inspections and Enforcement Services
KRA	Key Results Area
MANCO	Management Committee
MSP	Medical Service Provider
MTSF	Medium- Term Strategic Framework
OHS	Occupational Health and Safety
PFMA	Public Finance Management Act
PIC	Public Investment Corporation
PWDs	Persons with Disabilities
POE	Portfolio of Evidence
RMC	Risk Management Committee
RFI's	Requests for Information
SAP	Systems Application and Products in Data Processing
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
SCSF	Strengthening Civil Society Fund
SHEQ	Safety, Health, Environmental and Quality
SMS	Senior Management System
TR	Treasury Regulations
UIF	Unemployment Insurance Fund

FOREWORD BY THE DIRECTOR-GENERAL

Introduction

The Compensation Fund is a schedule 3A public entity established in terms of section 15 of the Compensation for Occupational Injuries and Diseases Act 130 of 1993 as amended by Act 61 of 1997. Its mandate is to provide for compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases.

High-level overview of the Compensation Fund's strategy and the performance

For the year under review, we reported a low performance where the Fund achieved **47%** of its set targets. This is a decline on performance compared to the **52%** for the financial year 2020/2021. This level of performance remains is a concern. The Fund implemented the COMPEASY system to realise the improved control environment, improved the turnaround time, introduce efficiencies and eliminate risk of fraud and corruption taking place.

The Fund was able to achieve the following service delivery performance targets during the financial year:

- **87%** of accepted medical invoices finalised within 40 working days of receipt against a target of **80%.**
- **96%** of requests for pre-authorisation of Specialised Medical Interventions finalised within 10 working days of receipt against a target of **90%.**
- **94%** of compliant requests for assistive devices finalised within 15 working days against a target of **85%**.

Even though the following service delivery performance targets were not achieved, the Fund continues to improve its processes to meet and exceed the set targets:

- **79%** of claims adjudicated within 30 working days of receipt against a target of **85%**
- **87.5%** of approved benefits paid within 5 working days against a target of **90%**

Strategic Relationships

The Fund has realised the importance of preventing workplace injuries and diseases in the workplace and as such has taken a decision to invest in preventative measures. A partnership with the Inspection and Enforcement Services Branch within the Department of Employment and Labour has been established in order to achieve this important mission to prevent occupational injuries and diseases in workplaces. In terms of this relationship, the Compensation Fund has taken over the funding of Occupational Health and Safety Inspectorate. This has contributed to the employment of additional 186 inspectors to a full Inspectorate of 686.

In line with the COID Act, the Fund established a relationship with the Public Investment Corporaton (PIC) where excess funds are invested to improve the financial viability of the Fund. For the financial year under review, the investment portfolio is as follows:

- **R49.5 billion** for the Compensation portfolio, and
- **R41.2 billion** was invested for the pension portfolio.

The strategic focus over the medium to long term period

The Fund aims to implement the Rehabilitation programmes as a key strategic objective to provide service to the client. One of the key focus areas in the medium to long-term will be to improve the control environment in order to realise an improved audit opinion. The focus going forward will be the development of revenue management functionalities on the COMPEASY system in order to develop a fully integrated system.

Acknowledgements /Appreciation

I wish to express my gratitude to the following:

- Minister and Deputy Minister of Employment and Labour,
- The Portfolio Committee on Employment and Labour,
- The Board of the Compensation Fund
- Management and staff of the Compensation Fund

Conclusion

The improvement of the operations and control environments remains a priority within the Compensation Fund to facilitate effective and efficient service delivery.

Acting Director-General: Dr Alec Moemi
Accounting Authority of the Compensation Fund
Date: 2023/09/11

COMPENSATION COMMISSIONER'S OVERVIEW

General financial review

The Compensation Fund (CF) generated **R10.7 billion (2021: R9.6 billion)** in revenue from employers, for the financial year under review, which represents a **11.3% increase** from the 2020/2021 financial year. In the same period, total benefits expense for the year amounted to **R5.8 billion (2021: R5.4 billion)** which amounts to a **7.2%** increase compared to the previous financial year.

For the financial year 2021/2022, the Compensation Fund generated a surplus of **R14.6 billion** compared to **R11.5 billion** recorded in the previous financial year. This is mainly due to the improved performance of the CF investment portfolio.

The CF investment portfolio increased from **R78.2 billion** as per the AFS in 2020/2021 to **R90.8 billion** in 2021/2022, a **16.1%** increase. This increase is largely due to favourable market conditions.

Spending trends

The Compensation Fund has recorded an overall spending of **R1.3 billion** on compensation of employees for the 2021/2022 financial year as compared to **R1.1 billion** for the previous financial year. This **18.2%** increase was due to the outcome emanating from the adjustment from the DPSA and pay progressions received.

The Compensation Fund has recorded an overall expenditure of **R3.2 billion** excluding benefits and compensation of employees during 2021/2022 financial year compared to **R4.9 billion** in the previous financial year.

The reason for **34.7%** decrease in spending compared to the previous financial year was mainly due to a reduction in impairment of receivables from **R2.8 billion** to **R365 million.**

Capacity constraints and challenges facing the Compensation Fund

CF has experienced a challenge in retention of staff in 2021/2022. The Fund had a vacancy rate of 1**4.73%.** The filling of some of the vacancies took longer than 6 months given the withdrawal of candidacy by the applicants due to the below market remuneration packages.

The attraction of the requisite skills in filling the SMS and highly skilled supervision positions has been done through advertising in various platforms. However, the retention became a challenge due to lack of effective retention strategy within the public sector. Due to high demand for skilled personnel in the industry, the Fund competes with private sector entities for the same skills specifically within the areas of Finance, ICT, Medical, Actuarial and Compensation for Occupational Injuries and Diseases (COID).

The Fund continues to receive disclaimer of audit opinions from the External Auditors. An improved ICT capability would address some of the deep-seated structural weaknesses that cause poor controls in the Fund.

Discontinued activities / activities to be discontinued

There were no discontinued activities in the year under review.

New or proposed activities

The Fund has revised the Audit Action Plan. This Action Plan is currently being implemented and is monitored on a quarterly basis in order to improve the audit opinion and CF operations..

Requests for roll over of funds

The Fund accumulates its surplus and deficits, thus there will be no requests for roll over of funds.

Supply Chain Management

The Fund has established a fully functional Supply Chain Management (SCM) unit. SCM administers the procurement governance structures such as the Bid Adjudication, Bid Evaluation and Bid Specification Committees.

Concluded unsolicited bid proposals for the year under review

The Fund did not conclude nor received any unsolicited bids during the financial year.

Whether SCM processes and systems are in place

SCM has policies and adequate processes in place to ensure that all procurement is done in accordance to the law and the relevant prescripts. In order to entrench these processes, there are advocacy sessions conducted to inform and interact with officials on SCM related processes, practices and regulations.

Challenges experienced and how they were resolved

The Fund continues to experience challenges of increased irregular, fruitless and wasteful expenditure (IFWE), and incidents of material losses. As a reponse to the challenges identified, the Fund continues to use the Financial Misconduct Advisory Committee (FINMAC) to strengthen the processes for consequence management and prevention of IFWE.

Reported fraud cases were investigated internally and cases with a criminal element were reported to Law Enforcement Agencies. To reduce fraud cases, the Fund is working with South African Police Service (SAPS) to prosecute the criminal cases identified and continues to promote a zero tolerance to fraud culture by conducting fraud training and awareness to the employees on a quarterly basis.

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

The Audit findings from the previous financial year are monitored using an information register implemented to monitor and track the CF Clean Audit action plan which is linked to audit findings. All outstanding requests for information were followed up with management and submitted to the AGSA. Weekly statistics of the status of Requests for Information (RFI's), versus the submissions were prepared and reported to governance structures within the Fund. Engagements between Management and the AGSA were facilitated regularly to resolve any disagreements.

Outlook/ Plans for the future to address financial challenges

To address financial challenges, the CF plans to improve the weak control environment and data quality through an efficient reporting process. The Fund will strengthen the mandate with the PIC to address challenges in the SRI investment portfolio.

Events after the reporting date

There are no events after the reporting date idenfied for the year under review.

Economic Viability

The Compensation Fund has a net asset position of **R90.8 billion**, and a **16.1% increase** from the prior year **(R78.2 billion)**. The Fund will be able to meet its short and long-term obligations.

Acknowledgement/s or Appreciation

I wish to express my gratitude to the following:

- Minister and Deputy Minister of Employment and Labour,
- The Director General of Employment and Labour as the Accounting Authority of the Fund
- The Board of the Compensation Fund
- Management and staff of the Compensation Fund
- All Stakeholders who have partnered with the Compensation Fund to ensure that it fulfils its mandate.

Other (information that needs to be communicated to users of AFS)

The is no other information to be communicated to users of the AFS.

Farzana Fakir
Acting Compensation Commissioner
Date: 2023/09/11

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

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

All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor General.

The annual report is complete, accurate, and free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the standards applicable to the public entity.

The Compensation Fund Commissioner is responsible for the preparation of the annual financial statements and for the judgements made in this information. The Compensation Fund Commissioner is responsible for establishing and implementing a system of internal control that have been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2022.

Yours faithfully

Farzana Fakir
Acting Compensation Commissioner
Date: 2023/09/11

Dr Alec Moemi
Acting Director-General:
Date: 2023/09/11

STRATEGIC OVERVIEW

Vision

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

Mission

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

Values

We shall adhere to the following values:

Respect:	We will treat our customers and colleagues with respect.
Excellence:	We execute our duties with dedication and fortitude.
Sinobuntu:	Treat each other and clients with dignity and care.
Pride:	We model highest standards of personal and professional behaviour.
Integrity:	Communicate openly and honestly with relationship based on trust.
Client-centric:	by Providing excellent & world class service to all.

LEGISLATIVE AND OTHER MANDATES

Constitutional Mandate

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

Legislative Mandate

The Compensation Fund is a Schedule 3A Public Entity of the Department of Employment and Labour. The Fund administers the Compensation for Occupational Injuries and Diseases Act No 130/1993 as amended by the Compensation for Occupational Injuries and Diseases Act No 61/1997. The main objective of the Act is to provide compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees, or for death resulting from injuries or diseases, and provide for matters connected therewith.

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

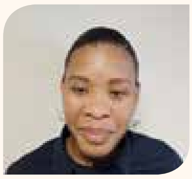
The operations of the Compensation Fund are also informed by the following legislations:

- Constitution of the Republic of South Africa, 1996, as amended;
- Occupational Health and Safety Act, 1993;
- National Economic Development and Labour Council Act (NEDLAC), 1994;
- Labour Relations Act, 1995, as amended;
- Basic Conditions of Employment Act, 1997, as amended
- Employment Equity Act, 1998, as amended;
- Skills Development Act, 1998, as amended;
- Unemployment Insurance Act, 2001, as amended;
- Unemployment Insurance Contributions Act, 2002;
- Employment Services Act, 2014;
- Public Finance Management Act, 1999, as amended;
- Public Service Act, 1994, as amended;
- Broad Based Black Economic Empowerment Act, 2003;
- Preferential Procurement Policy Framework Act, 2000;
- Prevention and Combating of Corrupt Activities Act, 2004;
- Promotion of Access to Information Act, 2000;
- Promotion of Administrative Justice Act, 2000;
- Promotion of Equality and Elimination of Unfair Discrimination Act, 2000.
- Protected Disclosure Act, 2000; and
- Prevention of Organised Crime, 2004

ORGANISATIONAL STRUCTURE

Acting Compensation Commissioner:

F. Fakir



Director
Anti Corruption and Integrity Management:

K. Mocwiri

Director
Risk Management:

K. Nkabinde

Director
Executive Support:

M. Khosa

Director
ICT:

N. Mabanga

Acting Director
Internal Audit:

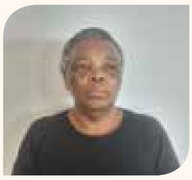
S. Zwane

Chief Director,
COID Services:

J. Soupen

Acting Chief Director,
Orthotic & Rehabilitation:

N. Magonono



Acting Chief Director
Medical Benefits

D. Nkabinde

Chief Director Financial Management:

M. Mokoena

Chief Director
Corporate Services:

M. Mazibuko

Chief Operations Officer:

J. Modiba

PART B
PERFORMANCE INFORMATION

AUDITOR GENERAL'S REPORT:
PREDETERMINED OBJECTIVES

The Auditor-General of South Africa currently performs the necessary audit procedures on 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 management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the Auditor 's report. Refer to the report by the Auditor-General, published as Part E: Financial Information.

OVERVIEW OF PUBLIC ENTITY'S PERFORMANCE

This overview covers the overall performance of the Compensation Fund for the Financial year 2021/2022.

SERVICE DELIVERY ENVIRONMENT

The Compensation Fund is a Schedule 3A Public Entity of the Department of Employment and Labour. The Fund administers the Compensation for Occupational Injuries and Diseases Act No 130/1993 as amended by the Compensation for Occupational Injuries and Diseases Act No 61/1997. The main objective of the Act is to provide compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees, or for death resulting from injuries or diseases, and provide for matters connected therewith.

The mandate of the Compensation Fund is derived from Section 27 (1) (c) of the Constitution of the Republic of South Africa. In terms of this Section, all South Africans have a right to social security.

The Executive Authority and Accounting Authority are with the Minister and the Director-General of Department of Employment and Labour respectively in terms of the Public Finance Management Act, 1999. The Fund is administered by the Compensation Commissioner who reports to the Director-General.

The Fund licenses some of the functions in respect of certain sectors out to two private mutual companies, Federated Employers Mutual (FEM) and Rand Mutual. These mutuals are responsible for the administration of the COIDA within the construction and mining industries respectively. These licenses are renewable based on a review of their performance by the Commissioner. The FEM and Rand Mutual have limited settlement powers to process claims. They are however still subject to reporting to the Minister of Employment and Labour on their activities relating to COIDA. They are monitored by the Compensation Fund to ensure compliance to the Act (and to their licensing conditions) and consistency in the application of the Act.

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

Since the 2015 financial year, Fund has embarked on a transformation journey to turn around its fortunes in order to ensure that it delivers according to its mandate. The challenges external to the Fund that were impeding it from service delivery have been well documented over the years. The various initiatives implemented have sought to address these challenges. Despite these challenges, the Compensation Fund during the Financial year 2021/2022, remained steadfastly committed to the realisation of its mandate and achieving the strategic action plan, aims and objectives. It is during the Financial year 2019/2020 that the Fund implemented the following:

1. Implemented the Second Phase Action Plan (Turnaround Strategy);
2. Continued with the online CF-Filing system for the registration of employers and submission of Return on Earnings (ROEs); and
3. Continued with the Implementation of COMPEASY claims system.

The Fund continues to encounter non-compliance by employers in respect of the return on earnings. In addition to simplifying the process through technology, the non-complying employers are referred to the DEL branch Inspections and Enforcement Services to inspect, follow-up and enforce the Act. This resulted in the assessment of **324 176** of the **327 701** ROEs received.

The implementation of COMPEASY system continues to bear fruits. During the financial year under review, the Fund managed to:

1. Adjudicate **79291** of the received **100 427** compensation claims within 30 working days;
2. Increase its response to requests for authorisation of specialised medical interventions within 10 working days of receipt of such requests. Of the **10 962** requests, **10 505** were authorised within 10 working days;
3. Finalise **619 534** of the **709 678** medical invoices received and these were finalised within 40 workings days;
4. Respond to **1 279** of the total received **1 365** compliant requests for assistive devices within 15 working days of requests received; and
5. Pay a total amount of **R4.3 billion** towards benefits

ORGANISATIONAL ENVIRONMENT

The Fund initiated a restructuring process in during the financial year 2017/18 at its Head Quarters. During the reporting period under review, the Fund continued with the implementation of the revised organisational structure at Head Office (HQ) and revising the Provincial Structure. The review and implementation of the revised organisational structure had to take into consideration aspects relating to skill and knowledge relevant to the Fund's operations. Some of the key positions, like those of Programme Heads, were filled.

The disclaimer audit opinions from the Audit General of South Africa (AGSA) over years due to the Fund's weak internal controls, is a concern that needs urgent attention. Affected areas are the ICT systems, policies and business processes of the Fund. Since 2015 the Fund has implemented two Action Plans which were aimed at stabilising the operations of the Fund and putting in place appropriate systems, processes and structures to address the root causes of the control weaknesses identified as well as service delivery issues.

After the challenges identified above, it was deemed necessary to expand and capacitate. Internal Control sub-directorate to conduct
efficient and effective determination on irregular, fruitless and wasteful expenditure cases, efficiently coordinate the audit between management and the AGSA, facilitate losses and claims, related parties, review and design internal controls as per weaknesses identified through the spot checks and pro-active self- audit conducted in identified high risk high impact areas. Internal Control structure has been reviewed and the increase in capacity and skills will allow Internal Control sub-directorate to carry on its duties effectively as it will have access to a wider range of expertise that will enhance the control functions of the Fund.

Further to the capacitation of the Internal Control sub-directorate, the new enhanced action plan was developed. This action plan is based on the foundation that the Fund had laid through the implementation of the turnaround strategy. This enhanced plan aims to expedite and expand further on the initiatives that the Fund has been undertaking and to reflect the direct link to the challenges that AGSA continues to raise.

KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

The unconstitutionality of the express exclusion of domestic workers as employees as defined in the Compensation for Occupational Injuries and Diseases Act.

The North Gauteng High Court, in an order handed down on 28 May 2019, declared that Section 1(xix)(v) of COIDA is unconstitutional and invalid to the extent that it excludes domestic workers in private households from the definition of "employee", and directed that the offending section be severed from s1 of COIDA. The question of whether the High Court ought to make any order that is just and equitable and in terms of s172(2)(b)(i) and (ii) of the Constitution was postponed to a future date.

The domestic employees' case has now been finalised. This means that they are immediately covered from the date of the Constitutional Court ruling confirming all of the North Gauteng High Court orders on the matter. The coverage is retrospective to April 1994.The Bill that is currently before Parliament, when passed into law, will simply confirm this position.

PROGRESS TOWARDS ACHIEVEMENT OF INSTITUTIONAL IMPACTS AND OUTCOMES

The tables two and three below highlights Progress made by the CF towards MTSF Outcomes (Priority 1, 2, 3 and 4) Strategic Plan and the progress made towards the achievement of the five-year targets in relation to the outcome indicators. The achievements are with regard to the progress toward the 2019- 24 Medium Term Strategic Framework.

Table 1: Progress towards MTSF Outcomes (Priority 1 and 4)

MTSF PRIORITY 1: CAPABLE, ETHICAL AND DEVELOPMENTAL STATE **MTSF PRIORITY 4:** CONSOLIDATING THE SOCIAL WAGE THROUGH RELIABLE AND BASIC SERVICES					
CF PRIORITY 1: TO IMPROVE THE SYSTEM OF INTERNAL CONTROL AND TO MAINTAIN FINANCIAL SOUNDNESS					
CF Impact Statement	**CF Outcome**	**CF Outcome Indicator**	**Baseline**	**Five Year Target**	**Progress Towards MTSF**
2. Sustainable Compensation Fund based on ethical principles	Revenue generation increased	Improved assessment on the return of earnings	55% (219 050/401 536) of active registered employers assessed	95% of received return of earnings assessed	2020/2021: 99% [220 382 (ROE's assessed) / 223 644 (ROE's received)] 2021/2022: 99% [324 176 (ROE's assessed)/327 701 (ROE's received)]
	Organisational financial viability maintained	Increased assets	R70, 4 billion	10% increase in assets per annum	2020/2021: 22.2% 2021/2022:13.3%
		Improved audit outcome through stringent controls and implementation by all Programme Heads	Disclaimer	Unqualified audit opinion obtained by 31 March 2024	2020/2021: 4.35% 2021/2022: Overall progress for the Action Plan 2.0 is at 59%.
		Wasteful and fruitless expenditure eliminated	R488, 875 million	100% elimination of wasteful and fruitless expenditure by 31 March 2024	2020/2021: 18.5% increase 2021/2022: Decrease by 0.01% (182-183/183)
		Reduced irregular expenditure	R769, 878 million	75% reduction of irregular expenditure by 31 March 2024	2020/2021: 0.65% increase 2021/2022: 0% (110-110/110) reduction
	Programme to prevent and fight corruption in the Fund implemented	Percentage resolution of reported incidents of corruption in the Fund	New Indicator	80% resolution of reported incidents of corruption by 31 March 2025	2020/2021: 61% 2021/2022: 60% Cumulatively (27 cases finalised/45 received multiply by 100)
		Improved ethical culture within the Fund	Draft terms of reference	Established ethics committees and adhere to terms of reference	2020/2021: Social and ethics steering Committee has been established. Quarterly ethics. Committee meetings have been convened 2021/2022: 15 Ethics Risk Assessments conducted and finalised during the 2021/2022 FY.

Table 2: Progress towards MTSF Outcomes (Priority 2 and 4)

MTSF PRIORITY 2: ECONOMIC TRANSFORMATION AND JOB CREATION **MTSF PRIORITY 4:** CONSOLIDATING THE SOCIAL WAGE THROUGH RELIABLE AND QUALITY BASIC SERVICES					
CF PRIORITY 2: TO ENSURE THAT APPROPRIATE BENEFITS ARE DELIVERED TO INTENDED BENEFICIARIES, EFFICIENTLY AND AT A REASONABLE COST **CF PRIORITY 3:** CONTRIBUTE TO EMPLOYMENT AND ECONOMIC GROWTH THROUGH REHABILITATION AND RE-INTEGRATION.					
CF Impact Statement	**CF Outcome**	**CF Outcome Indicator**	**Baseline**	**Five Year Target**	**Progress Towards MTSF**
1. Sound and sustainable control environment, transformed financial sector, enhanced institutional capacity to deliver and improved accessibility and visibility of COID services.	Black Asset Managers supported	Improved support of assets managed by Black Asset Managers	Reviewed PIC Mandate for the empowerment of Black Asset managers	20% of Assets managed by Black Asset Manages supported	The indicator will only be measurein on the APP as from 2022/2023 financial year. Revised PIC Investment mandate which include the SME target was not completed as at 31 March 2022.
	Strengthened institutional capacity of the Fund	Improved Human Resource Capacity	16,43%	8% vacancy rate by March 2025	2020/2021: 16.52% 2021/2022: 14.73%
	Improved monitoring and evaluation oversight of the Mutuals	Performance by Mutuals monitored and evaluated	License issued by the Minister	Licenses with the Mutuals fully implemented.	2020/2021: 4 Quarterly report and 1 Annual Report 2021/2022: 4 Quarterly report and 1 Annual Report
	More decent jobs created and sustained, with youth, women and persons with disabilities prioritised	Number of jobs created through the Presidential Comprehensive Youth Employment interventions	0	300 by 31 March 2025	2020/2021: 65 jobs created as at 31 March 2021 2021/2022: the indicator was not in the APP
		Number of decent jobs created through job summit initiatives (Investment activities)	9 314	7000 by March 2025	2020/2021: 119 2021/2022: 352 decent jobs created as at 31 March 2022
3. Ethical, effective, efficient, accessible and cost-effective compensation of beneficiaries.	Claim registration requirements reviewed and turnaround times for payment of benefits reduced	Integrated claims management System (ICMS) implemented.	0	Support the implementation of the integrated claims management system by 31 March 2023	The KPI and Target was not measured for the 2020/2021 and 2021/2022 financial years.

Table 3: Progress towards MTSF Outcomes (Priority 2 and 4)

MTSF PRIORITY 2: ECONOMIC TRANSFORMATION AND JOB CREATION **MTSF PRIORITY 4:** CONSOLIDATING THE SOCIAL WAGE THROUGH RELIABLE AND QUALITY BASIC SERVICES					
CF PRIORITY 2: TO ENSURE THAT APPROPRIATE BENEFITS ARE DELIVERED TO INTENDED BENEFICIARIES, EFFICIENTLY AND AT A REASONABLE COST **CF PRIORITY 3:** CONTRIBUTE TO EMPLOYMENT AND ECONOMIC GROWTH THROUGH REHABILITATION AND RE-INTEGRATION.					
CF Impact Statement	**CF Outcome**	**CF Outcome Indicator**	**Baseline**	**Five Year Target**	**Progress Towards MTSF**
	Claim registration requirements reviewed and turnaround times for payment of benefits reduced	Improved finalisation of compensation benefits	98%	95% of compensation claims adjudicated	2020/2021: 79% (78 385 of 99 175) compensation claims were adjudicated within 30 working days. 2021/2022: 79% (79 291 of 100 427) compensation claims were adjudicated within 30 working days.
			100% compensation benefits paid within 5 working day	95% of compensation benefits finalised	2020/2021: 86.2%. R3 694 130 767.10 of R4 284 681 931.60 of benefits were paid within 5 workings days. 2021/2022: 87.5% R3 797 701 353,03 of R4 339 986 096,11 benefits were paid within 5 workings days.
	Improved accessibility and visibility of COID services	Percentage implementation of the accessibility and visibility programme.	Draft Visibility and Accessibility Strategy for the Fund	100% implementation of the visibility and accessibility programme by 31 March 2025.	2020/2021: 31% implementation of the visibility and accessibility programme by 31 March 2021. 2021/2022: 31% implementation of the visibility and accessibility programme by 31 March 2022.
4. Reliable, efficient and cost-effective medical benefits system	Access to medical services increased	Improved medical benefits	85%	95% of medical benefits finalised	2020/2021: 95% (9 918/10 429) were authorised within 10 working days 2021/2022: 96% (10505/10961) were authorised within 10 working days
					2020/2021: 87% (689 192/791 580) medical invoices were finalised within 30 workings days 2021/2022: 87% (619 534/709 678

Table 4: Progress towards MTSF Outcomes (Priority 2 and 4)

MTSF PRIORITY 2: ECONOMIC TRANSFORMATION AND JOB CREATION **MTSF PRIORITY 4:** CONSOLIDATING THE SOCIAL WAGE THROUGH RELIABLE AND QUALITY BASIC SERVICES					
CF PRIORITY 2: TO ENSURE THAT APPROPRIATE BENEFITS ARE DELIVERED TO INTENDED BENEFICIARIES, EFFICIENTLY AND AT A REASONABLE COST **CF PRIORITY 3:** CONTRIBUTE TO EMPLOYMENT AND ECONOMIC GROWTH THROUGH REHABILITATION AND RE-INTEGRATION.					
CF Impact Statement	**CF Outcome**	**CF Outcome Indicator**	**Baseline**	**Five Year Target**	**Progress Towards MTSF**
					medical invoices were finalised within 40 workings days
5. Efficient, effective and reliable rehabilitation and return to work services for the promotion of rights of injured workers with disabilities	Rehabilitation and re-integration Programmes implemented which promote the rights of injured workers with disabilities	Improved rehabilitation and reintegration of injured workers	0%	90% of severely Injured workers enrolled into rehabilitation programmes	MTSF target: 4000 2020/2021: Achieved 473 of students were enrolled at Post School Education and training institutions 2021/2022: Achieved: 846 of students were enrolled at Post School Education and training institutions
					MTSF target: 1000 2020/2021: Achieved 52 Persons with disabilities were enrolled 2021/2022: Achieved: 41 Persons with disabilities were enrolled

INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

PROGRAMME 1: ADMINISTRATION

Purpose: The purpose of the programme is to provide an effective and efficient client-oriented support services through the strengthening of the institutional capacity of the organisation

Sub Programmes
Sub Programmes: Compensation Commissioner

Purpose: To oversee the administration of the Fund in line with COID
Sub Programme: Executive Support

Purpose: To provide strategic support services in the office of the Commissioner
Sub Programme: Internal Audit

Purpose: To provide an independent and objective assurance service in the Fund.
Sub Programme: Risk Management

Purpose: To provide risk management services.
Sub Programme: Anti-Corruption and integrity management

Purpose: To provide anti-corruption and integrity management services.
Sub Programme: Office of the Chief Operations Officer

Purpose: To strategically oversee the management of operations services.
Sub Programme: Financial Management

Purpose: To provide sound and compliant financial management services to the Fund.
Sub Programme: Corporate Services

Purpose: To provide corporate services and strengthen the institutional capacity to the Fund.

Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

Performance for Programme 1

Table 5: Programme 1 Performance against the 2021/2022 APP

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Devia-tion from planned target to Actual Achievement 2021/22	Reasons for deviations
Small and Medium Enterprises supported	Small and Medium Enterprises funded	Funds allocated to Small and Medium Enterprises	N/A	**Not Achieved** [Process to review and approve the Mandate not completed]	R200 million	**Not Achieved** R93 million was allocated to SME as at 31 March 2022.	- R107 million	Inadequate capacity within the Fund and the different reporting timing with the investees
More decent jobs created and sustained, with youth, women and persons with disabilities prioritised	Decent jobs created	Number of decent jobs created through job summit initiatives (Investment activities)	N/A	**Not Achieved.** 119	1000	**Not Achieved** 352	-648	The different reporting timing with the investees delays the provision of information.
Organisational financial viability maintained	Assets increased	Percentage increase in total assets per annum	N/A	**Achieved**. 22.2%	10%	**Achieved** 13.3%	3.3%	Good performance of investments
	Improved audit outcome through stringent controls and implementation by all Programme Heads.	Percentage reduction in matters affecting the audit opinion	N/A	**Not Achieved**. 4.35% increase in matters affecting audit.	75%	**Not Achieved** As at 31 March 2021, overall progress for the Action Plan version 2.0 is at 59%.	-16%	Inadequate capacity within the Fund
	Wasteful and fruitless expenditure reduced	Percentage of wasteful and fruitless expenditure reduced	N/A	**Not Achieved.** 18.5% Increase **0% of wasteful and fruitless expenditure eliminated**	50%	**Not Achieved** 0.01% (182-183/183)	-49.99%	Shortage of personnel, lack of skills to investigate and lack of source documents
	Reduced irregular expenditure	Percentage of irregular expenditure reduced	N/A	**Not achieved** 0.65% increase	25%	**Not Achieved** 0% (110-110/110)	-25%	

Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

Performance for Programme 1

Table 5: Programme 1 Performance against the 2021/2022 APP

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement 2021/22	Reasons for deviations
Improved accessibility and visibility of COID services	Implementation of Visibility and Accessibility Strategy for the Fund	Percentage implementation of programmes in the approved visibility and accessibility strategy.	N/A	**Achieved** 31% The implementation of projects in the VAS approved strategy for Quarter 4 is at 31% (24 projects/ initiatives implemented out of a total of 77 projects/ initiatives)	(40%) *30% Implementation of programmes in the approved visibility and accessibility strategy.	**Achieved** 31% For the implementation of projects in the VAS approved Strategy, out of 77 projects/ initiatives a total of 24 were completed in the 2021/2022 financial year	+1%	1. Throughout, Q1 - Q4, there were over-achievements of certain projects/ initiatives and this enabled the Fund to fast track the completion of the plan. 2.Some initiatives took place throughout all quarters
Programme to prevent and fight corruption in the Fund implemented	Reported fraud cases reduced	Percentage of reported cases investigated	N/A	**Achieved** 61% of reported Cases investigated	65%	**Not Achieved** 60% Cumulatively (27 cases finalised/45 received multiply by 100).	-5%	Due to the complexity of cases investigated and duration taken to finalise the cases, some of the cases on the database could not be finalised.
	Improved ethical culture in the Fund	Implement ethics management Programme	N/A	**Achieved** Social and ethics steering Committee has been established. Quarterly ethics committee meetings have been convened	Conduct annual ethics risk assessment	**Achieved** 15 Ethics Risk Assessments conducted and finalised during the 2021/2022 FY.	N/A	None

Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

Performance for Programme 1

Table 5: Programme 1 Performance against the 2021/2022 APP

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement 2021/22	Reasons for deviations
Strengthened institutional capacity of the Fund	Vacancies reduced	Percentage reduction in vacancy rate	N/A	**Not Achieved** 16.52%	9.9%	**Not Achieved** 14.73%	3.13%	HRM is under resourced and processes of filling vacancies taking longer
Improved monitoring and evaluation oversight of the Mutuals	The Mutuals performance monitored	Number of quarterly and annual reports on monitored performance of Mutuals reporting to the Fund	N/A	**Achieved** 4 Quarterly reports and the Annual report for Rand Mutual Association and Federated Employers Mutual Assurance were received for monitoring of performance in line with the terms and conditions of the license.	4 Quarterly reports and 1 Annual Report	**Achieved** 4 Quarterly report 1 Annual Report	None	None

*NA indicates the indicator was Not Applicable during the Financial year.

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

- To address the under-achievement for indicator on **Funds allocated to Small and Medium Enterprises,** the Compensation Fund has considered soliciting the services of the Assurance Providers for confirmation/review of credibility of the investees' financial statements. This will be done during the 2022/23 financial year.

- To address the under-achievement for indicator on **Number of decent jobs created through job summit initiatives,** the current available information will be used for reporting.

- To address the under-achievement for indicator on **Percentage reduction in matters affecting the audit opinion,** additional personnel have been seconded to address a backlog of unresolved findings and the quality of audit actions will be enhanced to address the root cause of the findings (an enhanced Audit Action plan developed).

- To address the under-achievement for indicators on **Percentage of wasteful and fruitless expenditure reduced** and **Percentage of irregular expenditure reduced,** a process to capacitate the Internal Control sub-directorate is being considered through amendment of the organogram and secondment of personnel. The audit action plan is developed to target high value cases

- To address the under-achievement for the indicator on **Percentage reduction in vacancy rate,** HRM has put measures in place (recruitment plan) to ensure that all vacant posts in the Fund are filled within the stipulate period (6 months) - this measure will provide good results as a result the vacancy will drop significantly; contract workers to augment current recruitment Team were appointed on the 1st of May 2021.
- To achieve the underperformance for the indicator on **Percentage of reported cases investigated,** the matter will be addressed by augmenting capacity within the Directorate during the 2022/23 financial year.

Reporting on Institutional Response to the COVID-19 Pandemic

Table 6: Progress on Programme 1 Response to the COVID-19 Pandemic

Programme / Sub-programme:								
Programme / Sub-programme:	**Intervention**	**Geographic location (Province / District / local municipality) (Where Possible)**	**No. of beneficiaries (Where Possible)**	**Disaggregation of Beneficiaries (Where Possible)**	**Total budget allocation per intervention (R'000)**	**Budget spent per intervention**	**Contribution to the Outputs in the APP (where applicable)**	**Immediate outcomes**
ICT	Not Applicable for the financial year							
Support Services								
Risk Management								

Linking performance with budgets

Table 7: Linking Programme 1 performance with budgets

	2021/2022			**2020/2021**		
Programme / Activity/ Objective	**Budget**	**Actual Expenditure**	**(Over)/ Under Expenditure**	**Approved Budget**	**Actual Expenditure**	**(Over)/ Under Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Administration	7 273 598	4 169 482	3 104 116	2 685 184	5 785 486	(3 100 302)
Total	**7 273 598**	**4 169 482**	**3 104 116**	**2 685 184**	**5 785 486**	**(3 100 302)**

PROGRAMME 2: COID SERVICES

Purpose: To administer compensation claims, medical adjudication and accounts and customer care.

Sub Programmes

Sub Programme: Compensation Benefits

Purpose: To monitor compensation benefits services

Sub Programme: Employer services

Purpose: To provide registration and assessment services of employers within the Fund.

Sub Programme: Treasury, Investment and Actuarial services

Purpose: To provide strategic management of the Funds treasury, investment and actuarial service

Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

Performance for Programme 2

Table 8: Programme 2 Performance against the 2021/2022 APP

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022	Reasons for deviations
Revenue generation increased	Assessment of the Return of Earning received	Percentage of received return of earnings assessed annually.	**Not Achieved** **52%** There are total of 459 229 Active registered Employers in Compensation Fund database.	**Achieved** **99%** [220 382 (ROE's assessed / 223 644 (ROE's received)].	85% of received return of earnings assessed annually	**Achieved** **99%** [324 176 (ROE's assessed / 327 701(ROE's received)]	+14%	A vast majority of returns are received online which is more efficient.
Access to compensation benefits increased	Claims adjudicated	Percentage of claims adjudicated within 30 working days of receipt	**Not Achieved** **83%** 85 188 of 102 773 claims were adjudicated within 30 days of receipt	**Not Achieved** **79%** Of the 99 175 received, 78 385 were adjudicated within 30 working days.	85% of claims adjudicated within 30 working days of receipt	**Not Achieved** 79% Of the 100, 427 received, 79, 291 were adjudicated within 30 working days	-6%	25% of claims received do not have complete information and this results in delays in timeously adjudicating claims. Continuous advocacy sessions are necessary to stakeholders on the importance of submitting outstanding claims information
	Benefits paid	Percentage of approved benefits paid within 5 working days	**Not Achieved** **80%** The total amount approved to be paid towards benefits was R 3 369 370 476. However, the amount paid within 5 working days was R 2 694 112 194	**Not Achieved** **86.2%.** Of the R4 284 681 931.60 Benefits approved, R3 694 130 767.10 was paid within 5 workings days.	90% of approved benefits paid within 5 working days	**Not Achieved** **87.5%** Of the R4 339 986 096,11 Benefits approved, R3 797 701 353,03 was paid within 5 workings days.	-2.5%	The Fund has introduced additional quality control verification steps before paying benefits. The additional verification steps; whilst necessary; does impact on the turnaround time of the payment of benefits

Strategy to overcome areas of under-performance

- To address the under-achievement for the indicator on **Percentage of claims adjudicated within 30 working days of receipt**, performance recovery plans were implemented in 3 provinces as at end of 2021/2022. All provinces that do not meet the target will be required to sign the same. Calls are logged with ICT in instances where ICT has not issued a communication regarding system downtime
- To address the under-achievement for the indicator on **Percentage of approved benefits paid within 5 working days**, Management team members will conduct pro-active quality control checks prior to submission for payment.

Reporting on the Institutional Response to the COVID-19 Pandemic

Table 9: Progress on Programme 2 Response to the COVID-19 Pandemic

Programme / Sub-programme:								
Programme / Sub-programme:	**Intervention**	**Geographic location (Province / District / local municipality) (Where Possible)**	**No. of beneficiaries (Where Possible)**	**Disaggregation of Beneficiaries (Where Possible)**	**Total budget allocation per intervention (R'000)**	**Budget spent per intervention**	**Contribution to the Outputs in the APP (where applicable)**	**Immediate outcomes**
Compensation Benefits	Not applicable for the financial year							
Employer services								

Linking performance with budgets

Table 10: Linking Programme 2 performance with budgets

	2021/2022			**2020/2021**		
Programme / Activity/ Objective	**Budget Adjustments**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Approved Budget**	**Actual Expenditure**	**(Over)/ Under Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Programme 2: COID Services	1 691 846	1 763 557	(71 711)	1 121 692	1 510 592	(388 900)
Total	**1 691 846**	**1 763 557**	**(71 711)**	**1 121 692**	**1 510 592**	**(388 900)**

PROGRAMME 3: MEDICAL BENEFITS

Purpose: To provide strategic support and medical expertise to claims processing.

Sub Programmes

Sub Programme: Medical Services

Purpose: To provide best practice standards regarding occupational diseases and injuries to support the Fund's claims process

Sub Programme: Medical Claims

Purpose: To manage the processing of medical claims and the administration of medical tariffs.

Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

Performance for Programme 3

Table 11: Programme 3 Performance against the 2021/2022 APP

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022	Reasons for deviations
Access to medical services increased Access to medical services increased	Specialised Medical Interventions pre-authorised	Percentage of requests for pre-authorisation of Specialised Medical Interventions finalised within 10 working days of receipt	**Achieved 97%** (1 983 of 2 041) pre-authorisations responded to within 10 working days.	**Achieved 95%** Of the 10 429 requests, 9 918 were authorised within 10 working days.	90% of requests for pre-authorisation of Specialised Medical Interventions finalised within 10 working days of receipt	**Achieved 96%** (10 961 of preauthorisa-tion requests received, 10 502 Were finalised within 10 working days)	+6%	Completed documentation from MSP's submitted on time.
	Medical invoices finalised	Percentage of accepted medical invoices finalised within 40 working days of receipt	**Not Achieved 69%** (358 449 of 519 830) of medical invoices finalised within 40 working days of receipt.	**Achieved 87%** Of the **791 580** medical invoices received, **689 192** were finalised within 30 workings days.	80% of accepted medical invoices finalised within 40 working days of receipt	**87%** (Of the 709 678 medical invoices received, 619 534 were finalised within 40 workings days)	+7%	• Monthly Provincial performance monitoring Placement on Y-drive. • Placement of un-finalised medical invoices per Province on Y-drive for Provinces to have access and utilise for finalisation of invoices.

Strategy to overcome areas of under performance

None.

Reporting on the Institutional Response to the COVID-19 Pandemic

Table 12: Progress on Programme 3 Response to the COVID-19 Pandemic

Programme / Sub-programme:								
Programme / Sub-programme:	**Intervention**	**Geographic location (Province / District / local municipality) (Where Possible)**	**No. of beneficiaries (Where Possible)**	**Disaggregation of Beneficiaries (Where Possible)**	**Total budget allocation per intervention (R'000)**	**Budget spent per intervention**	**Contribution to the Outputs in the APP (where applicable)**	**Immediate outcomes**
Medical Benefits	Treatment done to COVID-19 complications	Geographical information was focusing on the whole Country (all provinces) private exempted	90 Beneficiaries compensated due to fatal or disabilities led by Covid-19	n/a	R28,180,42 amount spent for 10 620 claims fatal and treatment performed due to Covid -19	n/a	n/a	n/a

Linking performance with budgets

Table 13: Linking Programme 3 performance with budgets

	2021/2022			2020/2021		
Programme / Activity/ Objective	**Budget Adjustments**	**Actual Expenditure**	**(Over)/ Under Expenditure**	**Approved Budget**	**Actual Expenditure**	**(Over)/ Under Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Programme 3: Medical Benefits	4 586 073	2 982 076	1 603 997	3 083 820	2 883 278	(200 542)
Total	**4 586 073**	**2 982 077**	**1 603 997**	**3 083 820**	**2 883 278**	**(200 542)**

PROGRAMME 4: ORTHOTIC AND REHABILITATION SERVICES

Purpose: To provide support in the Orthotic and Rehabilitation services for the Fund which aims to promote the rights of injured workers with disabilities

Sub Programmes

Sub Programme: Vocational Rehabilitation

Purpose: To provide strategic leadership and guidance on the implementation of the vocational rehabilitation of injured workers with disabilities to promote their rights to education and employment.

Sub Programme: Orthotics and Prosthetic

Purpose: To manage and advise on the Orthotics and Prosthetic services of injured workers with disabilities to promote their rights of accessibility at home, community and work.

Sub Programme: Rehabilitation and re-integration

Purpose: To develop, implement and monitor a rehabilitation programme for injured workers with disabilities and advise the Compensation Fund on all matters pertaining to their rehabilitation and promote their rights for healthcare.

Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

Performance for Programme 4

Table 14: Programme 4 Performance against the 2021/2022 APP

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022	Reasons for deviations
Rehabilitation and reintegration Programmes implemented which promote the rights of injured workers with disabilities	Requests for assistive devices finalised to promote accessibility of home, community and work environments	Percentage of requests for assistive devices finalised within 15 working days	**Achieved** **85%** (877 of 1031) of compliant assistive devices requests responded to within 15 working days of receipt.	**Achieved** 89% Of the 1 260 requests received, 1 127 were finalised within 15 workings days	85%	**Achieved** **94%** (Of the **1 365** requests received, **1 279** were finalised within 15 workings days)	9%	The variance is attributed to the training on the pre-auths system and telephonic /on-site support from Head Office to Provinces
	Eligible Post-School Education and Training (PSET) students funded to improve the prospect of employment	Number of learners funded annually at Post School Education and training institutions	NA	**Achieved** **473** of students enrolled at Post-School Education and Training (PSET) institutions in priority qualifications funded Consisting of **259** continuing students and **214** new cohorts. Annual	779	**Achieved** (**846** new learners funded annually at Post School Education and training institutions)	+ 67	Closely monitoring of the funding process to ensure that resources are used optimally to make an impact.
	Persons with Disabilities funded to promote access to education and prospects of employment	Number of Persons with Disabilities funded annually for Vocational Rehabilitation Programme	NA	**Achieved** **52** Persons with disabilities were enrolled	200	**Not Achieved** (**41** new COID Persons with Disabilities funded annually for Vocational Rehabilitation Programme)	-159	The factors that impede VR Program delivery include, but are not limited to: • Lack of reasonable accommodation for the beneficiaries to participate fully in the programme. • Lack of interest due other factors e.g. Physical limitation, lack of information, etc.

Strategy to overcome areas of under performance

- To address the under-achievement for the indicator on **Number of Persons with Disabilities funded annually for Vocational Rehabilitation Programme**, the team continues to engage the PWDs to assess their individual needs and identify the training institutions that match their capabilities and limitations. The following outreach platforms will be used to share information and recruit; Radios, Social Media, Bulk SMS, Mall Activations etc.

Reporting on the Institutional Response to the COVID-19 Pandemic

Table 15: Progress on Programme 4 Response to the COVID-19 Pandemic

Programme / Sub-programme:								
Programme / Sub-programme:	**Intervention**	**Geographic location (Province / District / local municipality) (Where Possible)**	**No. of beneficiaries (Where Possible)**	**Disaggregation of Beneficiaries (Where Possible)**	**Total budget allocation per intervention (R'000)**	**Budget spent per intervention**	**Contribution to the Outputs in the APP (where applicable)**	**Immediate outcomes**
Orthotics and Rehabilitation	Not applicable for the financial year							

Linking performance with budgets

Table 16: Linking Programme 4 performance with budgets

	2021/2022			2020/2021		
Programme / Activity/ Objective	**Budget Adjustments**	**Actual Expendi-ture**	**(Over)/ Under Expenditure**	**Approved Budget**	**Actual Expenditure**	**(Over)/ Under Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Programme 4: Orthotic and Rehabilitation Services	229 901	147 180	82 721	220 133	59 397	160 736
Total	**229 901**	**147 180**	**82 721**	**220 133**	**59 397**	**160 736**

REVENUE COLLECTION

Table 17: Revenue collection

	2021/2022			2020/2021		
Sources of Revenue	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
Total Revenue from Employer Assessments	9 826 027	9 417 985	408 042	11 774 902	9 539 577	2 235 325
Total Revenue from Interest and Penalties	250 911	1 304 166	(1 053 255)	50 000	94 460	(44 460)
Total Revenue from Investments	35 602	5 228 099	(5 192 497)	3 924 778	4 135 302	(210 524)
Dividends received	481 791	877 467	395 676	463 388	506 229	(42 841)
Other investment income	0	34 510	34 510	0	4 501	(4 501)
Administrative contributions by employers (S88)	4 147 564	18 278	4 129 286	6 545	10 399	(3 854)
Interest earned from the bank	164 340	107 458	(56 882)	138 869	128 784	10 085
Rental Received Building	1 445	1 753	(308)	1 403	1 892	(489)
Administrative Contributions (s88): FEM and RMA	6 741	32 028	(25 287)	35 190	32 783	2 363
Miscellaneous	0	0	0	0	0	0
Total	**14 914 421**	**17 021 726**	**2 107 305**	**16 395 075**	**14 453 927**	**1 941 148**

CAPITAL INVESTMENT

CAPITAL INVESTMENT, MAINTENANCE AND ASSET MANAGEMENT PLAN

Sections below outlines progress made on implementing the capital, investment and asset management plan for the Compensation Fund for infrastructure projects, with table 18 on the Polokwane investment property.

The current state of the Fund ‘s capital assets,

- The Fund assets are generally in a good condition and still in use, however most of the ICT equipment are aged and due for replacement to improve performance of the assets and increase future expected service potential.

- PIC is responsible for the management of the Fund’s property investment portfolio. The PIC internal capital expenditure and procurement approval process is followed in rendering this service to the Fund.

Compensation House Building in Pretoria.

The PIC concluded the structural assessment of the building as well as the market research study. The estimated cost to redevelop the property is R354 207 604.

252 Phalo, Bisho building.

Property is tenanted by the Eastern Cape Provincial Department of Public Works and Transport.

Student Accomodation in Polokwane

The portfolio consists of a R100 million capital commitment to “For Generations” Joint Venture for the roll out of 10 000 beds in student accommodation in Limpopo. The table 17 below indicates investment properties for student accommodation.

The four projects are at an early stage of development:

Table 18: CF Polokwane investement property

PROPERTY NAME	LOCATION	PURCHASE DATE	CF INTEREST	PURCHASE PRICE
Baobab Manor	Polokwane	29 March 2019	5%	R36 million
Bendor Park	Polokwane	20 May 2019	5%	R14 million
Mankweng	Polokwane	03 September 2020	5%	R22,4 million
Total				**R72,4 million**

Sunnyside Campus in Pretoria

The Unemployment Insurance Fund (UIF), a sister entity of the Compensation Fund acquired a piece of land in Sunnyside, Pretoria in 2015 for the purpose of developing it and building a campus. The envisaged new property of the UIF (also referred to as DEL campus) will comprise of three towers, one which will be used by the UIF and the other two that they intend leasing out. This campus will provide a central point where the DEL clients will be served.

Thus, the Fund intends to participate in this UIF project rather than buying a building elsewhere. The Fund was granted approval by National Treasury to purchase a building (one of the towers) from UIF. The Fund intends to relocate from the current leased Delta House building to this new building which is expected to take a period of three years to be completed. The project is still in its initiation phase of conducting space planning.

Progress made on the maintenance of infrastructure

The Fund has appointed PIC to manage and maintain its properties, and minor operating maintenance were made to the current infrastructure and the properties are currently well maintained.

PART C
GOVERNANCE

PART C: GOVERNANCE

INTRODUCTION

Covered within this Section of the Report are matters pertaining to the work done by oversight structures in accordance to the Public Finance Management Act (PFMA) and the principles contained in the King's Report on Corporate Governance. Indicated, amongst others, are the three (3) reports provided to the Minister of Employment and Labour by the CF Board and twelve (12) P ortfolio Committee meetings held during the Financial year.

PORTFOLIO COMMITTEES

The table below illustrates the information as requested and submitted to the Portfolio Committee in its oversight over the service delivery performance of the Compensation Fund.

Table 19: Portfolio Committee Meetings

No	Date ofMeeting	Committee	Information Requested & Agenda (Subject)
1	20 April 2021	Portfolio Committee	Public hearings on the COID Amendment Bill
2	21 April 2021	Portfolio Committee	Public hearings on the COID Amendment Bill
3	22 April 2021	Portfolio Committee	Public hearings on the COID Amendment Bill
4	28 April 2021	Portfolio Committee	Public hearings on the COID Amendment Bill
5	07 May 2021	Portfolio Committee	Portfolio Committee Meetings on Annual Performance Plans
6	28 May 2021	Portfolio Committee	Briefing by the Auditor-General on the Unemployment Insurance Fund (UIF) and Compensation Fund (CF) matters before SCOPA
7	08 June 2021	Portfolio Committee	Responses by DEL, the Compensation Fund and the Unemployment Insurance Fund on matters raised by AGSA
8	23 June 2021	Portfolio Committee	Deliberations on the A-list proposed formulations regarding the Compensation for Occupational Injuries and Diseases Amendment Bill;
9	30 June 2021	Portfolio Committee	Deliberations on the A-list proposed formulations regarding the Compensation for Occupational Injuries and Diseases Amendment Bill;
10	01 September 2021	Portfolio Committee	Portfolio Committee on Labour: CF Action Plan
11	16 November 2021	Select Committee	Brief on Compensation for Occupational Injuries and Diseases Amendment Bill [B 21B 2020]
12	24 November 2021	SCOPA	Update on developments since last meeting with SCOPA
13	02 February 2022	Portfolio Committee	Portfolio Committee on Labour: Updated Status Report on the CF Action Plan
14	16 February 2022	SCOPA	Review of the Compensation Fund 2020/2021 FY
15	17 February 2022	Portfolio Committee	Portfolio Committee on Labour: CF Performance in Q1 (2021/2022)
16	30 March 2022	Portfolio Committee	Portfolio Committee on Labour: CF Strategic Plan and Annual Performance Plan

EXECUTIVE AUTHORITY

Oversight by the Executive Authority rests by and large on the prescripts of the PFMA. The PFMA governs/gives authority to the Executive Authority for oversight powers. The Executive Authority also has the power to appoint and dismiss the Board of a public entity. The Executive Authority must also ensure that the appropriate mix of executive and non-executive directors is appointed and that directors have the necessary skills to guide the public entity.

Table 20: Reports submitted by Compensation Commissioner to the Executive Authority

No.	Advise to the Minister (subject and issues raised)	Dates submitted
1	Annual Benefits increases	The Board approved the Benefits increases on 10 December 2021
2	Annual medical increases	The Board approved the Benefits increases on 10 December 2021
3	Quarterly Board advises to the Minister	The reports were for noting

THE COMPENSATION BOARD

INTRODUCTION

The Compensation Board is established in terms of section 10 of the Compensation for Occupational Injuries and Diseases Act, 1993 (Act No 130 of 1993) as amended; which is an advisory Board to the Minister.

THE ROLE OF THE BOARD IS AS FOLLOWS:

To advise the minister on matters of policy arising out of or in connection with the application of compensation for Occupational Injuries and Diseases Act, 1993 (Act no 130 of 1993) as amended;

- The Board may advise on the nature and extent of the benefits that can be payable
- to employees or dependents of employees, including the adjustments of existing pensions;
- The Board may advice the Minister on the amendment of the Act;
- The Board may at the request of the Director General advice the minister regarding the performance of particular functions.

BOARD CHARTER

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

- The Board deliberated on the CF quarterly reports and provided inputs.
- Annual medical tariffs increased was recommended to the minister
- Annual benefits increase was recommended to the minister.
- Portfolio committee briefing

COMPOSITION OF THE BOARD

Table 21: Composition of the Board

Name	Designation *(In Terms of The Public Entity Board Structure)*	Date Appointed	Date Resigned	Qualifications	Board Directorships *(list the entities)*	Other Committees or Task Teams *(E.g. Audit Committee/ Ministerial Task Team)*	No. Of Meetings Attended
*Ms T Nene-Shezi	Chairperson	2018/01/01	31/12/2021	Bachelor of Arts Degree	Department of Employment and Labour		4
Mr M Shezi	Principal Board Member	01/07/2020	31/12/2021	• MBA • Bachelor of Science	Rand Mutual Assurance		6
Ms B Moroole	Alternate Member	01/03/2021	31/12/2021	• CA (SA) • Accounting • Auditing • Tax and Management Accounting	Rand Mutual Assurance		0
Ms N Manyonga	Principal Board Member	2018/01/01	31/12/2021	• Bachelor of Business Science • Diploma in Actuarial	Federated Employer Mutual Assurance		4
Mr G McIntosh	Alternate Member	2018/01/01	31/12/2021	• MBA • Diploma in IT	Federated Employer Mutual Assurance		0
Dr R Legoabe	Principal Board Member	01/03/2021	31/12/2021	• D.Tech • MBA • Post Grad Diploma	Health Professional Council of South Africa		8
Ms E Burger	Principal Board Member	01/03/2021	31/12/2021	• Bacher of Occ Therapy • Post Grad Diploma in Health Services mngt	Health Professional Council of South Africa		4
Dr Thuthula Balfour	Principal Board Member	2018/01/01	31/12/2021	• MBA • Fellow of College of Public Health Medicine • DOH • DHSM • DPH • MBChB	Business Unity of South Africa		4
Mr F Xaba	Principal Board Member	2018/01/01	31/12/2021	• BA Hons in Psychology • Advanced Labour Law • Business Leadership Management • Programme for Labour Law	Business Unity of South Africa	Audit Committee	9
Mr K Cowley	Principal Board Member	2018/01/01	31/12/2021	• Master's Degree in Labour Law • BA Law	Business Unity of South Africa		4

Name	Designation *(In Terms of The Public Entity Board Structure)*	Date Appointed	Date Resigned	Qualifications	Board Directorships *(list the entities)*	Other Committees or Task Teams *(E.g. Audit Committee/ Ministerial Task Team)*	No. Of Meetings Attended
Dr O Mphofu	Alternate Board Member	2018/01/01	31/12/2021	• MBCHB • Diploma in Occupational Health • Master of Science in Occupational and Environmental Health • LLB • Master in Business Leadership • LLM (Corporate Law)	Business Unity of South Africa		0
Ms S Leyden	Alternate Board Member	2018/01/01	31/12/2021	• LLB • LLM (Labour Law)	Business Unity of South Africa		4
Ms E Kula	Alternate Board Member	2018/01/01	31/12/2021	• MBA • Bachelor of Commerce	Business Unity of South Africa		0
Dr B Kistnasamy	Principal Board Member	2018/01/01	31/12/2021	• MBChB • Mmed Community Health	Department of Health		3
Dr SC Tshabalala	Principal Board Member	2018/01/01	31/12/2021	• MBCH • Master's in Public Health	Department of Health		1
Dr N Mtshali	Alternate Board Member	2018/01/01	31/12/2021	• MBCHB	Department of Health		0
Mr T Szana	Principal Board Member	2018/01/01	31/12/2021	National Higher Diploma: Mechanical Engineering – T4	Department of Employment and Labour		2
Ms J Bodibe	Principal Board Member	2018/01/01	31/12/2021	• Grade 11 • 1996 - NOSA NT 02/96 incident accident investigation • NT 16/96 incident accident investigation • SAMTRAC H/0314/03 • 1996 South Africa First Aid League at Pretoria • Occupational first Aid Certificate • 1996 – Damelin • Advanced Public Relations	Congress of South African Trade Union		5

Name	Designation *(In Terms of The Public Entity Board Structure)*	Date Appointed	Date Resigned	Qualifications	Board Directorships *(list the entities)*	Other Committees or Task Teams *(E.g. Audit Committee/ Ministerial Task Team)*	No. Of Meetings Attended
Mr S Tsiane	Principal Board Member	2018/01/01	31/12/2021	• Grade 11 • Investment and Portfolio management • Human resource Management • Certificate on training progamme on pension scheme • Finance for Non-Financial Managers • Labour movement investment training Programme	Congress of South African Trade Union		5
Mr S Sibitane	Principal Board Member	2018/01/01	31/12/2021	• Electrical engineering (N3/2008) • Applying SHE principles (2013) • Introduction to samtrac (2013) • Samtrac (2015)	National Council of Trade Unions		4
Mr J Wilimiec	Principal Board Member	2018/01/01	31/12/2021	• Advanced Extracurricular Diploma: Labour	Federated Employers of South Africa	Risk Committee	8
Mr A Letshele	Principal Board Member	2018/01/01	31/03/2021	• ND: Safety Mngt lll not fully completed • SHEMTRAC • HASLAC train the Trainer	Congress of South African Trade Union		0
Mr G Manganyi	Alternate Member	2018/01/01	31/12/2021	B. Iuris (LLB pending)	Federation of Unions of South Africa		0
Mr L Moni	Alternate Member	2018/01/01	31/12/2021	• Phd	Congress of South African Trade Union		0
*Mr Paul Serote	Chairperson	2022/01/01		• B. Compt (UNISA) • Dip. Accounting (Univ of Natal) • PDBA (GIBS) • Nexus 1 (GIBS) • Nexus2 (GIBS) • M.Phil (GIBS)	Government Representative		4
Ms Vuyiswa Miya	Principal Board Member	2022/01/01	2022/12/2022	• LLB	Organised Business		4

Name	Designation *(In Terms of The Public Entity Board Structure)*	Date Appointed	Date Resigned	Qualifications	Board Directorships *(list the entities)*	Other Committees or Task Teams *(E.g. Audit Committee/ Ministerial Task Team)*	No. Of Meetings Attended
Mr Fani Xaba	Principal Board Member	2022/01/01		• BA Hons in Psychology • Advanced Labour Law • Business Leadership Management • Programme for Labour Law	Organised Business		4
Dr Hilko Johannsmeier	Alternate Member	2022/01/01		• MBCHB • MBA • Diploma Occ Health	Organised Business		3
Dr Dumisani Bomela	Principal Board Member	2022/04/01		• MBA • Master of Public Health	Organised Business		0
Mr K Cowley	Alternate Board Member	2022/01/01		• Master's Degree in Labour Law • BA Law	Organised Business		2
Mr Jan Mahlangu	Principal Board Member	2022/01/01		• Certificate on Principle of Economics. • Certificate on Principle of Finance and Investment Management • Certificate on Introduction to Investment and Finance. • Experience in Conflict and Dispute Resolution • Trusteeship in Retirement Funds	Organised Labour		4
Mr Edward Thobejane	Principal Board Member	2022/01/01		Grade 11	Organised Labour		4
Ms Desugee Pillai	Principal Board Member	2022/01/01		Dip in Economics	Organised Labour		4
Ms Naledi Tsipane	Principal Board Member	2022/01/01		BTech in Safety Mngt	Organised labour		4
Mr J Wilimiec	Principal Board Member	2022/01/01		Advanced Extracurricular Diploma: Labour Law	Organised Labour		4
Mr Gerald Mokgoro	Principal Board Member	2022/01/01		Bachelor of Commerce	Ministerial Appointee		4
Ms Valerie Rennie	Principal Board Member	2022/01/01		• B.A Public Admin • B.P.A (Honours) Public Admin	Department of Health		4

Name	Designation *(In Terms of The Public Entity Board Structure)*	Date Appointed	Date Resigned	Qualifications	Board Directorships *(list the entities)*	Other Committees or Task Teams *(E.g. Audit Committee/ Ministerial Task Team)*	No. Of Meetings Attended
Dr Z Pinini	Alternate Board Member	2022/01/01		• MBCHB • Dip in Medical Technology • Dip in Public Health	Department of Health		3
Ms N Manyonga	Principal Board Member	2022/01/01		• Bachelor of Business Science • Diploma in Actuarial	FEM		2
Mr G McIntosh	Alternate Board Member	2022/01/01		• MBA • Diploma in IT	FEM		4
Mr M Shezi	Principal Board Member	2022/01/01		• MBA • Bachelor of Science	RMA		3
Mr A Letshele	Alternate Board Member	2022/01/01		• ND: Safety Mngt III not fully completed • SHEMTRAC • HASLAC train the Trainer	RMA		2
Dr R Legoabe	Principal Board Member	2022/01/01		• D.Tech • MBA • Post Grad • Diploma	Health Professional Council of South Africa		4
Ms E Burger	Principal Board Member	2022/01/01		• Bacher of Occ Therapy • Post Grad Diploma in Health Services mngt	Health Professional Council of South Africa		2
Rev. Madyibi	Alternate Board Member	2022/01/01		• MBA • Bachelor of Commerce	Health Professional Council of South Africa		4

***Chairperson**

COMMITTEES

- Since the Board cannot effectively address all issues, the following sub-committees were established:
- Technical Committee on Occupational
- Injuries and Diseases Injuries and Diseases (TCOID)
- Investment Committee (IC)
- Assessment & Benefits Committee (ABC)
- Strategic & Operations Committee (StratOps)

Table 22: Technical Committee on Occupational Injuries and Diseases (TCOID)

Committee	No. of Meetings Attended per member	No. of Committee Members	Name of members
TCOID	1	**9**	*Dr T Balfour
	3		Dr L Moni
	2		Mr G McIntosh
	3		Mr S Sibitane
	3		Ms J Bodibe
	3		Mr K Cowley
	0		Dr S Tshabalala
	1		Dr B Kistnasamy
	2		Ms E Burger

*Chairperson

Table 23: Investment Committee

Committee	No. of Meetings Attended per member	No. of committee members	Name of members
Investment	6	**5**	*Mr S Tsiane
	3		Mr T Szana
	6		Mr F Xaba
	5		Mr J Wilimiec
	6		Ms J Bodibe

***Chairperson**

Table 24: Assessments and Benefits Committee

Committee	No. of Meetings attended per member	No. of Committee members	Name of members
Assessments and Benefits Committee	6	**10**	*Ms J Bodibe
	5		Mr F Xaba
	5		Mr G McIntosh
	5		Dr L Moni
	5		Mr S Tsiane
	4		Ms B Moroole
	5		Dr R Legoabe
	5		Mr G McIntosh
	1		Dr S Tshabalala
	5		Mr S Sibitane

Table 25: Strategic & Operations Committee (StratOps)

Committee	No. of Meetings attended per member	No. of Committee members	Name of members
StratOp	4	**10**	Mr F Xaba
	3		Ms N Manyonga
	4		Mr J Wilimiec
	4		Mr S Tsiane
	4		Dr L Moni
	4		Mr K Cowley
	2		Ms B Moroole
	4		Ms J Bodibe
	1		Mr T Szana
	2		Mr M Shezi

Table 26: Risk Committee

Committee	No. of Meetings attended per member	No. of Committee members	Name of members
Risk Committee	4	**2**	Mr Charl de Kock
	3		Mr Janek Wilimiec

REMUNERATION OF BOARD MEMBERS

The Board remuneration is determined by National Treasury Regulation (Category Classification C1)

Table 27: Board members not remunerated

Name	Remuneration	Reason for Non-Remuneration
*Ms T Nene-Shezi	Not paid	Government employees are not paid for meeting attendance
Mr M Shezi	Not paid	Mutuals members are not paid as they are doing CF work as per the licence agreement.
Ms B Moroole	Not paid	Mutuals members are not paid as they are doing CF work as per the licence agreement.
Ms N Manyonga	Not paid	Mutuals members are not paid as they are doing CF work as per the licence agreement.
Mr G McIntosh	Not paid	Mutuals members are not paid as they are doing CF work as per the licence agreement.
Dr T Balfour	Not paid	Her organisation is paying her for meeting attendance.
Ms S Leyden	Not paid	Alternate member who has not attended any meetings.
Dr O Mpofu	Not paid	Alternate member who has not attended any meetings.
Dr SC Tshabalala	Not paid	Government employees are not paid for meeting attendance
Dr N Mtshali	Not paid	Government employees are not paid for meeting attendance.
Dr B Kistnasamy	Not paid	Government employees are not paid for meeting attendance
Mr T Szana	Not paid	Government employees are not paid for meeting attendance
Mr A Letshele	Not paid	Mutuals members are not paid as they are doing CF work as per the licence agreement.
Dr Letlape	Not paid	Alternate member who has not attended any meetings.
Ms E Kula Ameyaw	Not paid	Alternate member who has not attended any meetings.
Mr G Manganyi	Not paid	Alternate member who has not attended any meetings.
Dr Zukiswa Pinini	Not paid	Government employees are not paid for meeting attendance.
Ms Valerie Rennie	Not paid	Government employees are not paid for meeting attendance.

Table 28: Board members' remuneration

Name	Remuneration	Other Allowance	Other Re-Imbursements	Total
Mr S Tsiane	R79 308,78	None	None	R79 308,78
Ms J Bodibe	R97 556.01	None	None	R97 556.01
Mr F Xaba	R124 591,51	None	None	R124 591,51
Mr K Cowley	R61 255,96	None	None	R61 255,96
Mr J Wilimiec	R49 182,73	None	None	R48 182,73
Mr S Sibitane	R32 794.51	None	None	R45 039.19
Ms E Burger	R25 292,67	None	None	R25 292,67
Dr R Legoabe	R57 811,8	None	None	R57 811,8
Dr L Moni	R51 570.76	None	None	R51 570.76
Rev. N Madyibi	R16 363.00	None	None	R16 363.00
Ms D Pillai	R14 763.00	None	None	R14 763.00
Mr E Thobejane	R15 918,2	None	None	R15 918,2
Ms N Tsipane	R16 929.00	None	None	R16 929.00
Mr P Serote	R26 538,44	None	None	R26 538,44
Mr Mokgoro	R15 367,32	None	None	R15 367,32
Mr J Mahlangu	R16 117,46	None	None	R16 117,46
Dr H Johannsmeier	R11 072,25	None	None	R11 072,25
TOTAL				**R723 678,08**

RISK MANAGEMENT

Risk Management Policy and Strategy

The Fund has an approved Risk Management Policy and Framework (inclusive of the strategy) in place, which are in line with the applicable prescripts and best practices to ensure relevance and keep abreast with changes in the operating environment. These documents articulate the Fund's risk management philosophy and approach in managing risks.

Risk Appetite Framework

The Fund has a Risk Appetite and Tolerance Framework which defines the nature and extent of risk that the Fund is willing to take in pursuit of its strategic objectives and/or outcomes.

Risk Assessment

The Fund reviewed all its risk registers, continued to monitor both the internal and external environments to identify emerging risks, and updated its risk profile for the year under review.

These resulted in the following principal risks:

- Strategic Risks
- Operational Risks - Transversal
- Operational Risks - Core Business and Actuarial
- Investment Management Risks
- Information & Communication Technology Risks
- Regulatory Compliance and Legal Risks

Governance

The Fund has clear lines of defence and a comprehensive process for providing combined assurance across all the lines of defence to ensure effective management of all major risks facing the entity.

The Director-General (DG) as the Accounting Authority of the Fund, continues to set the tone for sound risk management practices. The Commissioner has also continued to fulfil his risk management responsibilities together with his Executive Committee, through integrating risk management principles and systems across the Fund.

The Risk Committee (RC) has an oversight role on risk management and fulfilled its roles and responsibilities as outlined in its approved Terms of Reference. The Risk Committee continuously provides the DG and the Commissioner with advice on significant and imminent risks and fraud related issues affecting the Fund. The Audit Committee also receives regular risk reports that enable it to provide oversight on the effectiveness of the entire system and process of risk management in the Fund.

Figure.2 below depicts the risk management governance structure for the Fund.

Figure 2: Risk Management governance structure for the Compensation Fund

INTERNAL CONTROL UNIT

The Internal Control sub-directorate is responsible for the following:

- audit coordination,
- reviewing and coordinating responses to audit communication of findings,
- the CF Clean Audit action plan which is linked to audit findings,
- financial misconduct determinations and compliance management.

The Internal Control sub-directorate currently reports to the Chief Financial Officer (CFO), and has not been fully capacitated in the current year as per the approved structure.

Audit Coordination

A request for an information register is in place and implemented to monitor and track all incoming requests for information from the AGSA and the submissions by management.

All outstanding requests for information were followed up with management and submitted to the AGSA. Weekly statistics of the status of Requests for Information (RFI's), versus the submissions were prepared and reported to the Audit Steering Committee. Engagements between Management and the AGSA were facilitated regularly to resolve any disagreements.

Audit Communication of Findings

During the financial year 2021/2022 the audit was postponed; the Fund will be audited in the financial year 2022/23 for both financial years.

Fruitless and Wasteful Expenditure relates to the Fund and does not include any subsidiary.

The Fund had a total of 178 cases in the Fruitless and Wasteful Expenditure register that were accumulated in the prior years. These cases were classified as Fruitless and Wasteful Expenditure at the beginning of the financial year.

The number of cases include a prior period error of 13 cases that was corrected. Cases were recovered in the incorrect period 2021/2022 and corrected in the period 2020/2021 at the amount of R1 828 109.60 and 1 case identified in the 2021/2022 financial year relating to 2020/2021 financial year and were reffered to Anti-Corruption Integrity Management (ACIM) for investigation

One (1) case was reclassified from Irregular Expenditure to Fruitless and Wasteful Expenditure. The restated total number of cases at the beginning of the 2021/2022 financial year is 137 cases.

During the 2021/2022 financial year, 11 additional cases were identified and recorded in the the Fruitless and Wasteful register and 1 case was reported by Anti-Corruption Integrity Management (ACIM).

During the 2021/2022 financial year, 1 case was reclassified from the Fruitless and Wasteful Expenditure register to Irregular Expenditure register. 28 cases were transferred to receivables by the relevant authority.

The derecognition related to a capital amount that does not form part of the fruitless and wasteful expenditure.

A total of 143 cases were assessed as Fruitless and Wasteful Expenditure and under determination/ investigated as at 31 March 2022.

Irregular expenditure relates to the Fund and does not include any subsidiary.

The Fund had a total of 115 cases recorded in the Irregular Expenditure register as at the beginning of the 2021/2022 financial year and were under determination/ investigation as at the end of the financial year.

The number of cases include a 2020/2021 financial year error of 2 case that was corrected. One case was a 2020/2021 year's error identified in the 2021/2022 financial year. One (1) case was reclassified from Fruitless and Wasteful Expenditure to Irregular Expenditure. The restated total number of cases at the beginning of the 2021/2022 financial year is 119 cases.

During the 2021/2022 financial year, no cases were identified and recorded on the Irregular Expenditure register. Three (3) cases were derecognised by the relevant authority.

A total of 116 cases were assessed as Irregular Expenditure and under determination/ investigated as at 31 March 2022.

A total of four (4) Financial Management Advisory Committee (FINMAC) meetings were held during the financial year and 13 cases were presented. Recommendations from FINMAC were implemented and where further information is sought, follow ups were made.

Compliance Management

The Compliance register was developed during the financial year. The register incorporates Public Finance Management Act (PFMA) and Treasury Regulations (TRs). During the financial year the PFMA, Treasury Regulations compliance registers were implemented.

The Compensation for Occupational Injuries and Diseases Act (COIDA) compliance register was still in draft circulated for inputs from CF Management.

INTERNAL AUDIT AND AUDIT COMMITTEES

Internal Audit is established in terms of section 51(1)(ii) of the Public Finance Management Act (PFMA), Act 1 of 1999, as amended, read with the Treasury Regulations 27.1 and 27.2.

The section states that "the Accounting Authority must ensure that the entity has and maintains a system of Internal Audit under the control and direction of the Audit Committee, complying with and operating in accordance with regulations and instructions prescribed in terms of section 76 and 77 of the PFMA.

Key objectives of internal Audit

The Internal Audit unit exists to assist the Compensation Fund to accomplish its established objectives by providing reasonable assurance on whether:

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

Key activities of the internal audit are as follows:

- Development of the Three Year Rolling and Annual Plan and the Operational Plan which is supported by the Commissioner and approved by the Audit Committee;
- Execution of the approved internal audit plan;
- Reporting Quarterly to Management and the Audit Committee;
- Performing secretarial functions to the Audit Committee;
- Reviewing the internal audit and Audit Committee Charters;
- Reviewing the internal audit policies and procedures;
- Monitoring compliance to the procedures, standards and the code of ethics;
- Staff training and development to ensure that the internal audit officials are competent and proficient.

Summary of audit work done:

The details of executed projects are tabulated below with the number of findings and their conclusion regarding risk exposure.

Table 29: Internal Audit Reports, number of findings and conclusion regarding risk exposures

No	Internal Audit Focus Area	Number of Findings	Report Rating	Report Opinion Rating
1.	SAP Debt Collection Management Module – Project Governance and Systems Control Assurance	3	Requires Improvement	Partially Effective
2.	Quarterly Performance Information Report QPR 4	13	Significant	Ineffective
3.	Probity Audit Reviews (Multiple (4) Bids)	13	Significant	Inadequate and Ineffective
4.	COMPEASY Post Implementation Review	19	Significant	Inadequate and Ineffective
5.	COMPEASY Post Data Migration Review	12	Significant	Inadequate and Ineffective
6.	Quarterly Performance Information Report QPR 1	6	Significant	Ineffective
7.	Risk Management Process Review	6	Significant	Partially adequate
8.	Supply Chain Management –Demand and Acquisition	9	Significant	Inadequate and Ineffective
9.	Annual Financial Statements Review -76 errors noted	-	Requires Improvement	Partially Effective
10.	Annual Report Review 2020/2021	3	Requires Improvement	Partially Effective
11.	Quarterly Performance Information Report QPR 2	6	Significant	Ineffective
12.	CF Action Plan Phase 2 (QPR 4)	2	Significant	Partially Adequate and Ineffective
13.	Accounts Payable–COID Payment and Banking Details	15	Significant	Partially adequate and Ineffective
14.	Quarterly Performance Information Report QPR 3	4	Significant	Ineffective
15.	CF Clean Audit Action Plan (Q1 and Q2)	2	Significant	Partially Adequate and Ineffective
16.	Financial Misconduct Process Review	8	Significant	Inadequate and Ineffective
17.	Business Continuity and Disaster Recovery Review	4	Significant	Inadequate and Ineffective
18.	Annual Performance Plan Review-2022-2023 (identified observations were resolved)	-	Requires Improvement	Partially Adequate
19.	Probity Audit–Actuarial Services	2	Requires Improvement	Adequate and Partially Effective
Total number of findings		**127**		

REVIEW OF ANNUAL FINANCIAL STATEMENTS 2021/2022

Table 30: The audit the Annual Financial Statements for 2021/2022 was conducted and finalised with the following the results

Findings/Observations Resolved	29
Findings/Observations Partially Resolved	7
Findings/Observations Not Resolved	7
Total	**43**

Follow-up Audits

Based on follow-ups conducted, the Fund has resolved 50% of Iinternal Audit findings.

Table 31: Follow up Audits

No	Internal Audit Focus Areas	Number of Findings per the original report	Findings Resolved	Not resolved	Report Rating	Report Opinion
	Employer Registration and Assessment	9	3	6	Requires Improvement	Inadequate and Ineffective
	Overtime Performance Audit	17	11	6	Requires Improvement	Ineffective and inefficient
	Incident Management	6	3	3	Requires Improvement	Inadequate and Ineffective
	Legal Services-Garnishee Order	4	1	3	Significant	Inadequate
Total		**36**	**18**	**18**		

Communication of the Overall Opinion

The internal audit opinion for 2021/2022 financial year is summarised below:

Table 32: Communication of opinion

Item	2021.22	2020.21
Number of Audit Reports	24	23
Number of Significant Findings	100	129
Percentage of 1 and 2 Opinion Ratings	67%	48%
Percentage of 3 and 4 Opinion Ratings	33%	52%

Table 33: Communication of opinion

Item	Rating	Colours
Opinion 1 Rating	Critical/Inadequate	
Opinion 2 Rating	Significant/Partially adequate and ineffective	
Opinion 3 Rating	Requires Improvement/Partially adequate	
Opinion 4 Rating	Satisfactory/Adequate and effective	

Key activities and objectives of the Audit Committee

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

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

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

Audit Committee Activities

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

Internal Control

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

Internal Audit

- Review the effectiveness of the internal audit function.
- Review charter, plans, activities, staffing and organisational structure of the internal audit.
- Approve the risk-based three-year rolling plan and annual audit plan.
- Review the capacity building and training strategy with internal audit function.
- Monitor the work of internal audit against the annual audit plan
- Review and evaluate the reports and results of the work undertaken by the internal audit and the implementation of the follow-up action required.
- Ensure that duplication of the efforts is avoided, through an effective partnership/combined assurance between the internal audit and the office of the Auditor-General.
- Review compliance with International Standards for the Professional Practice of Internal Auditing and the Code of Ethics of the Institute of Internal Auditors.

External Audit (Auditor-General)

- Review the effectiveness of the external audit function through the following:
- Review the audit plan of the Auditor-General (AG) and comment on the scope and approach and their co-ordination with internal audit.
- Review any accounting and auditing concerns arising from internal and external audit.
- Make recommendations regarding follow up work, arising out of reports and queries raised by the AG.
- Discuss the extent of the external auditor's proposed audit coverage.
- Discuss concerns about the nature extent and frequency of management's assessment of the accounting and control systems in place to prevent and detect fraud, with external auditors.
- Review the extent of the external auditor's planned reliance on the work of Internal Auditors.

Risk Management

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

Compliance

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

Management Accounts and Annual Financial Statements

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

Reporting

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

Ethics

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

Other Responsibilities

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

Table 34: Audit committee members

Name	Qualifications	Internal or External	If Internal, Position in the Public Entity	Date Appointed	Date Resigned	No of Audit Committee Meetings Attended	No of Other/ Special meeting Meetings Attended*	Remuneration
Mr Mangquku	Hons in Bachelor of Accounting Science, Hons of Commerce, CA, Masters in Business Leadership, Advanced Company Law I &ii	External Member (Audit Committee Chairperson)	N/A	18-May-21	N/A	4	11	R405 870
Ms P Mzizi	Chartered Accountant (South Africa), BCompt Honours (CTA)	External Member	N/A	18-May-21	N/A	3	7	R162 726
Mr Mathabathe	Pot Graduate Diploma Internal Audit CIA, CISA, CISM	External Member	N/A	18-May-21	N/A	4	6	R162 726
Mr C de Kock	MCom IT Auditing, BCom Hons/ ACC, SAIPA, CISA, CIA	External Member (Risk Committee Chairperson)	N/A	07-Aug-20	N/A	4	5	R153 930

COMPLIANCE WITH LAWS AND REGULATIONS

The Compensation Fund is committed to creating a risk aware culture that is in full compliance with all applicable legislation and regulations. The Fund adopted a zero-tolerance policy for non-compliance to Laws and Regulations.

In its endeavour to ensure compliance is embedded into its activities, functions and processes, the Fund adopted the following Compliance Management Process in implementing a compliance programme that is aligned to principles of Generally Accepted Compliance Practice Framework and King IV Code on Corporate Governance best practices:

Figure 3

During the 2021/2022 financial year, the Fund managed the risk of non-compliance through:

- Review and update of its regulatory universe and prioritization of top 10 legislations;
- Review of compliance risk management plans for high risk legislation;
- Control testing of compliance risk management plans with low residual risk rating;
- Continuous monitoring of the regulatory environment for identification of emerging legislation;
- Embedding of compliance culture through awareness and inclusion of compliance as part of management's Performance Agreements; and
- Continuous oversight provided by the Risk Committee, Audit Committee and the Board

FRAUD AND CORRUPTION

The Fund has Anti-Fraud and Corruption Strategy comprising of Prevention, Detection, Investigation and Resolution.

Fraud Prevention

During the year the Fund promoted a zero tolerance to fraud culture by conducting fraud training and awareness to the employees on a quarterly basis. Other preventative measures include the code of ethics that is in place and all employees were obligated to sign the code of ethics pledge at the beginning of the financial year accompanied by their performance agreement.

This is to ensure that employees conduct in executing their work aligns with the Fund's values and defined ethical standards. The Fund also conducted a fraud risk assessment to ensure that fraud risks exposures are managed.

Fraud Detection

The Fund has anonymous fraud hotline which employees and members of the public can use to report suspicions of fraud. The reporting mechanisms in the organisation are guided by the approved fraud response plan.

In the 2021/2022 financial year the data analytics on pensions was conducted with primary focus on checking deceased
employees against the pension payment received after death, ID validation, ghost and false claimants' life status, over/ or under payments and change of banking details. Recommendations on exceptions where communicated to management for implementation.

Investigations

Reported case are investigated internally and cases with criminal element are reported to Law Enforcement Agencies. In the 2021/2022 financial year the Fund finalised 27 cases and 9 criminal cases were opened with South African Police Service (SAPS).

Resolutions

This component does not fall within the mandate of the Anti-Corruption and Integrity Management; however, the directorate provides litigation support by providing reports and supporting evidence, testifying in disciplinary hearings, consultations and guidance on criminal cases and financial recoveries.

MINIMISING CONFLICT OF INTEREST

As required by the department of Public Service and Adminisration, all employees in Supply Chain Management and finance in Salary levels below SR9 are required to submit their annual financial disclosures which include conflict of interest. The disclosure was submitted during the period 01 June to 31 July and a compliance report was extracted to identify any potential conflict of interest for the employees in this category (SCM). Additionally, reminders/ awareness was sent to educate all employess on consequences of non-compliance to employees falling within this category. Even though no conflict of interest was identified for SCM employees during this period, one (1) incident was detected/ identified of an employee who was conducting business with the state. The matter was investigated by the ACIM Directorate and referred to the the DEL head office for further recommendation.

CODE OF CONDUCT

The code of conduct acts as a guideline to employees as to what is expected of them from an ethical point of view, both in their individual conduct and in their relationship with others. Compliance with the Code of Conduct can be expected to enhance professionalism and help to ensure confidence in the Public Service.

The code of conduct states the rules, values and ethical principles of the Compensation Fund. It requires employees to operate in a professional manner that would result in the rendering of effective and sufficient service delivery to the public and communities in general. Commitment in the code of conduct will eliminate corruption as a destructor to service delivery within the Compensation Fund.

The code of conduct serves as a reference point for employees to make better choices on a day-to-day basis. While every possible ethical dilemma an employee might encounter won't be spelled out, the code should lay out the guiding principles by which employees should act and therefore lead the workforce to make the right decisions.

In the Compensation Fund, the code of conduct is signed by all officials at the beginning of the financial year and submitted together with the performance agreement. Employees are expected to adhere to the code when performing their duties.

The primary objectives of the code of conduct are:

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

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

HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

Covid-19 has largely impacted service delivery world wide, the Compensation Fund continued to re-establish itself and adjusting to ensure quality service delivery with full care of employees and clients by strictly adhering to the Covid-19 protocols thus ensuring minimal disturbance to the Business of the CF. Employee health and safety; environmental sustainability; risk management and quality of government products or services are all addressed by the pillar (SHERQ) of Employee Health and Wellness Strategic Framework (2008) that includes external and inherent factors such as risk management, health environment and quality management, such is embedded on the ethos in our practiced care for our employees, visitors and customers.

In response to the Occupational Health and Safety Act No 85 of 1993, Basic Conditions of Employment Act [No. 75 of 1997] and the Employment Equity Act, SHERQ also takes into consideration international Organisation for Standardization (ISO) instruments to promote health and safety, such as OHSAS 45001 which is an Occupational Health and Safety Management System Standards, ISO 9001 for Quality Management System and ISO 14001 for Environmental Management System.

SOCIAL RESPONSIBILITY

The Compensation Fund continues to integrate Economic, Social and Governance (ESG) principles in the investment process in order to promote long-term value of the Fund's investments. The Compensation Fund has invested a total of **R2.9 billion** in Socially Responsible Investments (SRI) covering these areas: finance, agriculture, healthcare, small and medium enterprise, transport and renewable energy. The investments are aimed at generating financial returns for the Compensation Fund's beneficiaries whilst stimulating economic growth through job creation and job preservation as well as to address the economic imbalance of the past by the inclusion of black people in the economic activities in South Africa.

AUDIT COMMITTEE REPORT

The Audit Committee is pleased to present its report for the financial year ended 31 March 2022.

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 51 (1) (a) (ii) of the Public Finance Management Act and Treasury Regulation 27.1. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein.

Effectiveness of Internal Control

In line with the PFMA, Internal Audit provides the Audit Committee and management with assurance that internal controls are appropriate and effective. This is achieved by evaluating internal controls to determine their adequacy, effectiveness and efficiency, and by making recommendations for improvement which management has a responsibility to implement.

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the Fund revealed a number of weaknesses, which were then raised with management.

The Internal Auditors reported numerous deficiencies in the system of internal control in the Fund and based on their reports, the Audit Committee is of the opinion that the internal control system was predominantly inadequate and ineffective in the year under review.

Audit Committee Activities

- We reviewed the quarterly management reports;
- Considered the effectiveness of the risk management process;
- Considered the Internal Audit plans and reports and made recommendations as appropriate;
- Monitored progress with the Internal Audit coverage plans as well as management's follow-up on matters requiring attention;
- Monitored compliance with relevant policies and applicable legislation;
- Considered the effectiveness of the fraud prevention measures;
- Conducted separate informal meetings with management, internal and external auditors;
- Reviewed External Audit plans and reports;
- Considered the effectiveness of management action plans in response to key audit findings raised by Internal and External Auditors;
- Provided guidance to the department on ICT governance issues and alignment to applicable legislations and ICT Governance Frameworks;

Table 35: Below are details about the Audit Committee members

Members Name	Qualifications	Date of Appointment/ Contract End Date	Number of AC Meetings Attended
Mr LM Mangquku (Chairperson)	CA(SA) Master of Business Leadership; Advanced Company Law I&II; Honours Bachelor of Accounting Sciences; Bachelor in Commerce Honours (Accounting)	May, 2021	6
Ms P Mzizi (Member)	CA(SA) BCom Hons in Transport Economics BCom Hons in Accounting (CTA)	May, 2021	4
Mr M Mathabathe (Member)	Post Graduate Diploma in Internal Auditing Advanced Diploma in Accounting Sciences B-Tech Internal Auditing National Diploma Internal Auditing Certified Internal Auditor (CIA) Certified Information Systems Auditor (CISA) Certified Information Security Manager (CISM)	May, 2021	6
Mr C de Kock (Member)	Masters in Computer Auditing BCompt (Hons) Acc. BCom (Acc) CISA, CIA	August, 2020	6
Mr F Xaba (Member)	BA Hons (Industrial Psychology)	June 2018 – Dec 2022	6
Mrs N Madyibi* (Member)	Master of Business Administration Honours Bachelor of Commerce Bachelor of Commerce Diploma in Labour Law (Cum Laude)	December, 2022	-

***Member appointed after year end but before this report was issued.**

Internal Audit

Internal Audit completed 87% (26/30) of the approved 2021/2022 audit plan. Some of the key audit assignments undertaken in the current year include:

- **i** Probity Reviews
- **ii.** COMPEASY Post Implementation Review
- **iii.** COMPEASY Data Migration Review
- **iv.** Quarterly Performance Information Reviews
- **v.** Supply Chain Management – Demand and Acquisition
- **vi.** CF Action Plan Review
- **vii.** Accounts Payable – COID Payment and Banking Details
- **viii.** Business Continuity and Disaster Recovery Review

For the year under review, Internal Audit was not able to review the quarterly financial statements and the annual financial statements of the Fund as management failed to prepare quarterly and annual financial statements on time for review. The Audit Committee raised this as a concern with management.

The following were some of the areas of concern raised with management:

- **i.** Non-compliance with PFMA requirements by failing to submit annual financial statements within the legislated time for the audit;
- **ii.** Non-compliance with relevant Frameworks and Standard Operating Procedures on performance information;
- **iii.** Incorrect and inaccurate reporting resulting in misstatement of overall performance reported;
- **iv.** Failure to upload portfolio of evidence on time resulting in limitations in the verification of reported performance information;
- **v.** Lack of sufficient and reliable information resulting in invalid claims not being detected;
- **vi.** Supply Chain Management Irregularities, e.g. unfair disqualification of bidders and irregular extension of the tender validity period;
- **vii.** Unauthorized system changes by users with unrestricted access;
- **viii.** Lack of segregation of duties in the area responsible for the capturing of banking details;
- **ix.** Unauthorized malicious users gaining access to the Fund's systems resulting in compromised data integrity and processing of fraudulent transactions;
- **x.** Incomplete and incorrectly migrated transactional data from legacy systems into COMPEASY;
- **xi.** Ineffective disaster recovery plan exposing critical business systems.

From follow-up audits conducted, the Fund resolved only 50% of Internal Audit findings.

Based on the review of the work of Internal Audit, the Audit Committee is satisfied that the internal audit activity discharged its functions and responsibilities during the year under review and operated to the best of its ability to effectively address the pertinent risks;

The Audit Committee holds the view that Internal Audit operated objectively and independently throughout the period, however its impact on the Fund's operations remains ineffective as management does not implement most of the recommendations made by Internal Audit.

The Audit Committee recommended:

- For Internal Audit to implement the combined assurance model;
- For management to respond positively to recommendation by Internal Audit;
- For the Fund to consider elevating the profile of the Internal Audit function by placing it appropriately in the structure of the Fund for the function to have the appropriate stature and requisite respect;
- That the Fund invests in additional Internal Audit capacity, especially in specialist areas such as Information Technology and Finance auditors, in order to reduce reliance on consultants.

In-Year Management and Monthly/Quarterly Report

The public entity reported monthly and quarterly to the Treasury as is required by the PFMA however for the year under review, the Fund failed to submit on time its annual financial statements and annual performance information for audit purposes as management sought additional time before being audited again, to address the disclaimer findings which were raised by the Auditor General in the previous period.

Evaluation of Annual Financial Statements

- The Audit Committee discussed the audited annual financial statements to be included in the annual report;
- Considered the Auditor-General's management report and management responses thereto;
- Raised with management whether there were any changes to accounting policies and practices, and considered whether such were consistently and appropriately applied;

- Reviewed the entity's compliance with legal and regulatory provisions;
- Reviewed the information on predetermined objectives to be included in the annual report;
- Reviewed and considered significant adjustments resulting from the audit;
- Demanded quality and timely submission of financial information to the audit committee for oversight purposes during the year, e.g. Interim Financial Statements, but management failed in this regard.

The Audit Committee took note of the measures taken by management to capacitate its Finance team by engaging consultants to assist in addressing the disclaimer findings and to prepare accurate annual financial statements for the audit. The Audit Committee was not satisfied with the service delivery of the consultants and about the manner in which the Fund managed and oversaw the performance of the consultants, and as a result, the Fund may not have derived the full expected value from this engagement for the year under review.

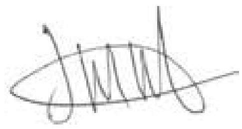
Risk Management

The Fund has a Risk Management Committee headed by an Independent Chairperson. From the Risk Management Committee, the Audit Committee obtains assurance on the overall effectiveness of the system of risk management in the Fund.

Auditor's Report

We have reviewed the entity's implementation plan for audit issues raised in the prior year and are concerned that the internal control weaknesses identified were not adequately nor effectively addressed and root causes were also not sufficiently identified and improved. The Audit Committee is also concerned with the number of disagreements on audit findings by management as this poses a risk that recommendations may not be implemented. In this respect, management has been engaged to reconsider their position and has been tasked to engage the Auditor General post the audit.

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



Luyanda M. Mangquku CA(SA)
Chairperson of the Audit Committee
Compensation Fund

29 September 2023

Table 36: BBBEE compliance information

Has the Public Entity applied any relevant Code of Good Practice? (B-BBEE Certificate Levels 1 – 8) with regards to the following:		
Criteria	**Response Yes / No**	**Discussion** **(*include a discussion on your response and indicatewhat measures have been taken to comply*)**
Determining qualification criteriafor the issuing of licenses, concessions or other authorisations in respect of economic activity in terms of anylaw?	**Yes**	The Compensation Fund has issued licenses to FEM (Federated Employers Mutual Assurance Company (Pty) Ltd) and RMA (Rand Mutual Assurance Limited. The two entities are monitored on the achievement of key performance+ indicators which were pre-defined and agreed upon. The licenses are due to expired in **December 2022.**
Developing and implementing a preferential procurement policy?	**Yes**	Prescripts pertaining to The Preferential Procurement Policy Framework Act and its Regulations, have been implemented and are incorporated in the supply chain management policy which is reviewed and approved from time to time.
Determining qualification criteriafor the sale of state-owned enterprises?	**No**	There are currently no state entities that fall under the Compensation Fund and therefore it is not envisaged that there will a sale of state-owned enterprises.
Developing criteria for entering into partnerships with the private sector?	**Yes**	Where there is a need, the Compensation Fund does enter into Public Private Partnerships when embarking on complex projects in an effort to tap into the skills available in the private sector. For the current financial year under review, CF does not have such projects.

Has the Public Entity applied any relevant Code of Good Practice? (B-BBEE Certificate Levels 1 – 8) with regards to the following:		
Criteria	**Response Yes / No**	**Discussion** ***(include a discussion on your response and indicatewhat measures have been taken to comply)***
Determining criteria for the awarding of incentives, grantsand investment schemes in support of Broad Based Black Economic Empowerment?	**Yes**	Investments through the PIC: - The Compensation Fund invests its surplus funds with the Public Investment Corporation (PIC). According to the investment mandate, one of the investment portfolios is investments in SRI's. These investments are done with the sole purpose of creating employment and advancing the purpose of Broad Based Black Economic Empowerment. The Compensation Fund has resolved to set aside 20% of the investment portfolio assets (listed equities and fixed income) to establish a comprehensive Fund Manager Transformation Strategy ("Strategy") aimed at empowering qualifying black-owned and managed fund management ("BEE") firms. The allocations will be actively managed to consider the Fund's approved strategic asset allocation guidelines. The objective of the Strategy Policy is to promote inclusion of BEE firms to ensure adherence to the Preferential Procurement Regulations 2017, issued in terms of section 5 of the Preferential Procurement Policy Framework Act No. 5 of 2000, herein referred to as the PPPFA and the Broad-Based Black Economic Empowerment (BBBEE) Act No. 53, 2003 and its Codes of Good Practice promulgated during February 2007, as amended. The minimum criteria used to assign BEE status to fund managers is a combination of the stage of the business as well as the transformation status. It should be noted that the PIC criteria will be used in instances where it is stricter than of the Compensation Fund. BEE status: - The BEE status will be assigned to various categories of managers based on the following factors: • Minimum 51% black shareholding; • Lead investment professionals must be owners of the business; • Minimum 51% black representation at board level; • Lead portfolio managers must have at least 7 years' direct product experience as a portfolio manager. Furthermore, firms who meet the following additional criteria will have an added advantage: Large firms: • Minimum 30% black female ownership and/or people with physical disabilities; • Minimum 30% black female representation in management and/ or people with physical disabilities; Developing and incubator firms: • Minimum 15% black female ownership and/or people with physical disabilities; • Minimum 15% black female representation in management and/or people with physical disabilities. The intention of Compensation Fund is to phase in the implementation of the manager strategy over a four-year period (5% per annum). The implementation will initially be on the Compensation Commissioner portfolio followed by the Compensation Pension portfolio at a later stage. Grants awarded to NPO's and CBO's: - The Chief Directorate COID Services conducts monitoring function on all grants awarded to NPO's and CBO's by the Department of Employment and Labour, in an effort to empower these communities-based organisations.

PART D
HUMAN RESOURCE MANAGEMENT

PART D: HUMAN RESOURCE MANAGEMENT

INTRODUCTION

During the year under review, the Human Capital (HC) Directorate achieved significant progress against its strategic objectives. The directorate 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.

Human resource management is a strategic and comprehensive approach to managing people and the workplace culture and environment. Done well, it enables employees to contribute effectively and productively to the overall company direction and the accomplishment of the organization's goals and objectives.

The department members provide the knowledge, necessary tools, training, administrative services, coaching, legal and management advice, and talent management oversight that the rest of the organization needs for successful operation.

Human Capital Priorities and Outcomes

Table 37: Human Resources 2021/2022 outcomes achievement

No.	PRIORITY	PLANNED OUTCOMES FOR THE 2021/2022 FINANCIAL YEAR	ACHIEVEMENT
1.	Workforce planning framework and key strategies to attract and recruit a skilled and capable workforce	9.9% vacancy rate	The vacancy rate of 9.9% was not achieved as at 31 March 2022. Achieved 14.73% (136/923 = 14.73%) was achieved with a variance of 4.73%. **Narration:** As at the beginning of 2021/2022 there we 815 officials, during the FY 114 appointments. 75 employees left the employ, thus a total of 854 employees.
2.	Performance management framework	Management of 95% of online performance agreements	An average of 97% of performance agreements were submitted for officials on salary levels 1-12 and SMS Members.
3.	Human Resource Development	80% of training programmes in the Workplace Skills Plan (WSP) implemented.	• 90% of WSP was achieved. • Induction of new employees took place. • New employees were encouraged to attend Compulsory Induction Programme (CIP).
4.	Employee Health and Wellness, Gender, Disability and Youth Programmes	95% of Employee Health and Wellness, Gender, Disability and Youth Programmes implemented.	• 97% of Employee Health and Wellness, Gender, Disability and Youth Programmes was implemented. • OHS inspections in CF was well managed as per OHS Act 85 of 1993. • Twenty-four articles were shared through various internal platforms on various health topics. • The evacuation drill was conducted in February 2022 to test the workplace emergency procedure and the City of Tshwane Fire Department as well as the Directorate: Internal Audit were requested to observe and their reports will be used to improve where gaps were identified.
5.	Management of misconduct and grievances in CF	Manage 90% misconduct cases Manage 100% grievances Conduct advocacy session on ER prescripts and processes	• 96% was achieved on the management of misconduct cases. • 100% grievances were managed. • Articles were shared through various platforms as well as advocacy session on applying consequence management was done

HUMAN RESOURCES POLICY DEVELOPMENT

The following Departmental HR Policies were reviewed and approved during this reporting period:

- Bursary Policy. Head Office circulated the Policy for inputs, whch were submitted by CF, HRM.
- Disability Policy. Meetings were coordinated by Head Office where inputs were given.
- HIV, STI's and TB Management Policy. Meetings were coordinated by Head Office, where inputs were given.
- Learnership Policy. Head Office circulated the Policy for inputs, whch were submitted by CF, HRM.
- Medical Surveillance Policy. Meetings were coordinated by Head Office where inputs were given.
- Overtime Policy. Head Office circulated the Policy for inputs, whch were submitted by CF, HRM.
- Skills Development Policy. Head Office circulated the Policy for inputs, whch were submitted by CF, HRM.
- Sports and Recreation Policy. Meetings were coordinated by Head Office where inputs were given.
- Substance Abuse Policy. Meetings were coordinated by Head Office where inputs were given.
- Wellness Management Policy. Meetings were coordinated by Head Office where inputs were given.

HIGHLIGHTED ACHIEVEMENTS

During the 2021/2022 financial year the Compensation Fund Human Resources department achieved:

- Training of Provinces on CRM tool and More and above the target of implementation of the WSP, the Client Relationship Management (CRM) Tool and Employer Online Registration was rolled-out to all Provinces.
- Evacuation Drill
- Effective management of Covid-19
- Compliance with HRM Policies, processes and procedures.
- Submission of performance assessment for the 2020/2021 performance management cycle as well as 2021/2022 performance agreements.

EFFECTIVE COMMUNICATION ON HRM PROGRAMMES THROUGH VARIOUS CF PLATFORMS ON THE FOLLOWING ISSUES:

- The DPSA and Departmental circulars on Covid-19.
- DPSA Circulars on employee benefits.
- Gender based violence, youth month, women's month, heritage month messages, International Day for Persons with Disabilities, 16 days of Activism for No Violence Against Women and Children and World Aids Day and International women's month and TB awareness.
- Articles on consequence management.
- Articles on Employee Health and Wellness Programmes, Gender, Disability and Youth.
- Circulars on submission of 2021/2022 performance agreements, 2021/2022 performance assessments and 2020/2021 performance assessments.
- Adverts for 2022 bursary applications.

Challenges faced by the public entity

The lack of an effective retention strategy led to non-achievement of the vacancy rate target of 9.9%.

FUTURE HR PLANS /GOALS

- Implementation of Talent Retention Strategy
- Implementation of Succession Plan

HUMAN RESOURCES OVERSIGHT STATISTICS

In 2021/2022 the Compensation Fund the following financial amounts as disclosed in the annual financial statements as per tables below.

Table 38: Personnel Cost by programme/activity/objective

Programme/ activity/ objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel Expenditure as a % of total expenditure	No of employees	Average personnel cost per employee (R'000)
Programme 1: Administration	10 323 354 000	1 258 710 279	12%	854	1.474
TOTAL	**10 323 354 000**	**1 258 710 279**	**12%**	**854**	**1.474**

Table 39: Table 4.2.2: Personnel costs by salary band as at 31 March 2022

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	R1 696 000	0%	1	R1 696 000
Senior Management	R34 513 000	3%	28	R1 232 607
Professional	R925 565 000	74%	166	R5 575 693
Qualified	R120 224 000	10%	465	R258 546
Skilled		0%	120	R0
Semi-skilled	R169 500 000	13%	26	R6 519 231
Unskilled	R7 212 000	1%	48	R150 250
TOTAL	**R1 258 710 000**	**100%**	**854**	

Table 40: Performance Rewards as at 31 March 2022

Programme/ activity/ objective	Performance rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	0 (Not paid as yet)	0	0
Senior Management	0 (Not paid as yet)	0	0
Professional qualified	134	0	0
Skilled	394	0	0
Semi-skilled	93	0	0
Unskilled	24	0	0
TOTAL	**0**	**0**	**0**

In 2021/2022, departments are not expected to have budgeted for performance bonuses as the incentive framework makes a 0% provision for 2021/2022 performance cycle onwards. The Department of Public Service and Administration (DPSA) will undertake a comprehensive review of all Performance Management and Development Systems for all categories of public service employees.

Table 41: Training cost as at 31 March 2022

Programme / activity / objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Avg training cost per employee
Top Management	R 1 696 000	R 3848.90	23%	1	R 3 848.90
Senior Management	R 34 513 000	R 434 019.24	1%	28	R15 500.69
Professional Qualified	R 925 565 000	R 254 730.65	0%	45	R 5 660.68
Skilled	R 120 224 000	R1 259 768.98	0%	101	R12 472.96
Semi-skilled	R 169 500 000	R 3 159 667.86	1%	414	R 7 632.05
Unskilled	R 7 212 000	R 752 057.90	5%	142	R5 296.18
Total	**R1 258 710 000**	**R 5 864 093,52**	**30%**	**731**	**R50 411.46**

Table 42: Employment and vacancies as at 31 March 2022

Programme/ activity/ objective	2020/2021 No of employees	2021/2022 approved posts	2021/2022 No of employees	2021/2022 Vacancies	% of Vacancies
Programme 1: Administration	533	627	542	85	13.55%
Programme 2: Compensation for Occupational Injuries and Diseases Act (1993) Operations	165	216	184	32	14.81%
Programme 3: Medical Benefits	38	55	38	17	30.90%
Programme 4: Orthotic and Rehabilitation	20	25	23	2	8%
Additional on Permanent Basis	22	0	17	0	0%
Additional on Contractual Basis	12	0	2	0	0%
Developmental Programmes	25	0	48	0	0%
TOTAL	**815**	**923**	**854**	**136**	**14.73% (overall CF vacancy)**

The attraction of the requisite skills in filling the SMS and highly skilled supervision positions has been done through advertising in various platforms, whereby the internal staff had an opportunity to submit their applications. However, the retention became a challenge due to lack of effective retention strategy within the public sector. The filling of some of the vacancies took longer than 6 month given the withdrawal of candidacy by the applicants due to the remuneration packages, of which was the same reasons for those who left the employment.

Employment changes Employment Changes as at 31 March 2022

Table 43: Employment Changes as at 31 March 2022

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management (15 -16)	1	0	0	1
Senior management (13 -14)	27	2	4	25
Professional Qualified (9 -12)	154	20	10	164
Skilled (6 -8)	446	28	23	451
Semi-skilled (4 -5)	103	20	3	120
Unskilled (2 -3)	25	2	1	26
Additional on Permanent Basis	22	0	5	17
Additional on Contractual Basis	12	0	10	2
Developmental Programmes	25	42	19	48
Total	**815**	**114**	**75**	**854**

Table 44: Reasons for staff leaving as at 31 March 2022

Reason	Number	% of total no. of staff leaving
Death	5	8%
Resignation	27	43.5%
Dismissal	6	9.7%
Retirement	1	1.6%
Ill health	0	0%
Expiry of contract	23	37%
Other	0	0%
Total	**62**	**100%**

Most of the staff appointed on permanent basis left the employment due to resignation in order to secure better remuneration offer to improve their standard of living. This was evident in the fact that most of them declined or did not show any interest in the counter offer proposal made to them as the intention was to cash on pension benefits for the betterment of their financial status and standard of living. The employer triggered the recruitment process upon receipt of the notification to exit as an attempt made to replace these staff

Table 45: Labour relations: Misconduct and disciplinary action as at 31 March 2022

Nature of disciplinary Action	Number
Verbal Warning*	0
Written Warning	3
Final Written warning	53
Dismissal	6
Suspension without pay	3
Demotion	0
Counselling	1
Total	**66**

* Within CF the disciplinary framework does not make provision for verbal warnings to be recorded at HR.

Equity Target and Employment Equity Status

Table 46: Equity Target and Employment Equity Status: Males at 31 March 2022

Levels	MALE							
	African		**Coloured**		**Indian**		**White**	
	Current	**Target**	**Current**	**Target**	**Current**	**Target**	**Current**	**Target**
Top Management	100%	82.0%	0.0%	2.0%	0.0%	0.5%	0.0%	0.6%
Senior Management	26.9%	34.4%	0.0%	0.5%	7.7%	5.4%	0.0%	2.4%
Professionalqualified	56.7%	49.3%	1.5%	1.7%	0.0%	0.6%	0.5%	2.4%
Skilled	38.0%	46.7%	0.0%	0.5%	0.0%	0.6%	2.4%	3%
Semi-skilled	36.7%	36.6%	0.8%	1.0%	0.8%	1.1%	0.0%	2.4%
Unskilled	39.3%	44.6%	1.0	2%	1.1%	2%	2.4%	4%
TOTAL	**297.6%**	**293.6**	**3.3%**	**7.7%**	**9.6%**	**10.2%**	**5.3%**	**14.8%**

Table 47: Equity Target and Employment Equity Status: Female at 31 March 2022

Levels	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0.0%	11.6%	0.0%	0.5%	0.0%	0.4%	1.9%	0.0%
Senior Management	53.8%	47.3%	3.8%	2.9%	3.8%	2.8%	4.3%	1%
Professional qualified	40.3%	43.2%	0.0%	0.5%	0.0%	0.5%	0.0%	1.9%
Skilled	57.0%	44.9%	0.5%	1%	0.4%	1%	3.9%	5%
Semi-skilled	53.5%	49.5%	3.7%	3.1%	0.2%	0.4%	3.7%	4.7%
Unskilled	56.6%	48.0%	2.5%	0.5%	0.0%	0.4%	0.0%	0.9%
TOTAL	**261.2**	**244.5%**	**10.5%**	**8.5%**	**4.4%**	**5.5%**	**13.8%**	**13.5%**

Table 48: Employment equity: People with disabilities (Disabled Staff) at 31 March 2022

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	2	0	0	0
Professional qualified	4	0	0	0
Skilled	1	0	1	0
Semi-skilled	2	0	1	0
Unskilled	0	0	0	0
TOTAL	**9**	**0**	**2**	**0**

The CF is based on the overall target of appointment of 2% of PWDs across, as per the Cabinet's Decision. The targets as per EE Plan/profile are categorised according to Race and Gender which makes it not possible to be utilised for the purpose of annual reporting as tabled above. There is variance of 0.85% from the target of 2% (9/778% =1.15%).

PART E

FINANCIAL INFORMATION

Auditor’s report Compensation Fund

Report of the auditor-general to Parliament on the Compensation Fund

Report on the audit of the financial statements

Disclaimer of opinion

1. I was engaged to audit the financial statements of the Compensation Fund set out on pages **80** to **163** which comprise the statement of financial position as at 31 March 2022, 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 the notes to the financial statements, including a summary of significant accounting policies.

2. I do not express an opinion on the financial statements of the public entity. Because ofthe significance of the matters described inthe basis for 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

Revenue from non-exchange transactions and statutory receivables

3. The public entity did not correctly account for revenue from non-exchange transactions in accordance with GRAP 23, Revenue from non-exchange transactions. The public entity incorrectly reversed revenue recognised in the prior year against the current year revenue from non-exchange transactions without verifying the employers who submitted returns on earnings in the current year. Furthermore, the public entity did not raise the revenue estimate for all the employers who met the criteria to be assessed in the current year and no notice of assessments was issued to such employers. Additionally, there were instances where the interest was inaccurately computed due to the erroneous application of interest rates and penalties not charged for the late payment. I was unable to determine the full extent of the understatement of revenue from non-exchange transactions and statutory receivables as it was impracticable to do so. Additionally, there was an impact on the surplus for the period and on the accumulated surplus.

4. I was also unable to obtain sufficient appropriate audit evidence for revenue from non- exchange transactions and statutory receivables for the current and prior year as the public entity had inadequate processes in place to ensure that employers were accurately assessed in terms of the Compensation for Occupational Injuries and Diseases Act of South Africa, 130 of 1993 (COIDA). Management also did not maintain proper accounting records and adequate controls over the assessment of revenue from non-exchange transactions and statutory receivables. I was unable to confirm revenue from non- exchange transactions and statutory receivables by alternative means as the public entity’s records did not permit. Consequently, I was unable to determine whether any adjustments were necessary to the financial statements as follows:

- Revenue from non-exchange transactions stated at R10 754 million (2021:R9 667 million) in note 20 to the financial statements.
- Statutory receivables relating to the followingas disclosed in note 5 to thefinancial statements:
    - Assessments raised of R25 585 million (2021: R21 146 million)
    - Accrual for assessments not raised of (2021: R1 676 million)
    - Allowance for impairment of R20889 million (2021: R20270 million)

5. The limitations indicated above also affected the debt impairment stated at R620 million (2021: R3 098 million) in note 27 to the financial statements.

Receivables from non-exchange transactions

6. I was unable to obtain sufficient appropriate audit evidence for receivables from non- exchange transactions for the current year as management did not maintain adequate records to support the figures disclosed. I was unable to confirm receivables from non- exchange transactions by alternative means as the public entity’s records did not permit. Consequently, I was unable to determine whether any adjustments were necessary to receivables from non-exchange transactions as stated at R326 million in note 4 to the financial statements.

7. The limitations indicated above also affected the debt impairment stated at R258 million in note 27 to the financial statements.

Compensation benefits

8. I was unable to obtain sufficient appropriate audit evidence that benefits had been properly accounted for relating to all claims in the current and prior year. Management did not keep adequate records to substantiate benefits recorded in the financial statements. I was unable to confirm benefits paid by alternative means, as the public entity's records didn ot permit. Consequently, I was unable to determine whether any adjustments were necessary to benefits paid stated at R5 826 million (2021: R5 433 million) in the financial statements as disclosed in note 21.

Provision for outstanding claims

9. I was unable to obtain sufficient appropriate audit evidence for the provision for outstanding claims for both the current and the prior year. Management did not implement adequate internal control systems to maintain proper accounting records and information relating to the movement in the provision for outstanding claims resulting from payments and the measurement of estimates in accordance with GRAP 19, **Provisions, contingent liabilities, and contingent assets.** I was unable to confirm the provision for outstanding claims by alternative means as the public entity's records did not permit. Consequently, I was unable to determine whether any adjustments were necessary to the financial statements as follows:

- Outstanding claims: non-current liabilities of R10 943 million (2021:R13 429 million) in the financial statements as stated in note 18.
- Outstanding claims: current liabilities of R3 605 million (2021: R2 967 million) in the financial statements as stated in note 18.

10. The limitations indicated above also have an impact on the following accounts in the financial statements:

- Actuarial gain of R4 637million and actuarial loss of (2021:R58,7 million) in the financial statements as disclosed in note 21.

- Unwinding of discount of R960,8 million (2021:R101 million) in the financial statements as disclosed in the narrative of note 25.

Capitalised value of pensions

11. I was unable to obtain sufficient appropriate audit evidence for the provision for capitalised value of pensions for both the current and the prior year. Management did not implement adequate internal control systems to maintain proper accounting records and information relating to the movement in the provision for capitalised value of pensions, resulting from payments and the measurement of estimates in accordance with GRAP19, **Provisions, contingent liabilities and contingent assets.** I was unable to confirm the provision for capitalised value of pensions by alternative means as the public entity's records did not permit. Consequently, I was unable to determine whether any adjustments were necessary to the financial statements as follows:

- Capitalised value: non-current liabilities of R24 433 million (2021:R24 545 million) in the financial statements, as stated in note 19.

- Capitalised value:current liabilities of R1 865 million (2021: R1 842 million) in the financial statements, as stated in note 19.

12. The limitations indicated above also have an impact on the following accounts in the financial statements:

- Actuarial gains of R258 million and actuarial losses of (2021: R1 148 million) in the financial statements, as disclosed in note 21.

- Unwinding of discount of R775 million (2021:R1278 million) in the financial statements, as disclosed in the narrative of note 25.

Payables from non-exchange transactions

13. The public entity did not correctly account for the payable from non-exchange transactions in accordance with GRAP 1, **Presentation of financial statements.** This was due to the difference identified between the statements issued to the employers and the amounts recorded in the financial statements. Consequently, I was unable to determine whether any adjustments were necessary to the financial statements as follows: Debtors with credit balances stated at R350 million (2021:R321million) as the disagreements and limitations impacting on revenue fromnon-exchange transactions and statutory receivables will also impact on this balance as disclosed in note 17 to the financial statements.

14. Furthermore, I was unable to obtain sufficient appropriate audit evidence for payables from non-exchange transactions for the current and prior year as management did not maintain adequate records to support the figures disclosed. I was unable to confirm payables from non-exchange transactions by alternative means, as the public entity's records did not permit. Consequently, I was unable to determine whether any adjustments were necessary to payables fromn on-exchange transactions as stated at R1972 million (2021: R1 833 million) in note 17 to the financial statements.

Investments in associates

15. I was unable to obtain sufficient appropriate audit evidence for the investments in associates for the current and prior year, as management did not implement adequate internal control systems to maintain proper accounting records and supporting information. I was unable to confirm investments in associates by alternative means, as the public entity's records did not permit. Consequently, I was unable to determine whether any adjustments were necessary to investments in associates as stated at R1 611 million (2021: R1 680 million) in note 12 to the financial statements.

16. The limitations indicated above also have an impact on the following accounts in the financial statements:

- Share of surpluses from associates of R36 million and share of deficits from associates (2021: R30 million) in the financial statements as disclosed in note 12.

- Impairment loss or reversal of investments on investment in associates at R113 million (2021: R129 million) in note 24 to the financial statements.

Investment in unlisted loans

17. During financial year ended 31March 2021, Iwas unable to obtain sufficient appropriate audit evidence to validate the data used to perform the valuations of unlisted investments for the prior year, also affecting the closing balance forthe current year. Furthermore, the underlying amounts in the valuation reports used to support the figures reported in financial statements were not prepared in line with the reporting framework of the public entity. The public entity's records did not permit the application of alternative audit procedures in this regard. Consequently, I was unable to determine whether any adjustments were necessary to the investment of unlisted loans amounting to R573 million (2021: R590 million) in note 13 to the financial statements.

18. The limitations indicated above also have an impact on the corresponding figure relating to impairment of investments of R114 million (2021: -R77 million) asdisclosed in note 24 to the financial statements. My audit opinion on the financial statements for the period ended 31March 2021 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the impairment of investments.

Investments

19. The public entity did not correctly account for financial instruments carried at amortised cost in accordance with GRAP 104, **Financial instruments**. The public entity reclassified investment in bonds from amortised costs to fair value model, while the instruments are issued, which is in contravention of GRAP 104. **Financial instruments**. Consequently, I was unable to determine the impact on the net carrying amount of investment in bonds of R52995 million (2021:R47445million) for the current and prior years as disclosed in note 6 to the financial statements, asit was impracticable to do so. There was also an impact on the surplus for the period and accumulated surplus.

Prior period adjustments

20. The public entity did not disclose various previous period errors in note 31 to the financial statements, as required by GRAP 3, **Accounting policies, estimates and errors**. Furthermore, for some previous period errors, the nature of the correction for each financial statement item affected and the amount of the correction at the beginning of the earliest previous period were not disclosed.

21. In addition, I was unable to obtain sufficient appropriate audit evidence for the previous period errors disclosed, as the supporting information was not provided. Iwas unable to confirm these disclosures by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the prior period adjustments disclosed in note 31 to the financial statements.

Contingent liabilities

22. Included in contingent liabilities as per note 34 to the financial statements are cases relating to notices of court motions and summons amounting to R662,5 million that do not meet the definition of a contingent liability as per GRAP 19, **Provisions, contingent liabilities, and contingent assets.**The public entity included the cases that have been paid or settled as part of the contingent liabilities. Consequently, contingent liabilities stated as disclosed in note 34 to the financial statements are overstated by R662,5 million.

Contingent assets

23. During 2021, I was unable to obtain sufficient appropriate evidence for contingent assets. I was unable to confirm the expenditure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the corresponding figure of contingent assets, stated at R11,7 billion as disclosed in note 34 to the financial statements. My audit opinion on the financial statements for the period ended 31 March 2021was modified accordingly. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the contingent assets for the current period.

24. Furthermore, the public entity recognised contingent assets in the financial statements that do not meet the recognition criteria as per GRAP 19, **Provision, contingent assets, and liabilities.** The public entity adopted a process of comparing its database to the database of the UIF and CIPC. A total of 12000 and 87 318 employers were found tobe inexistence at the UIF and the CIPC, respectively. This match was used to conclude on the existence of the employees and the employer resulting in a contingent asset. I was unable to confirm contingent assets by alternative means as the public entity's records did not permit. Consequently, I was unable to determine whether any adjustments were necessary to the financial statements in note 34.

Irregular expenditure

25. I was unable to obtain sufficient appropriate audit evidence to confirm whether all irregular expenditure for the current and prior years had been recorded, also affecting the closing balance. I was unable to confirm irregular expenditure by alternative means as the public entity's records did not permit. Consequently, I was unable to determine whether any adjustments were necessary to the irregular expenditure stated at R456 million (2021: R702 million) in note 38 to the financial statements.

Fruitless and wasteful expenditure

26. The public entity did not record all instances of fruitless and wasteful expenditure incurred inthe current and prior year due to duplicate payment made; resulting inthe current and prior year fruitless and wasteful expenditure as disclosed in note 37 to the financial statements being understated. I was unable to determine the full extent of the understatement of fruitless and wasteful expenditure as it was impracticable to do so.

27. Inaddition, I was unable to obtain sufficient appropriate audit evidence to confirm whether all fruitless and wasteful expenditure for the current and prior year had been recorded. I was unable to confirm fruitless and wasteful expenditure by alternative means as the public entity's records did not permit. Consequently, I was unable to determine whether any adjustments were necessary to fruitless and wasteful expenditure, as stated at R629 million (2021: R646 million) in note 37 to the financial statements.

Risk management

28. The public entity did not disclose risk management in accordance with GRAP 104, **Financial instruments.** The public entity did not disclose the asset allocations per class under the credit risk descriptions, and the sensitivity analysis amounts under interest in note 35 to the financial statements were incorrectly accounted for. These discrepancies, as discussed in detail in the risk management note, affect the overall presentation and accuracy of the financial statements. As a result, the risk management components were overstated as follows:

- Market risk—pension portfolio:market values overstated by R172 million per+basis point spread.
- Interest rate risk—bonds pension portfolio :market values overstated by R172 million per +basis point spread.
- Interest rate risk—pension money market portfolio: market values overstated by an average R62 million per basis point spread.
- Interest rate risk — compensation money market portfolio: market values overstatedby an average R77 million per basis point spread.
- Price risk—compensation portfolio price change:overstated by R79 millionper SWIX All share.
- Pricerisk— pension portfolio price change: overstated by R60,3 million per SWIX All share.
- Credit risk: credit risk was overstated by R22 million.

Related parties

29. During 2021, I was unable to obtain sufficient appropriate evidence for related parties, I was unable to confirm the figures by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the corresponding figure of related party note 36. My audit opinion on the financial statements for the period ended 31March 2021was modified accordingly. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the related parties note 36 for the current period.

30. Contrary to the requirements of GRAP 20**, Related partydisclosures,** the public entity did not disclose the department's related party transactions with the public entity. This was because the public entity did not maintain adequate controls to ensure that all related parties'transactions are disclosed. Consequently, the related party note 36 to the financial statements was understated by R370 million.

Statement of changes in net assets

31. The public entity did not account for the statement of changes in net assets in terms of GRAP, **Presentation offinancial statements.** The public entity did not accurately include the net effect of the prior year adjustments in the statements of changes in net assets. Consequently, the closing balance as disclosed on the statements of changes in net assets was overstated by R348 million.

Commitments

32. Commitments were not accounted for in terms of GRAP 19, **Provisions, contingent liabilities** and contingent assets. The public entity disclosed commitments that were "not yet contracted for and authorised by members". Consequently, commitments were overstated by R204 million on note 33 to the financial statements.

Cash flow statement

Net cash flows from operating activities

33. The public entity did not correctly prepare and disclose the net cash flows from operating activitiesas required by GRAP 2 , **Cash flow statements.** This was due to multiple errors in determining cash flows from operating activities current and prior year. I was not able to determine the full extent of the errors in the net cash flows from operating activities as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments were necessary to cash flows from operating activities stated at R2 394 million (2021: R2 229 million) in the financial statements.

Net cash flows from investing activities

34. In 2021, the public entity did not correctly prepare and disclose the net cash flows from investing activities as required by GRAP2,**Cash flows statements.** This was due to multiple errors in determining cash flows from investing activities. I was notable to determine the full extent of the errors in the net cash flows from investing activities as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments were necessary to cash flows from investing activities as stated in 2021: R1572 million in the financial statements.

Statement of comparison of budget and actual amounts

35. The entity did not accurately disclose the approved budget amount and present explanation of the material differences between actual amounts and the budget in the financial statements in accordance with GRAP 24, **Presentation of Budget Information in Financial Statements.** The public entity did not have adequate controls in place for reconciling the statement of comparison of budgets and actual amounts to the underlying records. Consequently, the difference between final budget and actual amounts included under the statement of comparison of budget and actual amounts for the following items were over/understated:

- Administrative contributions by employers was overstated by R32 million.
- Interest received was understated by R32 million.
- Contribution by employers was overstated by R482 million.
- Interest and penalties charged was understated by R271 million.
- Other sudry revenue was overstated by R250 million.

36. The misstatements identified will also have an impact on the explanations of the material differences between the approved budget and actual amounts disclosed.

Other matter

37. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Withdrawal from the audit engagement

38. Due to the limitations imposed on the scope of the audit by management, I have disclaimed my opinion on the financial statements. Had it not been for the legislated requirement to perform the audit of the public entity, I would have withdrawn from the engagement in terms of the International Standards on Auditing (ISAs).

Responsibilities of the accounting authority for the financial statements

39. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of

40. Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and Coida, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

41. 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

42. My responsibility is to conduct an audit of the financial statements in accordance with the International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide abasis for an audit opinion on these financial statements.

43. I am independent of the public entity in accordance with the International Ethics Standards Boardfor Accountants' **International code of ethics for professional accountants (including International Independence Standards) (IESBA code),** as well as the other ethical requirements that relevant to my audit of the financial statements in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

Report on the audit of the annual performance report

Introduction and scope

44. 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 programmes presented in the annual performance report. I was engaged to perform procedures to identify findings but not to gather evidence to express assurance.

45. I was engaged to evaluate the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the public entity's annual performance report forthe year ended 31 March 2022:

Programmes	**Pages in the annual performance report**
Programme 2: COID services	**26-28**
Programme 3: medical benefits	**29-30**

46. 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.

47. The material findings on the usefulness and reliability of the performance information of the selected programmes are as follows:

Programme2—**Coid services**

Percentage of received return of earnings assessed annually.

48. The achievement of 99% was reported against target of 85% in the annual performance report. However, based on the audit evidence some of the actual achievements for the indicator did not relate tothe year under review as reported achievement, while, in other instances I was unable to obtain sufficient appropriate audit evidence. This was due to the lack of accurate and complete records. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable todetermine whether any adjustments were required to the reported achievements.

Percentage of claims received adjudicated within 30 working days

49. I was unable to obtain sufficient appropriate audit evidence for the achievement of 79% reported against a target of 85% inthe annual performance report, as well as thereason for the variance between this planned target and reported achievement in the annual performance report. This was because the public entity does not stamp the claim with the date of receipt. Furthermore, I was unable to confirm that all the claims received that met the criteria to be included were included. I was unable to confirm the reported achievement and reason for variance by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement and the reason for the variance.

Percentage of approved benefits paid within 5 working days.

50. The method of calculation form easuring the planned indicator was not clearly defined and related systems and processes were not adequate to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions. As a result, limitations were placed on the scope of my work, and I was unable to audit the reliability of the achievement of 88% reported against a target 90% in the annual performance report. Consequently, the reported achievement might be more or less than reported and I was not reliable for determining if the target had been achieved. Furthermore, I could not determine whether the reasons for the differences between the reported achievements against the planned targets were correct, as adequate supporting evidence was not provided for auditing. Consequently, I could not confirm the reliability of the reasons for the reported underachievement.

Programme3—**medical benefits**

Percentage of requests for pre-authorisation of specialised medical interventions finalised within 10 working days of receipt.

51. I was unable to obtain sufficient appropriate audit evidence for the achievements of 96% reported against a target of 90%, as per the annual performance plan as well as the reasons for variances between these planned targets and reported achievements inthe annual performance report. This was due to the lack of accurate and complete records. I was unable to confirm the reported achievements and reasons for variances by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements and reasons for variances.

Percentage of accepted medical invoices finalised within 40 working days of receipt.

52. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of 87% reported against a target of 80% in the annual performance report, as well as the reason for the variance between this target and reported achievement in the annual performance report. This was due to the lack of accurate and complete records. I was unable to confirm the reported achievement and reason for variance by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement and the reason for the variance.

Other matter

53. I draw attention to the matter below.

Achievement of planned targets

54. Refer to the annual performance report on pages **14** to **35** for information on the achievement of planned targets forthe year and management's explanations provided for the [under-/over-archivement] of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph(s) [**40** to **50**] of this report.

Report on the audit of compliance with legislation

Introduction and scope

55. 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.

56. The material findings on compliance with specific matters in key legislation areas follows:

Annual financial statements

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

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

Expenditure management

59. Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. As reported in the basis for the disclaimer of opinion, the value disclosed in note 38 of the financial statements does not reflect the full extent of the irregular expenditure incurred. The majority of the irregular expenditure disclosed in the financial statements was caused by not following Treasury Regulations and prescripts on procurement processes.

60. Effective steps were not taken to prevent fruitless and wasteful expenditure, as required by section 51(1)(b)(ii) of the PFMA. As reported in the basis for disclaimer of opinion, the value disclosed in note 37 of the financial statements does not reflect the full extent of the fruitless and wasteful expenditure incurred. The majority of the fruitless and wasteful expenditure disclosed in the financial statements was caused by interest and sheriff costs, duplicate payments to medical service providers and fraudulent claims that the public entity paid.

61. Resources of the Compensation Fund were not utilised economically, as required by section 57(b) of the PFMA. Payments were made for interest incurred on overdue accounts.

62. Prepayments were made before services were received, in contravention of treasury regulation 31.1.2(c).

Revenue management

63. Effective and appropriate steps were not taken to collect allrevenue due, as required by section 51(1)(b)(i) of the PFMA. This was primarily because some employers were not invoiced for assessment raised, and the duplicate payments from the debtors were not recovered.

Consequence management

64. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section51 (1)(e) (iii) of the PFMA. This was due to proper and complete records that were not maintained as evidence to support the investigations into irregular expenditure and some investigations into irregular expenditure were not performed.

65. Disciplinary steps were not taken against some of the officials who had incurred and/or permitted irregular expenditure as required by section 51(1)(e)(iii) of the PFMA.

66. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure as required by section 51(1)(e)(iii) ofthePFMA. This was due to proper and complete records that were not maintained as evidence to support the investigations into fruitless and wasteful expenditure and some investigations into fruitless and wasteful expenditure were not performed.

67. Disciplinary steps were not taken against some of the officials who had incurred and/or permitted fruitless and wasteful expenditure, as required by section 51(1)(e)(iii) of the PFMA.

Internal control deficiencies

68. 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 for the disclaimer of opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

69. The public entity's audit action plan has proven ineffective as the implemented actions have fallen short in rectifying material misstatements and internal control deficiencies from the previous year. This ineffectiveness has led to there currence of numerous previously reported issues.

70. The public entity's approach to implementing preventive and detective controls has proven insufficient in ensuring the reliability of both financial and performance reporting. The consequences of this deficiency are notably evident in the discovery of material misstatements within the financial statements and performance reports.

71. The public entity did not ensure that the financial statements and annual performance report were properly reviewed and supported by complete and accurate supporting documents, leading to the identification of several significant errors during the audit.

72. A significant gap in the public entity's operations is the absence of a robust records management system. This deficiency hinders the maintenance of crucial information and records required to substantiate revenue management, expenditure management, as well as financial and performance reporting. Consequently, unnecessary delays in completing the audit have arisen.

73. The public entity's commitment to compliance with relevant laws and regulations came underscrutinydue to the lack of effective controls for reviewing and monitoring adherence. This deficiency underscores a gap in the entity's efforts to uphold legal and regulatory standards.

74. Achieving the effectiveness of the audit committee hinges around the establishing accountability measures for management to diligently implement the recommendations put forth by both the audit committee and internal audit. Management's recurrent delays or omissions in providing required information have rendered these oversight mechanisms ineffective.

Material irregularities

75. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to reporton material irregularities identified during the audit and on the status of the material irregularities reported in the previous year's auditor's report.

Status of previously reported material irregularities

Overpayment to a medical service provider (MSP) not recovered.

76. The public entity did not comply with section51(1)(a)(i) of the PFMA, which states that an accounting authority for a public entity must ensure that the public entity has and maintains effective, efficient, and transparent systems of financial and risk management and internal control. In the 2016-17 financial year, the public entity commissioned an investigation into alleged fraudulent claims and invalid medical service providers. The investigation identified a valid medical service provider within a hospital group that was overpaid R13 million for invoices received from this medical service provider during the period 1 August 2014 to 17 April 2017.

77. The accounting authority was notified of the material irregularity on 20 July 2021 and invited to make a written submission on the actions taken or to be taken to address the matter.

78. The accounting authority recovered the financial loss from the MSP by 31 March 2022 and effective controls were established to prevent overpayment to the MSP by implementing new systems for handling claims including the medical invoices. Disciplinary processes could not be metered out as the implicated officials responsible for the over payment were no longer in employment of the public entity. The material regularity has been resolved.

Interest on late payment of the medical invoices

79. The public entity did not comply with section 51(1)(a)(i) of the PFMA, which states that an accounting authority of a public entity must ensure that the public entity has and maintains effective, efficient, and transparent systems of financial and risk management and internal control. The public entity entered into an agreement with a third party in 2009, which was made an order of the court on 31 July of 2009, as the public entity was unable to pay medical invoices on time.

80. The court order stipulated that the public entity must pay the invoices within 75 days of acceptance of a claim, or where this occurs after acceptance of the claim, the date of submission of such accounts. Subsequent to the above order of the court, the public entity failed to make payments of the medical invoices within the 75 days. Consequently, the third party instituted further legal action against the public entity in an attempt to obtain settlement of its medial invoices.

81. The public entity was granted 20 days by the court to reconcile and make payments before the matter could be heard incourt. The public entity did not reconcile and pay the medical invoices withinthe stipulated time frame; consequently, the public entity incurred additional costs in the form of interest on late payments of the medical invoices. The public entity paid the interest on late payment of the medical invoices during the 2019-20 and 2020-21 financial years.

82. The non-compliance resulted in a material financial loss of R14 million and is likely to result in further material financial losses for the Compensation Fund if the medical invoices are not processed within the stipulated timeframe.

83. The accounting authority was notified of the material irregularity on 10 September 2021 and invited to make a written submission on the actions taken or to be taken to address the matter.

84. After receiving the notification, the public entity petitioned the high court to adjudicate the 2009 agreement, resulting in a favourable ruling for the Compensation Fund. The case was subsequently appealed, but the Supreme Court also ruled in favour of the public entity.

85. The accounting authority pursued the matter through the Office of the State Attorney, in order to recover the interest that incorrectly charged. The matter is currently with the courts. The accounting officer continues to follow up on the status of the case with the Office of the State Attorney.

86. I will follow up on the implementation of the planned actions during my next audit.

Other reports

87. In addition to the investigations relating to material irregularities,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.

Investigations

88. The public entity appointed a panel of investigators in relationto fraudulent claims and financial misconduct. The public entity is actively conducting several investigations in to suspected cases of fraud and corruption, some of which remained unresolved as of the year-end.

Auditor General

Pretoria

06 October 2023

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Compensation Fund

Index

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

Abbreviations used:

AFS	Annual Financial Statements
ASB	Accounting Standards Board
COID	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
ICT	Information and Communications Technology
PFMA	Public Finance Management Act (Act No. 1 of 1999)
PIC	Public Investment Corporation
SARS	South African Revenue Service
The Fund	Compensation Fund

Accounting Authority's Report

The Accounting Authority is required by the PFMA, to maintain adequate accounting records and is responsible for the content and integrity of the AFS and related financial information included in this report. It is the responsibility of the Accounting Authority to ensure that the AFS fairly present the state of affairs of the Fund as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the AFS and were given unrestricted access to all financial records and related data.

The AFS have been prepared in accordance with GRAP including any interpretations, guidelines and directives issued by the ASB.

The AFS are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Accounting Authority acknowledges the ultimate responsibility for the system of internal financial control established by the Fund and place considerable importance on maintaining a strong control environment. To enable the Accounting Authority to meet these responsibilities, the Accounting Authority sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Fund and all employees are required to maintain the highest ethical standards in ensuring the Fund's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Fund is on identifying, assessing, managing and monitoring all known forms of risk across the Fund. While operating risk cannot be fully eliminated, the Fund endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Authority is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the AFS. However, any system of internal financial control can provide only reasonable and not absolute assurance against material misstatement or deficit.

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

The AFS set out on pages 4 to 8, which have been prepared on the going concern basis, were approved by the Accounting Authority on 31 May 2023. However, these financial statements are issued later than the legislated date of 31 May 2022. This was due to Accounting Authority's consideration of the need to extract critical accounting records that limited fair presentation in the past years and ensuring that the integrity of the AFS and related information is upheld in line with the PFMA.

Dr Alec Moemi
Acting Director-General

Compensation Fund

Statement of Financial Position as at 31 March 2022

	Note(s)	2022 R '000	2021 Restated* R '000
Assets			
Current Assets			
Operating lease asset	2	279	205
Prepayments	3	45,621	75,113
Receivables from non-exchange transactions	4	326,477	327,869
Statutory receivables	5	4,728,644	2,579,514
Investments	6	14,329,155	14,014,979
Receivables from exchange transactions	7	167,299	103,172
Cash and cash equivalents	8	1,073,546	2,309,226
		20,671,021	**19,410,078**
Non-Current Assets			
Investments	6	76,521,807	64,219,812
Investment property	9	53,262	42,255
Property, plant and equipment	10	72,521	77,383
Intangible assets	11	82,566	91,632
Investments in associates	12	1,611,458	1,679,867
Investments in unlisted loans	13	573,055	590,384
		78,914,669	**66,701,333**
Total Assets		**99,585,690**	**86,111,411**
Liabilities			
Current Liabilities			
Finance lease obligation	14	2,195	2,141
Payables from exchange transactions	15	445,408	314,784
Accruals	16	148,683	139,413
Payable from non-exchange transactions	17	1,971,572	1,832,884
Provisions for outstanding claims	18	3,605,546	2,967,803
Capitalised value of pensions	19	1,865,075	1,841,699
		8,038,479	**7,098,724**
Non-Current Liabilities			
Finance lease obligation	14	771	2,966
Provisions for outstanding claims	18	10,943,063	13,429,641
Capitalised value of pensions	19	24,433,033	24,545,944
		35,376,867	**37,978,551**
Total Liabilities		**43,415,346**	**45,077,275**
Net Assets		**56,170,344**	**41,034,136**
Accumulated surplus		56,170,344	41,034,136
Total Net Assets		**56,170,344**	**41,034,136**

Compensation Fund

Statement of Financial Performance

		2022 R '000	2021 Restated* R '000
Revenue			
Revenue from exchange transactions	20	6,267,565	4,787,107
Revenue from non-exchange transactions	20	10,754,179	9,666,864
Total revenue		**17,021,744**	**14,453,971**
Expenditure			
Compensation benefits	21	(5,826,320)	(5,433,349)
Employee related costs	22	(1,258,710)	(1,055,215)
Depreciation and amortisation	23	(32,340)	(29,469)
Impairment of investments	24	(227,051)	(51,269)
Finance costs	25	(1,738,206)	(1,410,001)
Operating lease rentals	26	(80,086)	(69,166)
Impairment of receivables	27	(365,290)	(2,834,023)
General Expenses	28	(794,596)	(604,088)
Total operating expenditure		**(10,322,599)**	**(11,486,580)**
Operating surplus		**6,699,145**	**2,967,391**
Loss on disposal of assets		(817)	(4,551)
Fair value adjustments	29	2,109,815	9,462,335
Actuarial gains/losses	21	4,896,613	(1,206,324)
Share of surpluses or deficits from associates	12	36,867	(23,313)
Profit or loss on sale of investments	6	892,872	340,367
Loss on sale on investments in associates	12	-	(13,757)
Surplus for the year		**14,634,495**	**11,522,148**

Compensation Fund

Statement of Changes in Net Assets

	Accumulated surplus / deficit R '000	Total net assets R '000
Opening balance as previously reported	29,415,641	29,415,641
Correction of errors	96,347	96,347
Balance at 01 April 2020 as restated*	**29,511,988**	**29,511,988**
Net income (losses) recognised directly in net assets	-	-
Surplus for the year	11,522,148	11,522,148
Restated* balance at 01 April 2021	**41,034,136**	**41,034,136**
Changes in net assets		
Correction of errors	501,713	501,713
Surplus for the year	14,634,495	14,634,495
Balance at 31 March 2022	**56,170,344**	**56,170,344**

Compensation Fund

Cash Flow Statement

	Note(s)	2022 R '000	2021 Restated* R '000
Cash flows from operating activities			
Receipts			
Receipts from operations		9,061,898	7,821,864
Interest income		107,458	128,784
Other receipts and refunds		54,541	16,792
		9,223,897	7,967,440
Payments			
Payment to employees and suppliers		(2,096,049)	(1,727,841)
Finance costs and interest paid		(2,110)	(31,297)
Benefits paid		(4,731,837)	(3,979,179)
		(6,829,996)	(5,738,317)
Net cash flows from operating activities	30	**2,393,901**	**2,229,123**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(301)	(33,614)
Proceeds from sale of property, plant and equipment	10	99	387
Purchase of intangible assets	11	(1,009)	(9,974)
Purchase of investment property	9	(7,839)	(1,351)
Purchase of investments		(31,978,825)	(22,287,212)
Maturity and sale of investments		23,887,152	16,920,641
Interest received on investments		3,634,327	3,484,585
Dividends received		877,467	506,231
Unlisted loans		(33,335)	105,842
Investment in Associates		(7,746)	(266,237)
Sale of investment in associates		2,900	8,438
Net cash flows from investing activities		**(3,627,110)**	**(1,572,264)**
Cash flows from financing activities			
Finance lease payments		(2,471)	(2,069)
Net increase/(decrease) in cash and cash equivalents		**(1,235,680)**	**654,790**
Cash and cash equivalents at the beginning of the year		2,309,226	1,654,436
Cash and cash equivalents at the end of the year	8	**1,073,546**	**2,309,226**

Compensation Fund

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved Budget R '000	Actual amounts on comparable basis R '000	Difference between final budget and actual R '000	Reference
Statement of Financial Performance				
Revenue				
Revenue from exchange transactions				
Administrative contributions by employers (S88)	**6,741**	50,306	**43,565**	2
Interest received	**4,147,564**	5,196,071	**1,048,507**	3
Rental of facilities and equipment	**1,445**	1,753	**308**	
Interest received on bank accounts	**164,340**	107,458	**(56,882)**	3
Dividend income	**481,791**	877,467	**395,676**	4
Other income	**-**	34,510	**34,510**	
Total revenue from exchange transactions	**4,801,881**	**6,267,565**	**1,465,684**	
Revenue from non-exchange transactions				
Contributions by employers	**9,826,027**	9,900,174	**74,147**	5
Penalties and Interest charged	**250,911**	1,033,283	**782,372**	6
Other revenue	**35,602**	(179,278)	**(214,880)**	7
Total revenue from non-exchange transactions	**10,112,540**	**10,754,179**	**641,639**	
Total revenue	**14,914,421**	**17,021,744**	**2,107,323**	
Expenditure				
Employee costs	**(956,289)**	(1,258,710)	**(302,421)**	8
Benefits	**(6,079,800)**	(5,826,320)	**253,480**	9
Depreciation and amortisation	**(61,800)**	(32,340)	**29,460**	10
Impairment of investments	**-**	(227,051)	**(227,051)**	11
Finance costs	**(3,653,252)**	(1,738,207)	**1,915,045**	12
Operating lease rentals	**-**	(80,086)	**(80,086)**	13
Impairment losses	**(1,950,000)**	(365,290)	**1,584,710**	14
General expenses	**(1,040,106)**	(794,596)	**245,510**	15
Capital expenditure	**(40,170)**	-	**40,170**	16
Total expenditure	**(13,781,417)**	**(10,322,600)**	**3,458,817**	
Operating surplus	**1,133,004**	**6,699,144**	**5,566,140**	
(Loss)/gain on disposal of assets	**-**	(817)	**(817)**	
loss on sale on investments in associates	**-**	892,872	**892,872**	17
Fair value adjustments	**2,161,638**	2,109,816	**(51,822)**	18
Actuarial losses	**2,296,686**	4,896,613	**2,599,927**	19
Share of surpluses or deficits from associates	**-**	36,867	**36,867**	
	4,458,324	**7,935,351**	**3,477,027**	
Surplus	**5,591,328**	**14,634,495**	**9,043,167**	
Deficit for the year	**5,591,328**	**14,634,495**	**9,043,167**	

Budget explanations:

1. Notes on basis of comparison

The annual budget figures have been prepared in accordance with the GRAP standards and are consistent with the accounting policies adopted by the Fund for the preparation of these financial statements. Explanatory notes are provided below giving motivations for over or under spending on line items where it is found to be material.The annual budget figures included in the financial statements are for the Fund and do not include information relating to the subsidiaries or associates.

These figures were approved by the Minister of Labour on 21 December 2020 and there were no adjustments to the budget. In general, a variance of 5% or more is considered material, other circumstances are taken into account in determining whether a variance is material and could therefore influence the decisions of the users of the financial statements.

Revenue from exchange transactions

2. Under budgeting was due to the increase number of cases and number of administration cost for exempted employer.

3. Under budgeting was in relation to increase in interest rates and dividends declared atrributed to market recovery after COVID 19.

4. The increase is due to shares out performing the market, meaning that the companies we invested in is performing well and cash flows are improving.

Revenue from non-exchange transactions

5. CF issued Government Gazette to remind employers to submit the outstanding Return of Earnings and using other media platforms to promote compliance leading to increased employee contributions.

6. Under budget is due to increase in non compliance due to impact of Covid 19 leading to more fines and penalties charged to employees.

7. Other income

Under budgeting is as a result of provision for Actuarial valuation that will be done when the period closes.

8. Employee related costs

Under Budgeting is due to the outcome emanating from the adjustment from DPSA and pay progression received.

9. Benefits

The over budget is due consideration of increases on medical cost as a results of Covid-19.

10. Depreciation and amortisation

Over budget was due to the finalisation on development of S4i Hana system, that is regarded as an Intangible assets still under development. This system has not been brought into use by CF and therefore amortization has not yet commenced.

11. Impairment of investments

Under Budget is due to Covid 19 pandemic, some of the entities under unlisted investment performed poorly thus resulted into impairment.

12. Finance costs

Over budget was as a result of reduced valuation on Medical cost by actuarial process.

13. Operating lease rentals

Over budgeting was due to anticipated rental escalation and planned acquisition of office building in the province.

14. Impairment of debtors

Over budgeting , Due to Impacts of Covid 19 There was a slight increase in the balance of debtors.

15. General expenses

Over budget was due to the following:

The Travel Agency Fees are set as per the Contract in place with the Service provider.
Introduction of the RT 15 Contract which incorporated the four particpating providers; we had Influx of new cell orders and upgrades from provinces and in CF Head office. The prices of devices also increased.

The Cleaning contract is in place and the amount is as per the contractual agreement. A new cleaning company was appointed Appointment of the new cleaning service provider took place in October 2022 with a slightly higher contracted price than the previous service provider.

The re-opening of the economy after Covid 19 saw a slow to considerable and then a rapid rise in Air Travel in the Fund, accomodation and car rental requests. Training, Conferences, meetings, Inspections, audit preparations engagements etc. was taking place in the Fund.

The re-opening of the economy after Covid 19 saw a slow to considerable and then a rapid rise in Air Travel in the Fund, accomodation and car rental requests. Training, Conferences, meetings, Inspections, audit preparations engagements etc. was taking place in the Fund. More events , conferences and bookings took place in the 2022 / 2023 financial year up to 30 September 2027.

Information Technology Projects such as Gartner Membership , Data migration , Managed Information Security Service were not implemented and were put on hold due to the National lockdown that arose as a result of the Covid-19 pandemic.

16. Capital Expenditure

The underspending of the budget is due to the negative impact of the COVID-19 restrictions that negatively affected and delayed the SCM processes.

17. Loss on disposal of assets

Loss was more that expected due to unfavourable market conditions.

18. Fair value adjustments

The increase in the repo rate lead to the decrease in the fair value of our listed bonds and loans which can be attributed to the impact of Covid 19.

19. Actuarial gains / (losses)

Actuarial losses are more than budgeted due to the effect of change in estimates and expense on year?end actuarial valuation.

1. Presentation of Financial Statements

The Compensation Fund (herein referred to as “the Fund”) was established in terms of section 15 (1) of the Compensation for Occupational Injuries and Diseases Act, Act No. 130 of 1993, herein referred to as the Act, as amended and is listed as a schedule 3A public entity in terms of the Public Finance Management Act (Act 1 of 1999), herein referred to as the PFMA.

Section 55(1)(b) of the PFMA requires the Fund to prepare its financial statements in accordance with the Standards of Generally Recognised Accounting Practice (GRAP).

The AFS have been prepared in accordance with the Standards of GRAP, issued by the ASB according to Section 55(1)(b)(c) of the Public Finance Management Act (Act 1 of 1999).

The financial statements are presented in South African Rand, which is the functional currency of the Fund and the amounts presented herein are rounded to the nearest thousand except for those in the narrative information which are either presented as absolute numbers or in written text.

The accounting policies contained herein are in compliance with the applicable and relevant GRAP standards and legislation. In the absence of a Standard of GRAP that specifically applies to a transaction, event or condition, management uses judgment in developing and applying accounting policies with reference to and in consideration of the applicability of the following sources, in descending order:

a) the requirements in Standards of GRAP or Interpretations of Standards of GRAP dealing with similar and related issues; and
b) the definitions, recognition criteria and measurement concepts for assets, liabilities, revenue and expenses set out in the Framework for the Preparation and Presentation of Financial Statements.
c) the most recent pronouncements of other standard-setting bodies and accepted public or private sector practices to the extent that they do not conflict with (a) and (b) above, in the following sequence:
   (i) the International Public Sector Accounting Standards Board (IPSAS), including the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities,
   (ii) the International Accounting Standards Board (IASB®), including the Conceptual Framework for Financial Reporting,
   (iii) Pronunciations by the International Financial Reporting Standards (IFRS®) Interpretations Committee or the former Standing Interpretations Committee of the IASB, and
   (iv) the Financial Reporting Standards Council.

Assets, liabilities, revenue and expenditure are not offset, except where offsetting is required or permitted by a GRAP standard. Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.1 Basis of Presentation

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP. The principal accounting policies, applied in the preparation of the AFS, are set out below.

The principal accounting policies applied in the preparation of these AFS are set out below. These accounting policies are consistent with those applied in the preparation of the prior year AFS, unless specified otherwise.

1.2 Going concern assumption

These AFS have been prepared based on the expectation that the Fund will continue to operate as a going concern and meet its statutory obligations for the foreseeable future. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The outcome of the assessment of this assumption is disclosed in the notes to these annual financial statements.

1.3 Comparative information

Comparative information in respect of the previous reporting period is presented for all amounts reported in the annual financial statements, both on the face of the components of annual financial statements and the notes thereto.

When the recognition, measurement, classification or presentation of elements of financial statements resulting from either a change in accounting policy or correction of prior period errors in the current year, adjustments are made retrospectively as far as practicable, and previous year comparative amounts are restated accordingly unless a GRAP standard or transitional provisions thereof allows a prospective application.

Budgeted amounts have been included in the Statement of Comparison of Budget and Actual Amounts for the current financial year only.

1.4 Key sources of estimation uncertainty, significant judgments and assumptions

In preparing the financial statements, management is required to make judgments, estimates and assumptions that affect the amounts presented in these financial statements and related disclosures. Use of available information and the application of judgemental is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements.

Significant judgments include:

1.4.1 Provision for outstanding claims

Benefits expenditure comprise the total estimated cost of claims using actuarial estimates that include long term trend of previous annual claim payments. Inflation is also made to project the likely incidence of future claim payments.

1.4.2 Capitalised value of pensions

Annually, the Fund, through its actuaries determines the technical liability reflecting monies that should be kept aside for a lifetime in respect of all existing pensioners, including their beneficiaries (spouses and children) in order to ensure that there will be adequate reserves invested with the Public Investment Corporation (PIC) for their remaining natural lives.

1.4.3 Liability adequacy test in respect of claims benefits

The adequacy of the accumulated surplus (also referred to as the Reserve Account) against the Minimum Reserve Fund (MRF) at year-end as per actuarial valuation. To the extent that the Reserve Fund is believed to be inadequate/excessive relative to the MRF, the Fund re-assesses and adopts or reviews assessment tariffs, benefit levels, strategic investments and investment philosophy.

1.4.4 Impairments tests and provision for impairment of assets

In determining whether impairment losses should be recognised at each reporting date, the Fund makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows or economic benefits as well as the discount rates used where applicable. The actual cash flows may be different to those estimated during the assessment.

1.4.5 Accrued revenue: assessments not raised

In instances where not all employer assessments are finalised in a reporting period and employer's Return of earnings (ROEs) remains open, a process to verify the existence of the employer with third party sources is conducted. For positive verification, an estimate due from the respective employers is made. The estimate is based on the most recent actual assessments made in the previous two years with the third year being used as a base. For negative verification, the employers are considered to be disclosed as a contingent asset as described in the accounting policy of a contingent asset.

1.4.6 Accrual for leave, service and performance bonus

Short-term employee benefits incurred and not paid at the reporting period as well as termination benefits for current employees are subject to estimates and assumptions.

1.4 Key sources of estimation uncertainty, significant judgments and assumptions (continued)

1.4.7 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 Fund 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.

Management uses the higher of the fair value less cost to sell and value in use to determine the recoverable amount of assets with an indefinite useful life and identifying assets that may have been impaired. Where there is no active market to calculate the fair value less cost to sell, the recoverable amount is based on the value in use.

These calculations require the use of estimates and assumptions. The Fund 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.

The Accounting Policies on Impairment of Cash and Non-cash generating assets as well as Inventory describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the Fund.

Significant estimates and judgments are made relating to the impairment of Property, Plant and Equipment, Intangible Assets and the write down of Inventories to the lowest of Cost and Current Replacement Cost. In making the above-mentioned estimates and judgemental, management considers the subsequent measurement criteria and indicators of potential impairment losses asset out in GRAP 21: Impairment of Non-Cash-generating Asset.

1.4.8 Useful lives, residual values and depreciation or amortisation rates of property, plant and equipment and intangible assets

The useful lives and residual values of assets are based on estimates made by management taking into account the composition, condition and nature of the assets, their susceptibility and adaptability to changes in technology and processes, the nature of the processes and environment in which the assets are deployed, availability of funding to replace the assets and changes in the market in relation to the respective assets, as well as planned repairs and maintenance including refurbishments.

The ability of intangible assets to generate sufficient future economic benefits or service potential to recover its carrying amount is usually subject to greater uncertainty before the asset is available for use than after it is available for use.

1.4.9 Valuation of Land and buildings and fair value estimations of Investment Property

judgment and assumptions are applied in determining fair values of land, buildings and investment property reference to market data and assumptions to adjust such data to the specific nature, location and condition of the property.

1.4.10 Joint arrangements

Judgment is made when assessing whether a joint arrangement is a joint operation or a joint venture.

1.4.11 Provisions and contingent liabilities

Management judgment is required when recognising and measuring provisions, and when measuring contingent liabilities.

1.4 Key sources of estimation uncertainty, significant judgments and assumptions (continued)

1.4.12 Changes in accounting policies, changes in accounting estimates and prior period errors

Changes in accounting policies

The Fund changes an accounting policy if the change is required by a Standard of GRAP or results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the Fund's financial position, financial performance or cash flows.

The Fund accounts for a change in accounting policy resulting from the initial application of a Standard of GRAP in accordance with the specific transitional provisions, if any, in that Standard, in the absence of which applies the change retrospectively.

When a change in accounting policy is applied retrospectively in the Fund adjusts the opening balance of each affected component of net assets for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the change.

When it is impracticable to determine the period-specific effects of changing an accounting policy on comparative information for one or more prior periods presented, the Fund applies the new accounting policy to the carrying amounts of assets and liabilities as at the beginning of the earliest period for which retrospective application is practicable, which may be the current period, and makes a corresponding adjustment to the opening balance of each affected component of net assets for that period.

When it is impracticable to determine the cumulative effect, at the beginning of a reporting period of applying a new accounting policy to all prior periods, the Fund adjusts the comparative information to apply the new accounting policy prospectively from the earliest reporting date practicable.

Prior period errors

Prior period errors are omissions from, and misstatements in, the Fund's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- (a) was available when financial statements for those periods were authorised for issue; and
- (b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

The Fund corrects material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery by:

- (a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.

A prior period error is corrected by retrospective restatement except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error.

Retrospective restatement is correcting the recognition, measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred.

When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the Fund restates the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable (which may be the current period).

When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the Fund restates the comparative information to correct the error prospectively from the earliest date practicable.

Changes in accounting estimates

A change in accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities.

Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors.

1.4 Key sources of estimation uncertainty, significant judgments and assumptions (continued)

The effect of a change in an accounting estimate, other than those give rise to changes in assets and liabilities or relate to an item of net assets are recognised prospectively by including it in surplus or deficit in:

(a) the period of the change, if the change affects that period only; or
(b) the period of the change and future periods, if the change affects both.

The effect of a change in an accounting estimate that gives rise to changes in assets and liabilities, or relates to an item of net assets, is recognised by adjusting the carrying amount of the related asset, liability or item of net assets in the period of the change.

1.5 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Leases are classified as a finance leases or operating leases at inception of the lease and the classification is not changed, unless both parties agree to change the provisions of the initial lease (other than by renewing it) and these changes would have resulted in a different classification of the lease at its inception

The Fund conveys the right to use of assets it controls to other entities (lessees) as a lessor under operating leases and has also acquired rights of use of assets controlled by other entities (lessors) as a lessee under operating leases.

1.5.1. Finance lease - lessee

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

At the commencement of the lease term assets acquired under finance leases are recognised as assets and the associated lease obligations as liabilities in the statement of financial position. A finance lease is regarded as a financial instrument

Assets and liabilities under finance leases are initially recognised at amounts equal to the fair value of the leased property or if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease if that rate is practicable to determine. If the rate implicit in the lease is not practicable to determine the Fund uses its incremental borrowing rate. Any initial direct costs are added to the amount recognised as an asset.

Subsequent to initial measurement, minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability recognised and initially measured. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

A finance lease gives rise to a depreciation expense for depreciable assets as well as finance costs for each accounting period. Depreciation recognised is calculated in accordance with the accounting policy on Property plant and equipment for that class of assets. If there is no reasonable certainty that the Fund will obtain ownership of the leased asset by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

1.5.2. Operating leases - lessor

Lease revenue from operating leases is recognised as revenue in the statement of financial performance on a straight-line basis over the lease term and an asset is recognised when the straight-lined revenue amounts exceed the actual amounts received during the reporting period. In the contrary a liability is recognised.

All incentives for entering into an agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the nature or form of the incentive or the timing of payments.

Operating lease assets and liabilities are measured at the undiscounted amount of the excess payments over the straight-lined expense amount or the excess of the straight-lined revenue amount over the actual revenue received in a reporting period. The operating lease asset or liability is increased or decreased at each reporting date over the lease period.

Operating lease are not regarded as financial instruments, except individual receipts currently due and receivable.

1.5 Leases (continued)

1.5.3. Operating leases - lessee

At inception of the lease, a lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership and emphasis is placed on the substance of the transaction rather than the form of the contract.

Lease payments (excluding costs for services such as insurance and maintenance) are recognised as an expense in the statement of financial performance on a straight-line basis over the lease term and an asset is recognised when amounts paid in respect of operating leases exceed the straight-lined amounts during for the reporting period.

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

Operating leases are not regarded as financial instruments except individual payments currently due and payable.

1.6 Prepayments

For services including, but not limited to venue bookings, advertising, communication, postage and insurance suppliers require the Fund to make advance payments for services to be provided at a future date.

Prepayment also includes prepaid leave where employees take leave not yet earned in advance.

When payments for goods and services to be received on a future date, a prepayment asset is recognised.

Prepayments are initially measured at cost. Subsequent to initial measurement prepayments are expensed as the goods or services are delivered or rendered to the Fund.

Prepayments that remain at each reporting period are carried at cost.

1.7 Revenue and receivable from non-exchange transactions

Receivables from non-exchange transactions are assets that arise from recognition of revenue from non-exchange transactions, transactions where the Fund has received value from another entity without directly giving approximately equal value in exchange.

Section 89 of the Act permits the Fund to advance to or on behalf of an employee amounts deemed equitable in the interests of or to alleviate pressing needs an employee. Consequently, the Fund, from time to time, makes advances payments to medical service providers. In some instances excess payments in respect of compensation benefits may be made or erroneous compensation benefits paid to individuals who do not meet the conditions for payment.

Receivables arising from revenue from non-exchange transactions are recognised in accordance with the accounting policy on recognition of revenue from non-exchange transactions.

Receivables are initially measured at the transaction amount of the advance, excess or erroneous payments of compensation benefits which represent the fair value of the consideration receivable.

Subsequent to initial measurement, receivables are measured 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 as well as any additional charges on overdue or unpaid amounts required or entitled to be levied in terms of legislation, supporting regulations, by-laws or similar means.

At each reporting date, the Fund assesses whether there is any indication that the receivables may be impaired.

As a minimum, the Fund considers the following indicators:

(a) significant financial difficulty of the debtor, which may be evidenced by, amongst others, an application for debt counselling, business rescue or an equivalent,
(b) the probability that the debtor will enter sequestration, liquidation or other financial re-organisation, breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied) and
(c) adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

1.7 Revenue and receivable from non-exchange transactions (continued)

If there is an indication that a receivable may be impaired, the Fund measures the impairment loss as the difference between the estimated future cash flows and the carrying amount.

Where the carrying amount is higher than the estimated future cash flows, the carrying amount of such receivable is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

In estimating the future cash flows, the Fund considers both the amount and timing of the cash flows that it will receive in future. Where the effect of the time value of money is material, the Fund discounts the estimated future cash flows using a rate that reflects the current risk free rate.

An impairment loss recognised in prior periods is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows in accordance with the foregoing paragraph.

Previously recognised impairment loss is adjusted by adjusting the allowance account and the adjustment may not result in the carrying amount of a debtor exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

The receivables are derecognised in full or in part when the rights to the cash flows are settled, expire or waived.

1.8 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 and may arise from both revenue from exchange transactions and revenue from non-exchange transactions.

The Fund's statutory receivables mainly arise from revenue from non-exchange transactions and include monies due from assessments raised, accruals for assessments not raised, third party claims and contributions from exempted employers.

The receivables are recognised in accordance with the accounting policy of revenue from non-exchange transactions.

The receivables are initially measured in accordance with the accounting policy of revenue from non-exchange transactions together with the tariffs set out in the Act and its supporting regulations.

Subsequent to initial measurement the receivables are measured 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 as well as additional charges (for example penalties and fines) on overdue or unpaid amounts required or entitled to be levied in terms of legislation, supporting regulations, by-laws or similar means.

Accrued interest is calculated using a standard interest rate levied on debts owing to the State as gazetted by National Treasury in terms of section 80 of the PFMA. The interest is recognised as revenue and measured in accordance with the accounting policy on revenue from non-exchange transactions.

At each reporting date statutory receivables are assessed for any indications of impairment, including:
- (a) significant financial difficulty of the debtor/s, which may be evidenced by an application for debt counselling, business rescue or an equivalent,
- (b) the probability that the debtor/s will enter sequestration, liquidation or other financial re-organisation, breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied) and
- (c) adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a receivable may be impaired, the Fund measures the impairment loss as the difference between the estimated future cash flows and its carrying amount.

Where the carrying amount is higher than the estimated future cash flows, the carrying amount is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

1.8 Statutory receivables (continued)

In estimating the future cash flows, the Fund considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Fund discounts the estimated future cash flows using a rate that reflects the current risk free rate.

An impairment loss recognised in prior periods is revised if there has been a change in the estimates used since the last impairment loss was recognised or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in surplus or deficit.

The receivables are derecognised in full or in part when the rights to the cash flows from the receivable are settled, expire or are waived.

1.9 Financial assets and Liabilities

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.

Financial assets
Financial assets are cash, residual interests in another entity or 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 Fund.

Assets arising out of non-contractual arrangements such as those arising from provision of social benefits to beneficiaries as a result of legislation are not financial assets as they do not meet the requirements for contractual agreements. Assets (such as prepaid expenses) for which the future economic benefit is the receipt of goods or services, rather than the right to receive cash or another financial asset, are not financial assets.

Section 19 of the Act establishes a Fund consisting of cash and investments or both. Consequently, the Fund invests excess funds in several financial instruments including:

(a) Residual interests in listed and unlisted shares,
(b) Bonds and loans receivable, bills, negotiable certificates of deposits and promissory notes
(c) Fixed deposits, cash and cash equivalents; and
(d) Receivables from exchange transactions

Financial assets are initially recognised in the statement of financial position when the Fund becomes party to the contractual provisions of an arrangement using trade date accounting.

Financial assets are categorised at initial recognition to be subsequently measured at either cost, amortised cost or fair value as follows:

(a) Investments in residual interests of investees that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured are measured at cost.
(b) Non-derivative financial assets or assets that have fixed or determinable payments are subsequently measured at amortised cost unless, at initial recognition, they have been designated to be subsequently measured at fair value.

Financial assets are initially measured at fair value. 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 (normally the transaction price).

Financial assets that are categorised to be subsequently measured at amortised cost or at cost are initially measured at fair value plus transaction costs (incremental costs) that are directly attributable to the acquisition of such financial assets.

Financial assets that are categorised to be subsequently measured at fair value are initially measured at fair value excluding transaction costs. Gains or losses arising from a change in the fair value of a financial asset are recognised in surplus or deficit.

(a) Non-derivative instruments with fixed or determinable payments

1.9 Financial assets and Liabilities (continued)

All financial assets that instrument that are non-derivative instruments with fixed or determinable payments are subsequently measured at amortised cost. The amortised cost of a financial asset is the amount at which the financial asset 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 uncollectability. Financial assets that are subsequently measured at amortised cost.

(b) Investments in residual interests of other entities

Investments in residual interests of other entities are subsequently measured at fair value unless their fair values cannot be reliably measured because no active market for them exists and using valuation techniques do not provide a reliable measure of fair value (this includes investments in entities whose main objective is to deliver a service rather than to generate a profit or economic benefits). Where fair value cannot be reliably measured, investments in residual interest of other entities are measured at cost, however, the Standard of GRAP on Financial Instruments (GRAP 104) does not apply to interests in associates and joint ventures that are accounted for using the equity method.

(c) Investments that are neither non-derivative instruments with fixed or determinable payments nor investments in residual interests of other entities

Financial instruments that are nether derivative instruments, combined instrument designated at fair value, instruments held for trading, non-derivative instruments with fixed or determinable payments or investments in residual interests of other entities are subsequently measured at fair value.

Section 17 of the Act prescribes that the assets of the Fund shall be valued by an actuary at intervals of not more than three years to determine the sufficiency of the fund. Furthermore, the Fund’s investment strategy provides for periodic balancing of its investments in certain instruments and thus sells different instruments to achieve the appropriate balance of its investments and short-term profit taking. As a result of the investment strategy and the legislated periodic valuation of its assets and liabilities, the Fund designates non derivative financial assets with fixed or determinable payments at fair value at initial recognition.

The Fund has financial assets and financial liabilities listed in below.

1.9.1. Classification of Financial assets and liabilities

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

- Bonds receivable (Designated at fair value)
- Listed shares (Fair value through surplus or deficit)
- Bills, certificate of deposits and promissory notes (Fair value through surplus or deficit)
- Investment in unlisted loans (Amortised costs)
- Fixed deposits (Amortised costs)
- Cash and cash equivalents (Amortised costs)
- Receivable from exchange transactions (Amortised costs)
- Payables from exchange transactions (Amortised costs)
- Investment income receivable (Amortised costs)
- Accrued interest on bank accounts (Amortised costs)
- Rent receivable (Amortised costs)

Cash and cash equivalents comprise cash on hand, cash deposited with financial institutions and other short term liquid investments with original maturities of three months or less.

1.9 Financial assets and Liabilities (continued)

1.9.2. Measurement

Financial assets subsequently measured at cost or amortised cost are annually assessed for any objective evidence impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence includes:

(a) Significant financial difficulty of the issuer;
(b) Breach of contract, such as a default or delinquency in interest or principal payments;
(c) The Fund. other investors, creditors or lenders, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that it would not otherwise consider;
(d) It is probable that the investees will enter sequestration or other financial reorganisation;
(e) Disappearance of an active market for that financial asset because of financial difficulties; or
(f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  (i)) adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments); or
  (ii) national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers, or adverse changes in market conditions that affect the borrowers in the group).

If there is evidence that an impairment loss 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 (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the 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 (such as an improvement in the debtor’s credit rating), the previously recognised impairment loss is reversed either directly or by adjusting an allowance account.

The reversal may not result in a carrying amount of the financial asset exceeding 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.

If there is evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

The Fund derecognised a financial asset only when the contractual rights to the cash flows from the financial asset expire, are settled or waived and when the Fund transfers to another party substantially all of the risks and rewards of ownership of the financial asset using trade date accounting.

On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in the surplus or deficit.

Financial liabilities

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

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

In its operations the Fund acquires goods and services on credit and thus incurs financial liabilities including trade payables, debtors with credit balances, unsettled investments and operating lease payments due.

Financial liabilities are recognised in the statement of financial position when the Fund becomes a party to the contractual provisions of the instrument.

1.9 Financial assets and Liabilities (continued)

Financial liabilities are measured at their fair value which is the quoted prices in an active market or transaction amount plus transaction costs that are directly attributable to the acquisition or issue.

Financial liabilities are subsequently measured at amortised cost and are subject to impairment review.

Financial liabilities are de-recognised from the statement of financial position when the obligation specified in the contract is discharged, cancelled, expires or waived.

1.10 Cash and cash equivalents

Cash and cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

The Fund's cash and cash equivalents include cash on hand, bank balances and short term call deposits with maturities of three months or less.

1.11 Investment property

Investment property is property (land or a building - or part of a building - or both) held by the Fund as the sole owner or through participation in joint operations, to earn rentals or for capital appreciation or both, rather than for:

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

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

Investment property is measured initially at its cost and the cost comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure including but not limited to professional fees for legal services, property transfer taxes and other transaction costs. If payment for investment property is deferred, its cost is the cash price equivalent and the difference between this amount and the total payments is recognised as interest expense over the period of credit.

Where an investment property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition. The fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction and specifically excludes an estimated price inflated or deflated by special terms or circumstances granted by anyone associated with the sale.

After initial recognition, the Fund has opted to measure its investment property using the fair value model and measures all of its investment property at fair value, except in cases where the fair value cannot be reliably determined on a continuing basis. Gains or losses arising from a change in the fair value of investment property are included in surplus or deficit for the period in which it arises.

Subsequent to initial measurement investment property is measured at fair value, the fair value of investment property reflects market conditions at the reporting date and determined annually by an independent property valuator. A gain or loss arising from a change in fair value is included in surplus or deficit for the period in which it arises.

Investment property is derecognised on disposal (including disposal through a non-exchange transaction) or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when it becomes virtually certain that the compensation becomes receivable.

1.12 Property, plant and equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Fund and the cost or fair value of the item can be measured reliably.

An item of property, plant and equipment that qualifies for recognition as an asset is measured at its cost and where an asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

After initial recognition, property, plant and equipment is measured using either the cost model or the revaluation model applies that policy model to an entire class of property, plant and equipment.

Cost model

Under the cost model, subsequent to initial recognition as an asset, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Revaluation model

Items of property, plant and equipment whose fair value can be measured reliably are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made, with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. If an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs is revalued.

If the carrying amount of an asset is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, 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.

If the carrying amount of an asset is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised directly in net assets reduces the amount accumulated in net assets under the heading revaluation surplus.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value. Useful life is the period over which an asset is expected to be available for use by an entity while residual value is the estimated amount that the Fund would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of 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 charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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

Item	Depreciation method	Average useful life
Land	Not depreciated	Indefinite
Buildings	Straight line	12 - 50 years
Plant and machinery	Straight line	15 years
Furniture and fixtures	Straight line	6 - 15 years
Motor vehicles	Straight line	5 - 15 years
IT equipment	Straight line	3 - 15 years
Leasehold improvements	Straight line	Over the lease term
Finance lease for office equipment	Straight line	1 - 5 years or lease term

1.12 Property, plant and equipment (continued)

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 shall be changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

At each reporting date the Fund assesses whether there is any indication that the Fund's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date.

The depreciable amount allocated on a systematic basis over its useful life and the depreciation method/s used reflect the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the Fund.

If any such indication exists, the Fund revises the expected useful life and/or residual value accordingly and the change(s) are accounted for as a change in accounting estimate. In assessing whether there is any indication that the expected useful life of an asset has changed, the Fund considers the indications that the composition of the asset changed during the reporting period, i.e. the significant components of the asset changed and whether the use of the asset has changed because Fund has either:

- (a) changed the manner in which the asset is used.
- (b) changed the utilisation rate of the asset.
- (c) made a decision to dispose of the asset in a future reporting period(s) such that this decision changes the expected period over which the asset will be used.
- (d) concluded that due to technological, environmental, commercial or other changes that occurred during the reporting period that have, or will, change the use of the asset.
- (e) identified that legal or similar limits placed on the use of the asset have changed.
- (f) has observed that the asset was idle or retired from use during the reporting period.

In assessing whether there is any indication that the expected residual value of an asset has changed, the Fund considers whether there has been any change in the expected timing of disposal of the asset, as well as any relevant indicators from the list in the foregoing paragraph.

An 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.

At each reporting date the Fund assesses whether there is any indication that an asset may be impaired in accordance with the accounting policy note on Impairment of cash-generating assets and impairment of non-cash-generating assets.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up shall be included in surplus or deficit when the compensation becomes receivable.

The carrying amount of an item of property, plant and equipment is derecognised on disposal (including disposal through a non-exchange transaction) or when no future economic benefits or service potential are expected from its use or disposal.

Gains or losses arising from de-recognition 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 and is included in surplus or deficit when the item is derecognised unless specifically required otherwise by another GRAP standard.

1.13 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

Intangible assets are recognised if it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Fund and the cost or fair value of the asset can be measured reliably.

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

Expenditure on intangible items is recognised as an expense when it is incurred unless it forms part of the cost of intangible assets that meet the recognition criteria of an intangible asset and if expenditure was initially recognised as an expense because it did not meet the recognition criteria of an asset, it is not recognised as part of the cost of an intangible asset at a later date.

1.13 Intangible assets (continued)

Intangible assets are initially measured at cost which comprises of its purchase price including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any directly attributable costs of preparing the asset for its intended use. If payment for an intangible asset is deferred beyond normal credit terms, its cost is the cash price equivalent and the difference between this amount and the total payments is recognised as interest expense over the period of credit.

Where intangible assets are acquired through a non-exchange transaction, the initial costs at the date of acquisition are measured at fair value as at that date.

Subsequent to initial measurement, the Fund measures intangible assets using the cost model by carrying intangible assets at cost less accumulated amortisation and accumulated impairment losses.

If based on an analysis of all of the relevant factors (including but not limited to technical, technological and other types of obsolescence) there is foreseeable limit to the period over which the Fund’s intangible assets are expected to provide service potential, such intangible assets are accounted for as having finite useful lives and are amortised.

Amortisation is the systematic allocation of the depreciable amount of an intangible asset over its useful life.The depreciable amount of intangible assets with finite useful lives are allocated on a systematic basis over their useful lives.

The residual value of intangible assets with a finite useful life is assumed to be zero unless:

- (a) there is a commitment by a third party to acquire the asset at the end of its useful life; or
- (b) there is an active market for the asset and:
  - (i) residual value can be determined by reference to that market; and
  - (ii) it is probable that such a market will exist at the end of the asset’s useful life.

Amortisation begins when the asset is available for use, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The amortisation method used reflects the pattern in which the asset’s future service potential are expected to be consumed by the Fund. If that pattern cannot be determined reliably, the straight line method is used as below.

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

Item	**Useful life**
Intangible assets	2 - 15 years or indefinite

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

The amortisation period and the amortisation method is reviewed at least at each reporting date. If the expected useful life of the asset is different from previous estimates, the amortisation period is changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the amortisation method is changed to reflect the changed pattern. Such changes are accounted for as changes in accounting estimates.

Amortisation ceases at the date that the asset is de-recognised.

Impairments of intangible assets are recognised in accordance with the accounting policies impairment of non-cash-generating assets.

Intangible assets are derecognised on disposal (including disposal through a non-exchange transaction) or when no future economic benefits or service potential are expected from their use. Gains or losses arising from de-recognition is included in surplus or deficit.

1.14 Investments in residual interests of investees

Investments in associates and joint ventures

An associate is an entity over which the Fund has significant influence and a joint venture is a joint arrangement whereby the Fund and other parties that have joint control of the arrangement and have rights to the net assets of the arrangement.

Significant influence is the power to participate in the financial and operating policy decisions of another entity but is not control or joint control of those policies. Joint control is the agreed sharing of control by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Fund accounts for its investment in an associate or a joint venture using the equity method. The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Fund's share of the investees's net assets.

The Fund's surplus or deficit includes its share of the investees's surplus or deficit and the Fund's net assets includes its share of changes in the investees's net assets that have not been recognised in the investees's surplus or deficit (including but not limited to revaluation of property, plant and equipment).

Distributions received from an investees reduce the carrying amount of the investment and adjustments to the carrying amount may also arise from changes in the Fund's proportionate interest in the investees arising from changes in the investees's equity that have not been recognised in the investees's surplus or deficit.

The most recent available financial statements of an associate or joint venture are used in applying the equity method. When the end of the reporting period of the Fund is different from that of an associate or a joint venture the Fund either:

- (a) obtains, for the purpose of applying the equity method, management accounts as of the same date as its financial statements; or
- (b) uses the most recent financial statements of the associate or joint venture adjusted for the effects of significant transactions or events that occur between the date of those financial statements and the date of the Fund's financial statements.

The Fund's financial statements are prepared using uniform accounting policies for like transactions and events in similar circumstances and where the investees accounting policies differ, appropriate adjustments to give effect to uniform accounting policies are made.

Investments in associate or joint ventures accounted for using the equity method are classified as a non-current asset.

The Fund discontinues the use of the equity method from the date when its investment ceases to be an associate or a joint venture and accounts for all amounts previously recognised directly in its net assets in relation to that investment on the same basis as would have been required if the investees had directly disposed of the related assets

1.15 Joint operations

A joint operation is a joint arrangement whereby parties that have joint control of an arrangement, have rights to the assets and obligations for the liabilities relating to the arrangement. A joint arrangement is an arrangement of which two or more parties have joint control. In a joint arrangement the parties are bound by a binding arrangement and the binding arrangement gives two or more of those parties joint control of the arrangement.

Joint control is the sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The sharing of control is agreed by way of a binding arrangement.

The Fund participates in joint operations of with business interests in various investment properties, amongst others.

The Fund recognises in relation to its interest in a joint operation, the Fund's:

- (a) assets including its share of any assets held jointly,
- (b) liabilities including its share of any liabilities incurred jointly,
- (c) revenue from the sale of its share of the output arising from the joint operation,
- (d) share of the revenue from the sale of the output by the joint operation, and
- (e) expenses, including its share of any expenses incurred jointly.

The Fund recognises and measures the assets, liabilities, revenues and expenses relating to its interest in a joint operation by applying the Fund's applicable accounting policies.

1.16 Impairment of non-cash generating assets

Cash-generating assets are assets used with the objective of generating a commercial return while non-cash-generating assets are assets other than cash-generating assets. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

All items of property, plant and equipment and intangible assets are designated as non-cash-generating assets at initial recognition as the Fund acquires them with the objective not to generate a commercial return but are used to deliver services.

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 or amortisation. It reflects a decline in the utility of an asset to the Fund.

At each reporting date the Fund assesses whether there is any indication that an asset may be impaired. In assessing whether there is any indication that an asset may be impaired, the Fund considers both internal sources of information and external sources of information and considers, as a minimum the following indications:

***External sources of information*, including:**

(a) Cessation or near cessation of the need for services provided by the asset.
(b) Significant long-term changes with an adverse effect on the Fund that have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Fund operates.

Internal sources of information

(c) Available evidence of obsolescence or physical damage of an asset.
(d) Significant long-term changes with an adverse effect on the Fund that have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used including:
    (i) An asset that has become idle,
    (ii) Plans to discontinue or restructure the operation to which an asset belongs
    (iii) plans to dispose of an asset before the previously expected date and
(e) Decision to halt the construction of the asset before it is complete or in a usable condition.
(f) Evidence is available from internal reporting that indicates that the service performance of an asset is or will be significantly worse than expected.

If any such indication exists, the Fund estimates the recoverable service amount of the asset which is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use (the present value of the asset's remaining service potential).

Fair value is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, determinable from the outcome of recent transactions for similar assets within the same industry.

Costs to sell are incremental costs directly attributable to the disposal of the asset, excluding finance costs and income tax expenses.

Only if the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss. If one of asset's fair value less costs to sell or its value in use exceeds the asset's carrying amount, the asset is not impaired and the other amount is not estimated.

Impairment losses are recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount. Impairment loss of a revalued asset are treated as revaluation surpluses or deficits.

After recognition of impairment losses, depreciation (amortisation) charges for an asset are adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Irrespective of whether there is any indication of impairment, the Fund tests intangible assets not yet available for use for impairment at each reporting date by comparing its carrying amount with its recoverable service amount.

At each reporting date the Fund assesses (using as a minimum, the indicators stated above) whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable service amount of that asset.

1.16 Impairment of non-cash generating assets (continued)

Impairment losses recognised in prior periods are reversed only 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.

If this is the case, the carrying amount of the asset is increased to its recoverable service amount. However, the increased carrying amount of an asset attributable to a reversal of an impairment loss may 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 an asset is recognised immediately in surplus or deficit unless the asset is carried at revalued amount in which case the reversal of the impairment loss is treated as a revaluation increase in accordance with that accounting policy on revaluation of assets.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.17 Impairment of cash-generating assets

Cash-generating assets are assets used 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.

The Fund’s cash-generating assets include investments associates, joint ventures and joint arrangements that are not subsequently measured at fair value.

An 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.

The same principles applied to impairment of non-cash generating assets are applied.

In identifying whether the recoverable amount of an asset needs to be estimated the Fund applies the concept of materiality and if previous assessments show that an asset’s recoverable amount is significantly greater than its carrying amount or if no events have occurred that would eliminate that difference.

Similarly, if previous analysis show that an asset’s recoverable amount is not sensitive to one (or more) of the impairment indications the Fund does not re-estimate the asset’s recoverable amount.

The best evidence of an asset's fair value less costs to sell is a price in a binding sale agreement in an arm's length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the asset. If there is no binding sale agreement but an asset is traded in an active market, fair value less costs to sell is the asset's market price less the costs of disposal.

If there is no binding sale agreement or active market for an asset, fair value less costs to sell is based on the best information available to reflect the amount that the Fund could obtain, at the reporting date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

Costs of disposal, other than those that have been recognised as liabilities, are deducted in determining fair value less costs to sell such as legal costs, stamp duty and similar transaction taxes, costs of removing the asset, and direct incremental costs to bring an asset into condition for its sale.

Value in use of an asset is estimated by estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to those future cash flows.

Estimates of future cash flows include:

(a) projections of cash inflows from the continuing use of the asset;
(b) projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
(c) net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Future cash flows are estimated for the asset in its current condition. Estimates of future cash flows do not include estimated future cash inflows or outflows that are expected to arise from:

(a) a future restructuring to which an entity is not yet committed,
(b) improving or enhancing the asset's performance,

(c) cash inflows or outflows from financing activities, or
(d) income tax receipts or payments (where applicable).

Estimates of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the Fund expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

As the Fund is a public entity, the discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest.

When the amount estimated for an impairment loss is greater than the carrying amount of the asset to which it relates, the Fund recognises a liability if, and only if, that is required by a Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

In reversing of impairment losses and re-designation of assets the Fund applies principles similar to those related to impairment of non-cash-generating assets.

1.18 Revenue and receivables 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.

Exchange transactions are transactions in which the Fund receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Revenue from exchange transactions comprises of interest received from bank accounts and investments, dividends received, rental income and administrative contributions by employers in terms of section 88 of the Act.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
(a) the Fund has transferred to the purchaser the significant risks and rewards of ownership of the goods;
(b) the Fund retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
(c) the amount of revenue can be measured reliably;
(d) it is probable that the economic benefits or service potential associated with the transaction will flow to the Fund; and
(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date.

The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
(a) the amount of revenue can be measured reliably;
(b) it is probable that the economic benefits or service potential associated with the transaction will flow to the Fund;
(c) the stage of completion of the transaction at the reporting date can be measured reliably; and
(d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Interest, royalties and dividends or similar distributions

Revenue arising from the use by others of Fund’s assets yielding interest, royalties and dividends or similar distributions is recognised when:
(a) it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
(b) the amount of the revenue can be measured reliably.

Interest is recognised using the effective interest method in respect of financial instruments.

1.18 Revenue and receivables from exchange transactions (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income 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.

When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but not 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, 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, the Fund uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Royalties are recognised as they are earned in accordance with the substance of the relevant agreement.

Dividends or similar distributions are recognised when the Fund's right to receive payment is established through a declaration by the investees.

Revenue is measured at the fair value of the consideration received or receivable.

Revenue arising on a transaction which is contractual in nature is determined by agreement between the Fund and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Fund.

When the arrangement effectively constitutes a financing transaction (inflow of cash or cash equivalents is deferred or interest free credit or interest below-market interest rate), the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

(a) the prevailing rate for a similar instrument of an issuer with a similar credit rating; or
(b) a rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Revenue arising on a transaction which is statutory (non-contractual) in nature is measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue to be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable.

1.19 Revenue from non-exchange transactions

Revenue from non-exchange transaction arises when the Fund receives value from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transactions primarily comes from the following sources.

(a) Contributions by employers
(b) Interest and penalties

Contributions by employers

Section 80(1) of the Act provides that an employer carrying on business in the Republic must register with the Fund and section 82(1) prescribes that registered employers must submit a return of earnings by not later than 31 March each year.

Section 83(l) provides that an employer shall be assessed or provisionally assessed according to a tariff of assessment that is set and reviewed annually by the Fund for an entire industry subclass.

Section 83(6)(a) prescribes that if an employer fails to furnish a return within the prescribed period the Fund may assess the employer on the basis of estimated earnings.

For all registered employers, assessment revenue (contributions by employers) is recognised at the earlier of submission of return of earnings by a registered employer, provisional assessment (for newly registered employers) or 31 March each year in terms of the Act.

The legislative requirement for employers to register with the Fund and once registered, submit a return of earnings or upon failure to submit a return, the legal right of the Fund to assess employers based on estimated earnings, results in a probability that future economic benefits will flow to the Fund.

The fair value of the asset (the amount employer's debt) can be measured reliably using the earnings declared or estimates thereof as the case may be together with the tariffs.

Assessment revenue receivable from each registered employer is measured as the earnings declared or estimated as the case may be, divided by 100 and multiplied by the assessment tariff rate applicable to each employer.

The Fund adjusts the assessments in respect of

(a) provisional assessments previously raised in respect of newly registered employers;
(b) assessments based on estimation and it later appears that the actual earnings were more than the earnings estimated or vice versa, and
(c) where it is subsequently ascertained that the amount declared by an employers as its annual earnings is less than the amount actually paid to its employees during the relevant year of assessment.

Such adjustments are accounted for as a change in estimate.

Interest, penalties and fines

Section 86 of the Act provides that an assessment shall be paid by an employer to the Fund within 30 days after the date of the notice of assessment or, with the approval of the commissioner, in such installments and at such times and on such conditions as the commissioner may determine.

(a) Interest

Section 86 of the Act empowers the Fund to levy simple interest on overdue assessment (those not paid within 30 days after the issue of the notice of assessment) at standard interest rate levied on debts owing to the states gazetted by the Minister of Finance from time to time.

Interest is recognised on expiry of 30 days after the issue of the assessment and is measured as a simple interest calculated monthly on the overdue amount for as the long as the debt remains unpaid. The interest rate applied is the rate used is the prevailing interest rate in the month the amount remains overdue.

Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction. If the underlying transaction is a non-exchange transaction then any interest levied is also classified as non-exchange, while any interest levied on an exchange transaction is classified as exchange.

(b) Penalties

Sections 15(2) and 87(2) of the Act provides for thee Fund and or courts of law to impose penalties circumstances when an employer fails register with the Fund and on employer who deduct from the earnings of an employee any amount or receives any amount from an employee to compensate the employer directly or indirectly for any amount which the employer is liable to pay in terms of the Act.

Revenue from penalties is recognised when the Director-General or his/her delegate approves the recommendation from the Fund to impose the penalty.

The penalty measured as the actual amount of the penalty imposed, should the Director-General or his/her delegate decline the Fund's recommendation for the imposition thereof penalties are not recognised.

Similar to interest, penalties levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction with penalties levied on non-exchange transactions classified as transactions from non-exchange transactions.

Previously imposed fines are waived and thus written of when the Director-General approves the waiver or write-off thereof.

(c) Fines

Sections of the Act 15(2) and 87(2) of the Act also provide for the imposition of fines in circumstances identified in accounting policy note 1.20.2 (b).

The recognition and measurement principles applied to penalties are also applicable to fines.

Similar to interest, such fines are levied on transactions arising from non-exchange transactions and are thus classified as transaction from non-exchange transactions.

1.20 Compensation benefits

Section 22 and 66 of the Act provides for the compensation of employees who meet with accidents or contract occupational diseases that result in their temporal or permanent disablement or death.

Compensation benefits include the following as set out in the following sections of the Act:

(a) Compensation for Temporal Total Disablement (TTD) in terms of section 47.
(b) Compensation for Permanent Disablement (PD) in terms of section 49.
(c) Compensation for Fatalities in terms of section 54
(d) Constant attendance allowance (CAA) in terms of section 28.
(e) Medical expenses in term of section 73 and medical aid in terms of section 76.

Section 39 of the Act mandates employers to report injuries on duty within 7 days of receiving notice thereof or occupational diseases, within 14 days of having learned that an employee contracted a disease arising out of and in the course of his/her employment.

The Fund considers and adjudicates on claims for compensation and where necessary carries out such investigations as it may deem to approve the claim for, amongst other expenses.

Benefits arise from either a claim or medical invoice submitted to the Fund. The Fund receives claims from the employer in the form of a accident report together with the required supporting documents as per the provisions of COIDA and adjudicate the claim. Upon the adjudication process being finalised, the claim may be approved or repudiated. Where the claim is approved, a liability will be accepted and a determination of the value accrued benefits will be made. In the case of a medical claim, the invoice is received from the medical service provider and the Fund will confirm if a liability has been accepted for the claim. Upon validation, the invoice is approved for payment and a creditor and the medical expense is recognised.

Compensation benefit expenses due and payable in a reporting period are recognised when the claim is approved by the Director-General or his/her delegate irrespective of the date of the loss event.

On an annual basis the Fund appoints actuaries to estimate a provision for outstanding claims that includes claims that had been reported by the reporting date but not yet approved and claims that occurred before the reporting date but were yet to be reported to the Fund. Movements in the provision are recognised in the profit or loss.

The measurement amount/s of compensation benefits is regulated in terms of schedule 4 to the Act and amended from time to time in the Act or a government gazette.

1.21 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment.

The Fund provides short term benefits and post-employment benefits to its employees.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service.

Short-term employee benefits provided by the Fund mainly comprise of wages, salaries and social security contributions, paid annual leave and paid sick leave, bonus, incentives and performance related payments.

1.21 Employee benefits (continued)

When an employee has rendered services to the Fund during a reporting period, the undiscounted amount of short-term employee benefits expected to be paid in exchange for the services is recognised as follows:

(a) As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, that excess is recognised as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

(b) As an expense, unless a Standard of GRAP requires or permits the inclusion of the benefits in the cost of an asset

Short-term paid absences

The Fund pays employees for accumulating and non-accumulating absences including holidays, sickness and short-term disability and maternity or paternity leave.

Accumulating paid absences include annual leave and are carried forward and they lapse within the first three months after each reporting period and do not entitle employees to a cash payment for unused entitlement unless an employee leaves the employment of the Fund prior to the lapse period.

The Fund's previous policy did not provide for annual leave to lapse and upon the change to annual leave to lapse three months subsequent to each reporting, accumulated leave for some employees was capped. Employees with capped annual leave are entitled to cash payment on termination of employment by the Fund or by the employees themselves.

Non-accumulating paid absences do not carry forward, they lapse if the current reporting period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Fund. This includes sick leave, maternity or paternity leave.

The Fund recognises the expected cost of paid absences as follows:

(a) in the case of accumulating paid absences, when the employees render the service that increases their entitlement to future paid absences; and

(b) in the case of non-accumulating paid absences (including sick leave, maternity or paternity leave), when the absences occur. No liability or expense is recognised until the time of the absence, because employee service does not increase the amount of the benefit.

The expected cost of accumulating paid absences is measured as the additional undiscounted amount that the Fund expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period

Bonus, incentive and performance related payments

The Fund has a performance management policy that recognises employee's contribution to service delivery objectives or aspects of financial performance. Employees receive specified amounts, dependent on an assessment of each employee's contribution to the achievement of the objectives of the Fund.

The expected cost of bonus, incentive and performance related payments is recognised when, and only when:

(a) the Fund has a present legal or constructive obligation and no realistic alternative but to make such payments as a result of past events; and

(b) a reliable estimate of the obligation can be made.

The expense and related liability are measured as an undiscounted expected cost or reliable estimated amount of the bonus, incentive and performance related payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either the Fund's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

Post-employment benefits mainly comprise of pension benefits arising from the Fund and each employee's contributions to the Government Employees Pension Fund (GEPF), a state plan established by legislation that operate as a multi-employer plan for government entities and operated by a national government agency created specifically for this purpose.

1.21 Employee benefits (continued)

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Fund has no legal or constructive obligation to pay future benefits except for the payment of the contributions as they fall due. The Fund therefore accounts for the state plan as a defined contribution plan.

The Fund recognises the contributions payable to the state plan (which it accounts for as a defined contribution plan) when employees have rendered services to the Fund during the reporting period:

(a) as a liability (accrued expense), after deducting any contribution already paid. If the contributions already paid exceed the contributions due for services rendered before the end of the reporting period, the Fund recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund; and

(b) as an expense.

The liability and the related expense is measured as an undiscounted amount of the contributions to be paid to the GEPF and when contributions are not expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service, the liability is discounted using the market yields at the end of the reporting period on government bonds.

1.22 Provisions, contingent liabilities and contingent assets

Provisions

A provision is a liability of uncertain timing or amount.

A liability is a present obligation of the Fund arising from past events, the settlement of which is expected to result in an outflow from the Fund of resources embodying economic benefits or service potential.

A past event that leads to a present obligation is an obligating event which creates either a legal or constructive obligation resulting in the Fund having no realistic alternative to settling that obligation arising from that event.

Legal obligations derive from a contract (through its explicit or implicit terms), legislation; or other operation of law while constructive obligations derive from the Fund’s actions where:

(a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the Fund has indicated to other parties that it will accept certain responsibilities; and

(b) as a result, the Fund has created a valid expectation on the part of those other parties that it will discharge those responsibilities

In instances where it is not clear whether there is a present obligation, a past event is deemed to give rise to a present obligation after, taking account of all available evidence, it is more likely than not that a present obligation exists at the reporting date.

A provision is recognised when:

(a) The Fund has a present obligation (legal or constructive) as a result of a past event;

(b) it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and

(c) a reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no provision is recognised for costs that need to be incurred to continue the Fund’s on-going activities in the future (including deficits from future operating activities). Only those obligations arising from past events existing independently of the Fund’s future actions (that is, the future conduct of its activities) are recognised as provisions.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. The best estimate is ascertained after weighting all possible outcomes by their associated probabilities and quantifying the expected value.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate used to discount provisions is a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The discount rate(s) do not reflect risks for which future cash flow estimates have been adjusted.

1.22 Provisions, contingent liabilities and contingent assets (continued)

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur.

Gains from the expected disposal of assets are not taken into account in measuring a provision.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised only when it is virtually certain that reimbursement will be received if the Fund settles the obligation.

The reimbursement is treated as a separate asset. The amount recognised for the reimbursement my not exceed the amount of the provision.

In the statement of financial performance, the expense relating to a provision may be presented net of the amount recognised for a reimbursement.

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

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

Contingent liabilities

A contingent liability is:

(a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund, or

(b) a present obligation that arises from past events but is not recognised because:
   - (i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
   - (ii) the amount of the obligation cannot be measured with sufficient reliability

Contingent liabilities are not recognised but a brief description of the nature of contingent liabilities at the reporting date, and, where practicable, an estimate of their financial effect. is disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become probable. If it becomes probable that an outflow of future economic benefits or service potential will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs.

Contingent assets

A contingent asset is a possible asset that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund.

Contingent asset are not recognised, however where an inflow of economic benefits or service potential is probable, the Fund discloses a brief description of the nature of the contingent assets at the reporting date, and, where practicable, an estimate of their financial effect.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset’s value can be measured reliably, the asset and the related revenue are recognised in the financial statements of the period in which the change occurs.

1.23 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the entity. All amount presented in the financial statements are rounded off to the nearest thousand.

1.24 Share capital / contributed capital

1.25 Revaluation reserves

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as re-valued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/ (deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/ (deficit) while gains or losses on disposal, based on re-valued amounts are credited or charged to the Statement of Financial Performance.

1.26 Finance costs

Finance costs are interest on late payment,The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method and other expenses incurred by an entity.

1.27 Budget information

Entity is subject to budgetary limits in the form of budget authorisation (or equivalent), which is given effect through authorising legislation.

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

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

The approved budget covers the fiscal period from 01/04/2021 to 31/03/2022.

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

1.28 Commitments

Commitments arise when the Fund has irrevocably bound itself to a future transaction(s) that will result in the outflow of economic benefits or service potential in future reporting periods.

Items are classified as commitments when the Fund has irrevocably bound itself to future transactions that will normally result in the outflow of economic benefits or service potential in future reporting periods. This represents the contractual balance committed to the capital projects and Operational projects on reporting date that will be incurred in the period subsequent to the specific reporting date

Commitments are not recognised in the elements of financial statements but are disclosed in the notes to the annual financial statements.

1.29 Related party transactions

A related party is a person or an entity with the ability to control or jointly control the Fund, or exercise significant influence over the Fund, or vice versa, or an entity that is subject to common control.

An entity controls another entity when the entity is exposed or has rights to variable benefits from its involvement with the other entity and has the ability to affect the nature or amount of those benefits through its power over the other entity.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

The following are regarded as related parties to the Fund:

- (a) A person is related to the Fund if that person:
  - (i) has control or joint control over the Fund,
  - (ii) has significant influence over the Fund, or
  - (iii) is a member of the management of the Fund or Department of Employment and Labour (DEL)
- (b) An entity is related to the Fund if any of the following conditions apply:
  - (i) the entity is a member of the same economic entity (DEL),

1.29 Related party transactions (continued)

(ii) Associates or joint venture of the Fund,
(iii) Entities that are in joint ventures with the Fund in the same investees,
(iv) the entity is a post-employment benefit plan for the benefit of employees of the Fund,
(v) a person identified in (a)(i) is a member of the management of that entity (or its controlling entity).

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

Where an entity is subject to the oversight of an elected or appointed representative of the governing body of the government to which the entity belongs, that person is a member of the management if, and only if, the oversight function includes the authority and responsibility for planning, directing and controlling the activities of the entity.

A related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The Fund does not separately recognise related party transactions in the elements of financial statements but discloses information regarding related parties and transactions that occurred in the reporting period in the notes to the annual financial statements.

1.30 Prior period error

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

1.31 Fruitless and wasteful expenditure

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

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

If fruitless and wasteful expenditure was incurred as a result of intentional or reckless act by an official a claim is raised against the relevant official. Such claim is treated as an asset until it is recovered or written off as irrecoverable.

1.32 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008) and the National Treasury Instruction 1 of 2018/2019 (on the Irregular Expenditure Framework):

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

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

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

1.32 Irregular expenditure (continued)

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

1.33 Events after reporting date

The Fund's reporting date is 31 March, the last day of the reporting period to which the financial statements relate.

Events (after the reporting date are events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

The date of authorisation for issue is the date on which the financial statements have received approval from management to be issued to the executive authority, after the audit opinion has been provided on the financial statements and such a date and the official who gave the authorisation are disclosed.

The Fund adjusts the amounts recognised in its financial statements to reflect events identified after the reporting date where there is evidence that conditions that existed at the reporting date. Disclosures that relate to these conditions are also updated in the light of the new information.

The Fund does not adjust the amounts recognised in its financial statements in respect of conditions that arose after the reporting date but discloses its nature and estimated financial effect in the notes to the financial statements.

1.34 Material Losses

Material Losses is the loss of financial assets where the investigation by the Anti-Corruption and Integrity Management directorate of the Fund has confirmed that there was a financial loss that needs to be refereed to law enforcement agencies.

All expenditure relating to material losses is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred.

1.35 Taxation

In terms of section 21 of the Act the income of the Fund and the reserve fund, including income from any investments are exempt from income tax.

1.36 Accounting by principals and agents

Principal-agent arrangement

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of the Fund (the principal) or vice versa.

A binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit while an agent is an entity that has been directed by another entity (a principal) through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

The Fund assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties in binding arrangement it has entered into.

When the Fund is party to a principal-agent arrangement it assess whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

1.36 Accounting by principals and agents (continued)

In conducting the assessment the Fund assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

The Fund recognises and measures revenue, expenses, assets and liabilities that arise from transactions with third parties in a principal-agent arrangement in accordance with its own accounting policies relating to the component of the financial statements.

	2022 R '000	2021 Restated* R '000

2. Operating lease

	2022	2021
Current assets	279	205
Future minimum lease payment under operating leases		
Not later than one year	18	-
Later than one year and not later than five years	261	205
	279	**205**

3. Prepayments

	2022	2021
Opening Balance	75,113	36,338
Prior year adjustment	-	(1,121)
Additions	53,335	105,845
Utilisation	(82,164)	(65,556)
Refunds	(663)	(393)
	45,621	**75,113**

Prepaid expenses consist of advertising, postage and employee leave. Advertising is a prepayment made to GCIS for media related expenses.

4. Receivables from non-exchange transactions

	2022	2021
Advance to medical service providers	198,181	452,758
Disallowances	101,415	108,028
Other receivables	12,921	11,575
Unallocated payments	58,532	63,999
Recoverable medical expenses	10,093	4,590
Provision for doubtful debts	(54,665)	(313,081)
	326,477	**327,869**

The loss allowance for other receivables stratified according to ageing profile as at 31 March 2022 is as follows:

2022	**Gross**	**Impairment**	**Net**
Past due up to 30 days	1,956	-	1,956
Past due by 31 to 60 days	25	-	25
Past due by 61 to 90 days	36	-	36
Past due by 91 to 180 days	349	-	349
Past due by more than 180 days	378,776	(54,665)	324,111
	381,142	**(54,665)**	**326,477**

The loss allowance for other receivables stratified according to ageing profile as at 31 March 2021 is as follows:

2021	**Gross**	**Impairment**	**Net**
Past due up to 30 days	64,456	-	64,456
Past due by 31 to 60 days	3,116	-	3,116
Past due by more than 180 days	573,378	(313,081)	260,297
	640,950	**(313,081)**	**327,869**

Reconciliation of provision for impairment of receivables from non-exchange transactions

	2022	2021
Opening balance	313,081	577,311
Provision for impairment	(258,416)	(264,230)
	54,665	**313,081**

	2022 R '000	2021 Restated* R '000

5. Statutory receivables

Assessments raised	25,584,495	21,146,039
Accrual for assessments not raised	-	1,676,364
Contributions from exempted employers	33,299	26,672
Allowance for Impairment and doubtful debts	(20,889,150)	(20,269,561)
	4,728,644	**2,579,514**

Statutory receivables general information

Basis used to assess and test whether a statutory receivable is impaired

The carrying amount of statutory receivables only comprises of other receivables and are not financial assets as they arise from revenue from non-exchange transaction regulated in terms of the following sections of the Act.

Receivables from assessments raised and accruals for assessments not raised is regulated in terms of section 82(1) read together with 83(l) as well as section 83(6)(a) of the Act as detailed in the accounting policy note on revenue from non-exchange transactions.

Receivables relating to contributions from exempted employers arise from section 84 of the Act which exempts certain employers from assessments, including national and provincial government departments, parliament, provincial legislatures, municipalities. Section 84(3) provides that such employers may be permitted to pay assessments and in instances where an exempt employer opts to pay the assessment their exemption falls away.

The amounts in respect of the above-mentioned debtors are determined with reference to the provisions of the Act as set out in the accounting policy on revenue from non-exchange transactions, being the annual earnings declared or estimated divided by 100 and multiplied by the assessment tariff rate applicable to that employer.

Interest, fines and penalties are charged in terms of section 86 and 87 of the Act realting to assessements raised and the rate of interest is determined by the Director-General of the Department of Employment and Labour but may not exceed the rate prescribed in the PFMA.

The basis used to assess and test whether a statutory receivable is impaired is disclosed in the accounting policy note on Statutory Receivables.

The loss allowance for trade receivables stratified according to ageing profile as at 31 March 2022 is as follows:

	Gross	Impairment	Net
Past due up to 30 days	209,952	-	209,952
Past due by 31 to 60 days	87,380	-	87,380
Past due by 61 to 90 days	77,573	-	77,573
Past due by 91 to 180 days	431,976	-	431,976
Past due by more than 180 days	24,810,913	(20,889,150)	3,921,763
	25,617,795	**(20,889,151)**	**4,728,644**

The loss allowance for trade receivables stratified according to ageing profile as at 31 March 2021 is as follows:

	Gross	Impairment	Net
Past due up to 30 days	2,170,752	(63)	2,170,689
Past due by 31 to 60 days	25,592	-	25,592
Past due by 61 to 90 days	36,259	(7)	36,252
Past due by 91 to 180 days	347,152	(171)	346,981
Past due by more than 180 days	20,269,320	(20,269,320)	-
	22,849,075	**(20,269,561)**	**2,579,514**

	2022 R '000	2021 Restated* R '000

5. Statutory receivables (continued)

Reconciliation of provision for impairment for statutory receivables

Opening balance	20,269,561	17,353,777
Provision for impairment	619,589	2,915,784
	20,889,150	**20,269,561**

6. Investments

Designated at fair value		
Listed shares	24,668,370	19,716,855
Bonds	52,995,211	47,445,353
Bills, certificates of deposit and promissory notes	1,349,680	1,852,912
	79,013,261	**69,015,120**
At amortised cost		
Fixed deposits	11,837,701	9,219,671
Total other financial assets	**90,850,962**	**78,234,791**
Non-current assets		
Listed shares	24,668,370	19,716,855
Bonds	51,853,437	44,502,957
	76,521,807	**64,219,812**
Current assets		
Bonds	1,141,774	2,942,395
Bills, certificates of deposit and promissory notes	1,349,680	1,852,913
Fixed deposits	11,837,701	9,219,671
	14,329,155	**14,014,979**

The Fund gave its asset manager (PIC) a discretionary mandate whereby PIC independently manages the funds and securities of the Fund in accordance with the need of the Fund. PIC does not manage the funds in accordance with the direction of the Fund, but complies with a broad mandate, and has the power to determine the significant terms and conditions of the transactions.

Reconciliation of movement

Opening balance	78,234,791	62,475,691
Prior year adjustment	-	(3,125)
Interest earned from investment	5,164,734	4,081,616
Coupon interest	(3,634,327)	(3,484,585)
Fair value adjustment	2,101,219	9,457,989
Profit or loss on sale of investments	892,872	340,367
Purchases of investments	31,978,825	22,287,211
Sales and maturities	(23,887,152)	(16,920,373)
	90,850,962	**78,234,791**

2022 R '000
2021 Restated* R '000

6. Investments (continued)

Financial assets
31 March 2022

Compensation portfolio	**Fair value through surplus or deficit**	**Financial assets at amortised cost**	**Total**
Capital market	29,336,557	-	29,336,557
Equity - Listed Shares	13,691,102	-	13,691,102
Bills - Commercial Paper	88,440	-	88,440
Promissory note	411,614	-	411,614
Certificate of Deposit	155,655	-	155,655
Fixed Deposit	-	5,887,297	5,887,297
	43,683,368	**5,887,297**	**49,570,665**

	2022	2021 Restated*
	R '000	R '000

6. **Investments (continued)**

Pension portfolio

	Fair value through surplus or deficit	Financial assets at amortised cost	Total
Capital market	23,658,652	-	23,658,652
Equity - Listed Shares	10,977,268	-	10,977,268
Promissory Note	642,339	-	642,339
Certificate of Deposit	51,634	-	51,634
Fixed Deposit	-	5,950,404	5,950,404
	35,329,893	**5,950,404**	**41,280,297**

31 March 2021
Compensation portfolio

	Fair value through surplus or deficit	Financial assets at amortised cost	Total
Capital market	27,875,159	-	27,875,159
Equity - Listed Shares	11,484,343	-	11,484,343
Bills	199,442	-	199,442
Promissory note	72,160	-	72,160
Certificate of deposit	102,897	-	102,897
Fixed deposit	-	4,704,566	4,704,566
	39,734,001	**4,704,566**	**44,438,567**

Pension portfolio

	Fair value through surplus or deficit	Financial assets at amortised cost	Total
Capital market	19,570,194	-	19,570,194
Equity - Listed Shares	8,232,511	-	8,232,511
Bills	1,271,239	-	1,271,239
Promissory note	54,120	-	54,120
Certificate of deposit	153,055	-	153,055
Fixed deposit	-	4,515,104	4,515,104
	29,281,119	**4,515,104**	**33,796,223**

Maturity Schedule as at 31 March 2022
Compensation portfolio

	Money Market	Capital Market - Bonds	Listed Equity	Total
Matured	66,758	-	-	66,758
0 - 3 months	2,504,089	67,870	-	2,571,959
3 - 6 months	2,838,002	45,747	-	2,883,749
6 - 9 months	428,423	57,809	-	486,232
9 - 12 months	705,734	615,443	-	1,321,177
1 - 3 years	-	4,612,093	-	4,612,093
3 - 7 years	-	5,298,107	-	5,298,107
7 - 12 years	-	7,732,308	-	7,732,308
12 +years	-	10,907,179	13,691,102	24,598,281
	6,543,006	**29,336,556**	**13,691,102**	**49,570,664**

	2022	2021 Restated*
	R '000	R '000

6. Investments (continued)

Pension portfolio	Money Market	Capital Market - Bonds	Listed Equity	Total
Matured	50,068	-	-	50,068
0 - 3 months	1,995,686	-	-	1,995,686
3 - 6 months	3,391,267	-	-	3,391,267
6 - 9 months	25,141	25,910	-	51,051
9 - 12 months	1,182,215	328,994	-	1,511,209
1 - 3 years	-	3,677,811	-	3,677,811
3 - 7 years	-	3,961,778	-	3,961,778
7 - 12 years	-	5,719,502	-	5,719,502
12 +years	-	9,944,658	10,977,268	20,921,926
	6,644,377	**23,658,653**	**10,977,268**	**41,280,298**

Maturity Schedule as at 31 March 2021

Compensation portfolio	Money Market	Capital Market	Listed Equity	Total
0 - 3 months	1,908,095	236,178	-	2,144,273
3 - 12 months	3,170,972	1,594,564	-	4,765,536
1 - 3 years	-	3,297,077	-	3,297,077
3 - 7 years	-	6,045,228	-	6,045,228
7 - 12 years	-	5,251,377	-	5,251,377
12 +years	-	11,450,733	11,484,343	22,935,076
	5,079,067	**27,875,157**	**11,484,343**	**44,438,567**

Pension portfolio	Money Market	Capital Market	Listed Equity	Total
0 - 3 months	2,451,802	370,028	-	2,821,830
3 - 12 months	3,541,716	741,625	-	4,283,341
1 - 3 years	-	2,223,167	-	2,223,167
3 - 7 years	-	4,295,746	-	4,295,746
7 - 12 years	-	3,744,005	-	3,744,005
12 +years	-	8,195,623	8,232,511	16,428,134
	5,993,518	**19,570,194**	**8,232,511**	**33,796,223**

	2022 R '000	2021 Restated* R '000

6. Investments (continued)

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

	2022 R '000	2021 Restated* R '000
Level 1		
Compensation portfolio - Equity listed shares	13,691,102	19,716,854
Pension portfolio - Equity listed shares	10,977,268	-
Bonds - Compensation portfolio	29,336,557	-
Bonds - Pension portfolio	23,658,653	-
	77,663,580	**19,716,854**

	2022 R '000	2021 Restated* R '000
Level 2		
Compensation portfolio - Commercial paper	88,440	1,470,681
Compensation portfolio - Promisory notes	411,614	126,280
Compensation portfolio - Certificate of deposit	155,655	255,952
Pension portfolio - Promisory notes	642,339	-
Pension portfolio - Certificate of deposit	51,634	-
	1,349,682	**1,852,913**

7. Receivables from exchange transactions

	2022 R '000	2021 Restated* R '000
Investment income receivables	169,993	100,863
Other receivables	362	362
Accrued interest	890	2,225
Rent receivable	698	250
Provision for doubtful debts and impairment	(4,644)	(528)
	167,299	**103,172**

The loss allowance for trade and other receivables stratified according to ageing profile as at 31 March 2022 is as follows:

2022	**Gross**	**Impairment**	**Net**
Past due up to 30 days	112,671	-	112,671
Past due by 31 to 60 days	408	-	408
Past due by 61 to 90 days	601	-	601
Past due by 91 to 180 days	16,692	-	16,692
Past due by more than 180 days	41,571	(4,644)	36,927
	171,943	**(4,644)**	**167,299**

	2022 R '000	2021 Restated* R '000

7. Receivables from exchange transactions (continued)

The loss allowance for trade and other receivables stratified according to ageing profile as at 31 March 2021 is as follows:

2021	Gross	Impairment	Net
Past due up to 30 days	103,072	-	103,072
Past due by 31 to 60 days	100	-	100
Past due by more than 180 days	528	(528)	-
	103,700	**(528)**	**103,172**

Reconciliation of provision for impairment of receivables from exchange transactions

	2022	2021
Opening balance	528	591
Provision for impairment	4,116	(63)
	4,644	**528**

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2022	2021
Cash on hand	3	3
Bank balances	495,136	617,689
Short-term deposits	578,407	1,691,534
	1,073,546	**2,309,226**

Included in short-term deposits are cash balances held by the investment manager. The Fund invest its cash and cash balances with South African banks rated as B credit rating.

9. Investment property

Reconciliation of investment property - 31 March 2022

	Opening balance	Additions/ Work-in-progress	Fair value adjustments	Total
Investment property	42,255	7,780	3,227	53,262

Reconciliation of investment property - 31 March 2021

	Opening balance	Adjustment	Restated Balance	Additions	Fair value adjustments	Total
Investment property	33,700	2,858	**36,558**	1,351	4,346	42,255

	2022	2021
Expenditure incurred to repair and maintain	-	198

A register containing the information required by the Public Finance Management Act and GRAP is available for inspection at the registered office of the entity.

The investment property comprises of eight (8) properties located within the Republic of South Africa as disclosed below. The Fund applies the fair value model of subsequent measurement the following methods per category of investment property.

R '000

9. Investment property (continued)

Multi-tenanted investment properties with established rental history were valued using the Discounted Cash Flow Method and the Long Bond Rate as the discount rate. Additional adjustments for the functional and economic obsolescence of the improvements, the location, the perceived market rental growth and the covenants of the tenant's lease terms were made.

Properties under construction (marked above as WIP) that are intended to be put to use as a multi-tenanted investment property were valued Income method with the Long Bond Rate as the discount rate. Comparable market data has been used.

Untenanted properties were valued using the Direct Method of Comparison by considering prices paid for comparable type property in recent open market transactions in the vicinity of the Subject Property.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements beyond those depicted above.

Bhisho House and Compensation House was valued at adjusted market value less demolition costs by Mr. Arthur Lelosa of Manna Holdings (Pty) Ltd, a professional associated valuer in accordance with standards of the South African Council for the Property Valuer's Professional and International Valuation Standards (IVS).

SS Baobab Manor and Bendor Park from the joint venture were valued at market value by Mr. Arthur Lelosa of Manna Holdings (Pty) Ltd, a registered professional valuer in accordance with standards of the South African Council for the Property Valuer's Professional and International Valuation Standards (IVS).

The investment property comprises of the following:

- Office building situated on ERF 252, Bhisho House, in Eastern Cape, building is currently being leased to the Department of Public Works and valued at R8,3 million.
- Unoccupied Compensation House property at Portion 90 of the Farm Prinshof 349-JR, situated at the corner of Soutpansberg Road and Hamilton Street in Pretoria, valued at R29,6 million.
- Residential blocks used as student accommodation on SS Baobab Manor; Erf 222 Annadale, No 66 Pietersburg Street Polokwane, valued at R52,2 million (5% interest of the Fund is R2,6 million). The property is held in the name of KSL Coownership Unincorporated Joint Venture.
- Vacant land and building situated on Bendor Park; Erf 7339 Bendor Extension 86 at Conner Diemer Street and Hillary Drive in Polokwane, valued at R42,7 million (5% interest of the Fund is R2,1 million). The property is held in the name of KSL Coownership Unincorporated Joint Venture.

10. Property, plant and equipment

	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Plant and machinery	1,027	(286)	741	1,027	(218)	809
Furniture and fixtures	35,853	(15,962)	19,891	38,709	(29,343)	9,366
Motor vehicles	2,456	(1,482)	974	2,456	(1,426)	1,030
IT equipment	51,813	(19,912)	31,901	54,913	(19,271)	35,642
Leasehold improvements	76,005	(60,121)	15,884	75,990	(50,602)	25,388
Finance leased office equipment	6,549	(3,419)	3,130	6,549	(1,401)	5,148
Total	**173,703**	**(101,182)**	**72,521**	**179,644**	**(102,261)**	**77,383**

	2022	2021 Restated*
	R '000	R '000

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 31 March 2022

	Opening balance	Additions	Disposals	Reassessment useful life	Transfer/ write off/ other changes	Prior year adjustment	Depreciation	Total
Plant and machinery	809	-	-	-	-	-	(68)	741
Furniture and fixtures	9,366	100	(133)	1,371	-	12,896	(3,709)	19,891
Motor vehicles	1,030	-	-	-	-	-	(56)	974
IT equipment	35,642	186	(112)	2,731	(626)	975	(6,895)	31,901
Leasehold improvements	25,388	15	-	-	-	-	(9,519)	15,884
Finance leased office equipment	5,148	-	-	-	-	-	(2,018)	3,130
	77,383	**301**	**(245)**	**4,102**	**(626)**	**13,871**	**(22,265)**	**72,521**

Reconciliation of property, plant and equipment - 31 March 2021

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Plant and machinery	878	-	-	-	(69)	-	809
Furniture and fixtures	10,875	379	-	-	(1,869)	(19)	9,366
Motor vehicles	1,096	-	-	-	(66)	-	1,030
IT equipment	10,205	47,381	(14,868)	(15)	(6,889)	(172)	35,642
Leasehold improvements	34,875	25	-	-	(9,512)	-	25,388
Finance leased office equipment	3,046	3,757	-	-	(1,655)	-	5,148
	60,975	**51,542**	**(14,868)**	**(15)**	**(20,060)**	**(191)**	**77,383**

No restrictions exist on title of any item of property, plant and equipment and no items have been pledged as securities for liabilities.

The Fund has acquired 500 laptops valued R14,8 million and transferred to DEL for Inspectorate and Enforcement Services(IES) to improve service delivery.

There were no items of property, plant and equipment under construction or development.

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

	2022	2021
Plant and machinery	71	-
Furniture and fixtures	621	121
Motor vehicles	438	153
	1,130	**274**

R '000

11. Intangible assets

	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	113,064	(95,511)	17,553	136,431	(108,877)	27,554
Intangible assets under development	63,967	-	63,967	62,958	-	62,958
Rights to use of assets	1,046	-	1,046	1,120	-	1,120
Total	**178,077**	**(95,511)**	**82,566**	**200,509**	**(108,877)**	**91,632**

Reconciliation of intangible assets - 31 March 2022

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	27,554	-	(10,001)	17,553
Intangible assets under development	62,958	1,009	-	63,967
Rights to use of assets	1,120	-	(74)	1,046
	91,632	**1,009**	**(10,075)**	**82,566**

Reconciliation of intangible assets - 31 March 2021

	Opening balance	Additions	Disposals	Reclassification	Amortisation	Total
Computer software, internally generated	26,871	-	(4,241)	14,333	(9,409)	27,554
Intangible assets under development	54,104	8,854	-	-	-	62,958
Rights to use of assets	-	1,120	-	-	-	1,120
	80,975	**9,974**	**(4,241)**	**14,333**	**(9,409)**	**91,632**

Other information

Addition to intangible asset is made of R1,009 million of assets under develpoment.

Additions to intangible assets is made of the amount paid in cash of R 1,1 million for the portion of land in Mankweng (servitude rights) acquired for the development of student accommodation. And paid R6.5 million in cash during the year and accruals of R2.3 million for the portion of work done but not certified and invoiced.

Intangible assets under development are not amortised until they are in the location and condition necessary for it to be capable of operating in the manner intended by management and available for use.

Impairment losses were recognised or reversed in surplus or deficit during the period.

	2022 R '000	2021 Restated* R '000

12. Interests in other entities

Investments in associates

Name of entity	**Determination of ownership interest**	**% ownership interest 31 March 2022**	**% ownership interest 31 March 2021**	**Carrying amount 31 March 2022**	**Carrying amount 31 March 2021**
Afric Oil - Year end February	Unlisted	- %	29.00 %	-	-
Busamed Proprietary_Equity - Year end March	Unlisted	3.16 %	3.16 %	32,873	30,923
Daybreak Farms - Year end March	Unlisted	33.00 %	33.33 %	295,998	360,753
Fountain Civil Engineering - Year end February	Unlisted	10.00 %	10.00 %	-	-
Gurb Investment - Year end March	Unlisted	10.00 %	10.00 %	-	-
LA Crushers - Year end February	Unlisted	37.00 %	37.71 %	-	-
Musa Capital - Year end February	Unlisted	15.00 %	15.00 %	-	-
Mpudulle Eye Centre CC - Year end March	Unlisted	29.00 %	- %	-	-
Razorite Fund I - Year end March	Unlisted	52.50 %	52.50 %	729,507	703,092
Razorite Fund II - Year end March	Unlisted	29.03 %	35.50 %	460,461	494,200
SA SME - Year end February	Unlisted	7.31 %	7.31 %	89,262	89,498
TCI-TISO - Year end June	Unlisted	9.00 %	9.00 %	3,357	1,401
Zamalwandle Transaport Logistics - Year end February	Unlisted	10.00 %	10.00 %	-	-
				-	-
				1,611,458	1,679,867

The carrying amounts of associates are shown net of impairment losses.

Afric Oil has been liquidated and The Fund was able to recover R 2,9 million on liquidation.

Movements in carrying amount		
Opening balance	1,679,867	1,595,140
Acquisition of investments in associates	7,746	250,769
Disposal of investments in associates	(113,022)	(8,438)
Capitalised	-	15,467
Impairment of investment in associates	-	(128,746)
Loss on disposal of investment in associate	-	(13,757)
Share of surplus from associates - prior year	-	(7,255)
Share of surplus from associates	36,867	(23,313)
	1,611,458	**1,679,867**

13. Investments in unlisted loans

Unlisted Loans	573,055	590,384

	2022 R '000	2021 Restated* R '000

13. Investments in unlisted loans (continued)

Reconciliation of investment in unlisted loans

	2022 R '000	2021 Restated* R '000
Opening balance	590,384	565,063
Effective interest	63,365	53,687
Coupon interest	(62,205)	(33,023)
Impairment of investments	(114,029)	(6,924)
Reversal of impairment	-	84,402
Redempton premium	20,800	-
Increase in investment in unlisted loans	267,981	66,106
Repayment of unlisted loans	(194,000)	(138,927)
Commitment fees	759	-
	573,055	**590,384**

Investment in unlisted loans are debt investment on Social Responsible Investment as per the Department of Employment and Labour, the investments are made by PIC on behalf of the Fund.

14. Finance lease obligation

	2022 R '000	2021 Restated* R '000
Minimum lease payments due		
- within one year	2,340	2,472
- in second to fifth year inclusive	789	3,131
	3,129	5,603
less: future finance charges	(163)	(496)
Present value of minimum lease payments	**2,966**	**5,107**

	2022 R '000	2021 Restated* R '000
Present value of minimum lease payments due		
- within one year	2,195	2,141
- in second to fifth year inclusive	771	2,966
	2,966	**5,107**

	2022 R '000	2021 Restated* R '000
Non-current liabilities	771	2,966
Current liabilities	2,195	2,141
	2,966	**5,107**

The lease liability relates to photocopy machines leased from service providers over an initial 3-year lease term with a mandatory free rental extension on a period not exceeding 24 months. The Fund has implemented the extension.

15. Payables from exchange transactions

	2022 R '000	2021 Restated* R '000
Trade payables	398,768	260,375
Debtors with credit balances	105	559
Unallocated receipts	27,618	28,553
Operating lease payables	3,541	927
Unsettled investments	15,376	24,370
	445,408	**314,784**

	2022	2021 Restated*
	R '000	R '000

16. Accruals

Accruals comprises of:

Accumulated leave	78,899	72,918
Service and performance bonus	41,355	40,076
Accrued Expenses	28,429	26,419
	148,683	**139,413**

17. Payable from non-exchange transaction

Debtors with credit balances	350,086	321,408
Compensation, medical and pension	1,621,486	1,511,476
	1,971,572	**1,832,884**

	2022	2021 Restated*
	R '000	R '000

18. Provisions for outstanding claims

Reconciliation of provisions for outstanding claims - 31 March 2022

	Opening Balance	Acturial loss	Unwinding of discount	Increase in provision	Claims paid	Total
Outstanding claims	16,397,444	(4,637,997)	960,756	4,413,255	(2,584,849)	14,548,609

Reconciliation of provisions for outstanding claims - 31 March 2021

	Opening Balance	Acturial loss	Unwinding of discount	Increase in provision	Claims paid	Total
Outstanding claims	13,909,818	58,705	100,709	4,687,938	(2,359,726)	16,397,444

	2022	2021
Non-current liabilities	10,943,063	13,429,641
Current liabilities	3,605,546	2,967,803
	14,548,609	**16,397,444**

Provision for outstanding claims arise from actuarial valuation of the Fund’s assets and liabilities as prescribed in section 17 of the Act.

The Outstanding Provision is calculated separately for TTD, PD, Death Lump Sum, Medical Claims, Capitalised Pensions and CAA using thee Bornheutter Ferguson (BF) method. The balance represents the ultimate claims expected for each of the accident semesters.

The actuarial valuation is performed by True South Actuaries & Consultants who are registered with the Actuarial Society of South Africa. The actuarial value of the Fund’s technical liabilities as determined by True South Actuaries & Consultants as at 31 March 2022 amounted to R14,5 billion (2021: R16.4 billion). This included the outstanding claims liabilities, liabilities in respect of pensions in payments, expenses and margins.

The margin applied above on the “Annual Valuation” basis is based on Standard of Actuarial Practice (SAP) 104 guidelines as prescribed by the Actuarial Society of South Africa (ASSA).

Compensation benefits methodology

Total Temporary Disability

The claims payments in 2020 second semester were estimated as the average of the previous ten semesters in the same development period, as the data was 99% lower than other financial semesters.

The claims paid data in the same semester as the accident for 2015S2, 2016S1, 2017S1 and 2021S2 was replaced by the average claims paid in the surrounding semesters due to zero or exceptionally low claim amounts

Further adjustments were made to ensure that the level of claims closer aligned with the claims per the annual financial statements.

Medical expenses

We assumed that the 2020 second semester medical claims payments were made at the same level as the previous and following semesters and that not all the payments were given through in the out of system data. The 2020 second semester data was multiplied by a factor of 3,4 to estimate a normalised level of claims.

The medical claims paid data for the second semester of 2015 was 40% of the average claims paid in a semester. This data was multiplied by 2,6.

A similar issue arose for 2020 semester 2, where a multiple of 2,1 was applied.

The claims paid data in the same semester as the accident for 2018S2, 2019S1, 2019S2 and 2020S2 was replaced by the average claims paid in the surrounding semesters due to zero or exceptionally low amounts.

	2022 R '000	2021 Restated* R '000

18. Provisions for outstanding claims (continued)

Further adjustments were made to ensure that the level of claims closer aligned with the claims per the annual financial statements.

Permanent Disability and Lump Sum Death

Data prior to 2020 and in 2020S2 were significantly out of line with the pattern of payments in adjacent periods. Due to this, we back-filled payments prior 2017S1 and 2020S2 based on the development factors calculated from the data that was provided.

Further adjustments were made to ensure that the level of claims closer aligned with the claims per the annual financial statements.

Margins

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

The assumptions made in the valuation are as follows:

- Discount rate: The gross discount rate is based on the risk-free bond curve published by the PA. The implied inflation curve is similarly derived from the real bond curve issued by the PA. This is in line with the economic assumptions used previously. South Africa's nominal risk free yield curve (previously 6.50% p.a.).
- Benefit inflation: South Africa's annual pension and CAA benefit increases equal to the expected change in the Consumer Price Index multiplied by 1,05 (i.e. allowing for a 5% multiplicative increase above CPI) implied inflation curve increased by 1.05% (previously 1.0% p.a.)
- Margins applied to the best-estimate reserves have remained unchanged since the previous valuation and are as follows:
  - Expense margin: 10%
  - Death benefit: 7.5%
  - Disability benefits: 10%
  - Medical benefits: 15%
  - Capitalised pension benefits: 15%

19. Capitalised value of pensions

	2022 R '000	2021 Restated* R '000
Capitalised value	26,298,108	26,387,643
Non-current liabilities	24,433,033	24,545,944
Current liabilities	1,865,075	1,841,699

	2022	2021 Restated*
	R '000	R '000

19. Capitalised value of pensions (continued)

Financial liabilities at fair value

Reconciliation

Reconciliation of capitalised value of pension - 2022

	Opening balance	Actuarial gains or losses	Unwinding of discount	Increase in provision	Claims paid	Total
Capitalised value	26,387,643	(258,616)	775,009	578,794	(1,184,722)	26,298,108

Reconciliation of capitalised value for pension - 2021

	Opening balance	Actuarial gains or losses	Unwinding of discount	Claims paid	Total
Capitalised value	25,164,947	1,147,620	1,277,656	(1,202,580)	26,387,643

19. Capitalised value of pensions (continued)

Capitalised value of pensions

Capitalised value of pensions also arise from actuarial valuation of the Fund's assets and liabilities as prescribed in section 17 of the Act.

Section 88 of the Act requires mutual associations to pay expenditure incurred by the Fund in the administration of the Act as well as compensation that became payable by the Fund in respect of employers who failed to pay their assessments

The actuarial value of the Fund's technical liabilities as determined by True South Actuaries & Consultants as at 31 March 2022 amounted to R26,3 billion (2021: R26.4 billion). This included the liabilities in respect of pensions in payments, expenses and margins.

The margin applied above on the "Annual Valuation" basis is based on Standard of Actuarial Practice (SAP) 104 guidelines as prescribed by the Actuarial Society of South Africa (ASSA).

Capitalised value pensions is calculated using the Bornheutter Ferguson (BF) method and the pension commencement dates "back-populated" from the latest pension data set, with an adjustment for pensions that might have commenced and in the development period being considered. Claims processed are grouped into a matrix according to:

- Accident semester: The financial year (and semester) of the accident or diagnosis of disease

- Development semester: The number of semesters since the accident semester it took for the claim to get paid.

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

In making inflationary adjustment, it is assumed that claims are on average paid halfway through each financial year. "Link ratios" (by how much the cumulative claim payments for a particular accident semester are expected to increase from one development semester to the next) are then calculated using a formula subsequent to which development factors are then applied to total claims paid to date for each accident semester to derive the total claims ultimately expected to be paid for that specific accident semester.

The formula for deriving the ultimate expected claims is heavily reliant on the claims reported to date. For the more recent semesters, the volume of claims already developed is typically small, and a large development factor is applied to the low amounts to estimate the ultimate claims.

This shortcoming of the Basic Chain Ladder method can be overcome through the application of an Independent Estimate ("IE"). An IE is determined for each accident year that represents the ultimate expected claims. In most cases the IE is determined by applying a long-term claims ratio (or historically derived ratio from older periods assumed to be fully run off) to the total assessments received.

The Outstanding Claims for such periods can then be calculated as the IE less claims reported to date for the respective accident semesters.

The Bornheutter-Ferguson method assigns a weight to the reserve calculated for each accident semester to the Basic Chain Ladder and the reserve calculated using an Independent Estimate. The weights applied are based on the development factors calculated from the full claim's matrix.

Pensions methodology

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

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

The assumptions made in the valuation are as follows:

- Discount rate: South Africa's nominal risk free yield curve.

	2022 R '000	2021 Restated* R '000

19. Capitalised value of pensions (continued)

- Mortality: Notably, the rate of mortality improvement was reduced from 1,5% to 0,5%.
- Annuity increases: South Africa's implied inflation curve plus 5%margin
- Inflation: South Africa's implied inflation curve.
- Renewal expense: R388,96 per pensioner per annum (previously R367,29).
- Expense increases: Consumer Price Index curve increased by a margin of 10%.

the data contingency reserve was left unchanged at R5,2bn. The total Pensioner & CAA provisions was maintained as at 31 March 2022. This is equal to 24,7% of the pensioner liability, including expenses and the benefit increase impact (prior year: 25,0%).

The further ‘Additional data provision’ related to similar discrepancies in the various data sources. We believe this explicit reserve is no longer necessary, as sufficient allowance has been made in the R5,2bn data contingency reserve already held.

20. Revenue

	2022 R '000	2021 Restated* R '000
Revenue from exchange transactions	6,267,565	4,787,107
Revenue from non-exchange transactions	10,754,179	9,666,864
	17,021,744	**14,453,971**

	2022 R '000	2021 Restated* R '000
Revenue from non-exchange transactions		
Contribution by employer	9,417,985	9,539,577
Interest and penalties	1,304,166	94,460
Other sundry revenue	-	44
Administrative contributions (s88): FEM and RMA	32,028	32,783
Total revenue from non-exchange transactions	**10,754,179**	**9,666,864**

	2022 R '000	2021 Restated* R '000
Revenue from exchange transactions		
(a) Other revenue from exchange transactions		
Administrative contributions by employers (S88)	18,278	10,399
Interest earned from the bank accounts	107,458	128,784
Rental income	1,753	1,892
(b) Investment income		
Dividends received	877,467	506,229
Interest received	5,228,099	4,135,302
Other investment income	34,510	4,501
Total revenue from exchange transactions	**6,267,565**	**4,787,107**

21. Compensation benefits

	2022 R '000	2021 Restated* R '000
Funeral Benefit	18,882	10,525
Constant attendance allowance	102,493	66,035
Total temporary disablility	142,767	88,173
Total permanent disability	213,091	164,130
Pension	1,231,127	1,071,388
Medical aid	4,117,960	4,033,098
	5,826,320	**5,433,349**
Actuarial (losses)/gains		
Outstanding claims (refer to note 18)	4,637,997	(58,705)
Capitalised value of pensions (refer to note 19)	258,616	(1,147,620)
	4,896,613	**(1,206,325)**
	10,722,933	**4,227,024**

	2022 R '000	2021 Restated* R '000

22. Employee related costs

	2022	2021
Basic salaries	869,029	741,386
Perfomance bonus	1,367	5,552
Leave pay provision charge	9,764	27,588
Medical aid contributions	74,100	61,650
Overtime payments	9,043	8,366
Service bonusses - 13th Cheques	72,682	59,891
Non pensionable allowances	110,549	54,962
Pension contributions - Defined contribution plan	111,634	95,488
Bargaining council contributions	542	332
	1,258,710	**1,055,215**

Key management remuneration

31 March 2022

	Annual Remuneration	Service Bonus/ 13th Cheque	Contributions to Pension Funds	Short-term Benefits (Allowance)	Total
Compensation Commissioner	942	80	196	466	1,684
Chief Director: Financial Management	250	-	51	134	435
Chief Operating Officer	1,048	-	218	270	1,536
Chief Director: Corporate Services	979	83	204	248	1,514
Chief Director: COID Services	877	68	182	128	1,255
Chief Director: Medical Benefits	756	64	157	374	1,351
Chief Director: Orthotics and Rehabilitation	882	-	182	262	1,326
	5,734	**295**	**1,190**	**1,882**	**9,101**

31 March 2021

	Annual Remuneration	Service Bonus/ 13th Cheque	Contributions to Pension Funds	Short-term Benefits (Allowance)	Total
Compensation Commissioner	941	78	193	432	1,644
Chief Director: Financial Management	184	-	38	99	321
Chief Operating Officer	1,047	-	215	231	1,493
Chief Director: Corporate Services	972	81	199	209	1,461
Chief Director: COID Services	355	-	75	71	501
Chief Director: Medical Benefits	751	63	154	341	1,309
Chief Director: Orthotics and Rehabilitation	876	-	180	235	1,291
	5,126	**222**	**1,054**	**1,618**	**8,020**

Department of Employment and Labour offer its employees a total cost to company that is reflected in total remuneration, employees may structure their package as follows:
- (a) Remuneration includes amounts structured as basic salary and service bonus.
- (b) Other benefits include amounts structured as car allowance, non pensionable allowance and housing allowance

The Chief Director Financial Management resigned on 5 August 2021, the position was vacant for seven months during the year ended 31 March 2022. The position of the Chief Director Financial Management was filled on 4 January 2022.

2022

L Kotta – Director Financial Control acted in the position of Chief Director: Financial Management from August 2021 to February 2022 and received an amount of R 19,256.64 as an acting allowance.

2021

	2022 R '000	2021 Restated* R '000

22. Employee related costs (continued)

L Kotta – Director Financial Control acted in the position of Chief Director: Financial Management from April 2020 to December 2020 and received an amount of R 107,741.15 as an acting allowance.

PNM Sihlangu – Director: Compensation Benefits acted in the position of Chief Director: COID Services from March 2022 to September 2020 and received an amount of R 30,139.47 as an acting allowance.

23. Depreciation and amortisation

	2022 R '000	2021 Restated* R '000
Property, plant and equipment	22,265	20,060
Intangible assets	10,075	9,409
	32,340	**29,469**

24. Impairment loss or reversal of investments

	2022 R '000	2021 Restated* R '000
Impairments		
Investments in associates	113,022	128,747
Unlisted loans	114,029	(77,478)
	227,051	**51,269**

Impairment losses or reversal related to the investments in unlisted loans accounted for at amortised cost (refer to note 13).

25. Finance costs and interest paid

	2022 R '000	2021 Restated* R '000
Interest on finance leases	330	340
Interest on overdue accounts	2,110	31,295
Unwinding of discount	1,735,766	1,378,366
	1,738,206	**1,410,001**

Unwinding of discount of R960,8 million (2021: R100,7 million) related to the outstanding claims provision (refer to note 18) and R775 million (2021: R1,3 billion) for the capitalised value of pension (refer to note 19) in order to build up the discounted liability to its future value.

26. Lease rentals on operating lease

	2022 R '000	2021 Restated* R '000
Premises		
Rental of facilities	75,636	67,106
Equipment		
Equipment	4,450	2,060
	80,086	**69,166**

27. Impairment of receivables

	2022 R '000	2021 Restated* R '000
Statutory receivables from exchnage transactions	619,590	3,098,254
Receivables from non-exchange transactions	(258,416)	(264,231)
Receivables from exchange transactions	4,116	-
	365,290	**2,834,023**

	2022 R '000	2021 Restated* R '000

28. General expenses

Assessor's fees	292	741
Auditors remuneration	21,334	18,116
Compensation board	7,470	2,910
Investment other expenses	8,669	6,993
Consulting and professional fees	71,778	43,984
Donation	-	14,171
ICT expenses	233,371	237,193
Investment fees	13,289	2,765
Investment management fees	56,039	48,550
Other expenses	143,168	125,701
Printing and stationery	5,528	3,675
Subsidies for accident prevention	13,608	8,858
Repairs and maintenance	2,581	897
Training expenses	152,325	65,183
Travel and subsistence	59,325	19,355
Bad debts written off	-	3,258
Venue expenses	5,819	1,738
	794,596	**604,088**

29. Fair value adjustments

Other financial assets		
• Financial assets at fair value through surplus/deficit (b) (note 6)	2,109,815	9,462,335

	2022 R '000	2021 Restated* R '000

30. Cash generated from operations

	2022 R '000	2021 Restated* R '000
Surplus	14,634,495	11,522,148
Adjustments for:		
Depreciation and amortisation	32,340	29,469
Loss on disposal of assets	817	4,551
Other expenses	15,060	1,543
Fair value adjustments - investments	(2,118,911)	(9,462,335)
Interest income	(5,228,099)	(4,135,302)
Dividends received	(877,467)	(506,229)
Impairment of investments	227,051	51,269
Other income	365,290	2,830,764
Unwinding of discount	1,736,096	1,378,706
Actuarial losses/(gains)	(4,896,613)	1,206,324
Benefits - prior period	74,324	(2,086)
Loss from sale of investment in associates	-	13,757
Bad debts written off	-	3,258
Share of profits	(36,867)	23,313
Profit or loss on sale of investment	(895,772)	(340,367)
Revenue from exchange	(68,714)	-
Changes in working capital:		
Inventories	-	147
Receivables from exchange transactions	(71,113)	(17,180)
Operating lease asset	(74)	-
Receivables from non-exchange transactions	(356,818)	(25,095)
Statutory receivables	(1,552,454)	(1,827,821)
Prepayments	25,084	(39,896)
Payables from exchange transactions	111,577	186,472
Payable from non-exchange transaction	42,768	169,247
Accruals	9,270	38,836
Outstanding claims	1,828,560	2,328,210
Capitalised value of pensions	(605,929)	(1,202,580)
	2,393,901	**2,229,123**

R '000

31. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

31 March 2021

	As previously reported	Correction of error	Restated
Operating lease asset	34	171	205
Prepayments	87,749	(12,636)	75,113
Receivables from non-exchange transactions	327,812	57	327,869
Statutory receivables	2,309,233	270,281	2,579,514
Receivables from exchange transactions	103,273	(101)	103,172
Cash and cash equivalents	2,309,259	(33)	2,309,226
Investments	64,219,831	(19)	64,219,812
Investments in associates	1,690,992	(11,125)	1,679,867
Payables from exchange transactions	(302,796)	(11,988)	(314,784)
Accruals	(141,456)	2,043	(139,413)
Payables from non-exchange transactions	(1,833,277)	393	(1,832,884)
Surplus / (deficit) for the period	(11,369,459)	(155,012)	(11,524,471)
Accumulated surplus	(29,415,638)	(82,031)	(29,497,669)
	27,985,557	**-**	**27,985,557**

Statement of financial performance

31 March 2021

	As previously reported	Correction of error	Restated
Revenue from exchange transactions	(4,783,103)	4,004	(4,787,107)
Revenue from non-exchange transactions	9,484,367	182,497	9,666,864
Compensation benefits	(5,435,437)	2,088	(5,433,349)
Employee related costs	(1,057,259)	2,044	(1,055,215)
Impairment of investments	77,477	(128,746)	(51,269)
Operating lease rentals	(74,230)	5,064	(69,166)
General expenses	(582,741)	(21,347)	(604,088)
Fair value adjustments	9,318,914	143,421	9,462,335
Share of deficits or surpluses from associates	10,698	(34,011)	(23,313)
Surplus for the year	**6,958,686**	**155,014**	**7,105,692**

Cash flow statement

R '000

31. Prior-year adjustments (continued)

31 March 2021

	As previously reported	Correction of error	Restated
Cash flow from operating activities			
Receipts from operations	7,855,905	296,583	8,152,488
Interest income	141,020	(12,236)	128,784
Other receipts and refunds	480	16,312	16,792
Payment to employees and suppliers	(1,547,131)	(180,712)	(1,727,843)
Benefits paid	(4,185,389)	(124,413)	(4,309,802)
	2,264,885	**(4,466)**	**2,260,419**
Cash flow from investing activities			
Purchase of investments	(22,475,453)	188,241	(22,287,212)
Maturity and sale of investments	16,965,630	(42,132)	16,923,498
Dividends received	489,018	17,211	506,229
Additions investments in associates	(107,349)	(157,887)	(265,236)
	(5,128,154)	**5,433**	**(5,122,721)**

Prior period errors and effect of new accounting standards

The following prior period errors have been identified and the specific effect on Financial Statements have been setout below. These errors have been corrected and comparatives restated accordingly, the effect on previously reported financial statements is also indicated:

	2022 R '000	2021 Restated* R '000

31. Prior-year adjustments (continued)

31.1 Operating lease assets

Statement of Financial Position		
Increase in operating lease assets		170
Increase in accumulated surplus		(170)
		-

Statement of Financial Performance		
Increase in revenue from exchange		(158)
Increase surplus for the year		158
		-

The correction is due to alignment of the operating lease numbers to a lease agreement the fund had entered into in 2020.

31.2 Prepayment

Statement of Financial Position		
Decrease in prepayments		(12,636)
Decrease in accumulated surplus		12,636
		-

Statement of Financial Performance		
Increase in general expenses		11,122
Decrease surplus for the year		(11,122)
		-

The Fund did not amortise the advanced payments made to GCIS as and when the different campaigns were rendered

31.3 Receivables from Non -Exchange

Statement of Financial Position		
Increase in receivables from non-exchange		57
Increase in accumulated surplus		(57)
		-

The fund did not raise an invoice for the fraud case number 31/10/2017 as and when the case was finalised.

31.4 Statutory Receivables

31.4.1 Statutory Receivables

Statement of Financial Position		
Decrease in statutory receivables		(182,116)
Decrease in impairment allowance against statutory receivable		182,116
		-

Section 36 of COIDA has been misinterpreted over the years which lead to invoices incorrectly raised against Third Party Claims more specifically the Road Accident Fund as well as raising an impairment allowance against the amounts not collected.

31.4.1 Statutory Receivables

Statement of Financial Position		
Increase in statutory receivables		270,281
Decrease in payables from exchange transactions		(270,281)

	2022 R '000	2021 Restated* R '000

31. Prior-year adjustments (continued)

		-
Statement of Financial Performance		
Increase in revenue from non-exchange transactions		(179,239)
Decrease surplus for the year		179,239
		-

The fund has in the past not applied the accrual basis accounting on returns of earnings, applicable penalties and interest on assessment. This resulted in revenue not allocated to the period in which it was earned.

31.5 Cash and Cash Equivalents

Statement of Financial Position		
Decrease in cash and cash equivalents		(34)
Decrease in payables from exchange transactions		34
		-

This relates to unallocated payment which had to be allocated for that period.

31.6 Payables from exchange

Statement of Financial Position		
Increase in payables from exchange transactions		(156)
Decrease in accumulated surplus		156
		-

Statement of Financial Performance		
Decrease Operating lease rental		(108)
Increase General Expenses		83
Decrease surplus for the year		25
		-

Increase in Payables as a result to account for the leases previously mapped incorrectly.

31.7 Accruals

Statement of Financial Position		
Decrease in accruals		2,043
Increase in accumulated surplus		(2,043)
		-

Statement of Financial Performance		
Decrease employee related costs		2,043
Increase surplus for the year		(2,043)
		-

This is as a result of human error where the schedule did not pull some columns and thereby resulting in a variance.

31.8 Benefits

Statement of Financial Performance		
Increase in general expenses		(2,088)
Decrease in benefits		2,088
		-

Misinterpretation of the nature of the medical transaction.

	2022 R '000	2021 Restated* R '000

31. Prior-year adjustments (continued)

31.9 Operating Lease rental

Statement of Financial Performance		
Increase in general expenses		4,959
Increase in Operating lease rentals		(4,959)
		-

Lease related expenses were incorrectly set-off or mapped against lease rental income.

31.10 General Expenses

Statement of Financial Performance		
Increase in general expenses		14,078
Decrease in surplus for the year		(14,078)
		-

General expenses had been increased overall to reflect the correct mapping of accounts.

31.11 Investments in associates

Statement of Financial Performance		
Increase in Accumulated surplus.		7,255
Increase Revenue from exchange transactions		(3,846)
Increase Impairment of investments		128,746
Increase in Payables from exchange transactions		(11,621)
Increase Share of deficits or surpluses from associates		34,011
Increase Fair value adjustments		(143,420)
Decrease in Investment for the year		(11,125)
		-

Prior years carrying amount of associates was corrected to account for equity accounting using the associates audited financial's/management account.

31.12 Investments

Statement of Financial Performance		
Increase in receivables from exchange transactions for the year		20
Decrease in Investment for the year		(20)
		-

Invoices of transactions to be reversed where other JV participants did not participate in some of the capital contributions.

32. Going concern

We draw attention to the fact that at 31 March 2022, the entity had an accumulated surplus of R 56,170,344 and that the entity's total assets exceed its liabilties by R 1,276,167.

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

When considering all of the above, the Fund does not expect significant increase in claims and pension as a result of Coronavirus claims. The Fund has adequate reserves to cover unforeseen liabilities, and therefore, there will be no impact on the going concern of the Fund.

	2022 R '000	2021 Restated* R '000

33. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	1,237,887	186
• Intangible assets	27,707	28,716
	1,265,594	**28,902**
Not yet contracted for and authorised by member		
• Property, plant and equipment	84,767	-
Total capital commitments		
Already contracted for but not provided for	1,265,594	28,902
Not yet contracted for and authorised by member	84,767	-
	1,350,361	**28,902**

Authorised operational expenditure

Already contracted for but not provided for		
• Services	2,511	3,761
• Goods	496	376
Current assets	3,235	-
• Contracts: within one year	174,528	108,369
• Contracts: in second to fifth year inclusive	404,497	141,561
	585,267	**254,067**
Not yet contracted for and authorised by member		
• Expenditure	204,104	84,767
Total operational commitments		
Already contracted for but not provided for	585,267	254,067
Not yet contracted for and authorised by member	204,104	84,767
	789,371	**338,834**

Total commitments

Total commitments		
Authorised capital expenditure	1,265,594	28,902
Authorised operational expenditure	585,267	254,967
	1,850,861	**283,869**

This committed expenditure relates to goods and services and contracts related to service needed by the Fund to carry out its mandate. Capital commitments for intangible assets relates to the development of claims management system and for PPE relates to refurbishment of Compensation House and acquisation of a new office accommodation in collaboration with UIF through PIC property mandate..

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	39,754	37,070
- in second to fifth year inclusive	49,174	88,724
	88,928	**125,794**

	2022 R '000	2021 Restated* R '000

33. Commitments (continued)

Operating lease payments represent rentals payable by the entity for office building, telecommunication services and document management service.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	1,401	1,309
- in second to fifth year inclusive	2,681	4,082
	4,082	**5,391**

Entity's property is held to generate rental income. This property is expected to generate rental yields of 7% on an ongoing basis. Lease agreements are non-cancellable and have terms from 3 to 6 years. There are no contingent rents receivable.

34. Contingencies

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

If a mutual association or an exempted employer fails to meet its liabilities in full in terms of the Act, the Accounting Authorities may apply such securities to pay the liabilities and the balances of any liabilities not paid from such securities will have to be paid from Reserves from the fund which creates a contingent liability to the fund.

The Fund also receives notices of court motions and summons with a potential, litigations are mainly due delays in adjudication and paying benefit for occupational injuries and diseases. Liabilities for occupational injuries and diseases has already been accounted under Provision for Outstanding Claims (refer to note 18) and Capitalised Value for Pension (refer to note 19).

Contingent assets and liabilities

Contingent liabilities

The extent of securities held/ceded to the fund were less than the liabilities of the exempted employer by R4.5 million (2021: R24.8 million).

The Fund has received approximately 321 (2021: 166) notices of court motions and summons with a potential financial impact of R662,5 million (2021: R30,2 million).

Contingent assets

The extent of securities held/ceded to the fund exceeded the liabilities of the mutual association and exempted employer by R14.6 billion (2021: R11.7 billion).

The Fund adopted a process of comparing its database to the database of UIF. 12,000 employers were found to be in existence at the UIF and this match was used to conclude on the existence of the employees and the employer resulting in a contingent asset. In instances where the employer was not found in the UIF database, CF compared its data to the CIPC to verify the existence of those employers remaining in its database. The comparision with the CIPC revealed 87 318 employers with a possible status of existence.

The CIPC status of the employer was considered in order to determine whether the employer was in liquidation, insolvent or inactive. The outcome of the verified status means that these employers would be followed up by the Fund in order to establish the validity of their status. Once confirmation is obtained on whether the employer is liquidated, insolvent or inactive, such employers would be considered for write-off.

R '000

35. Risk management

Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Financial risk exposures are on the account of the Fund's strategic asset allocation percentages for the various asset classes, which are set to counter inflation risk that affect the Fund's liabilities and assets.

The nature and extent of financial instruments as at financial year-end and the risk management policies employed by the Fund and its investment administrator are discussed below.

Liquidity risk

Liquidity risk is the risk of being unable to close out open financial instrument positions quickly enough and in sufficient quantities at near-market prices to avoid adverse financial impacts as a result of there being insufficient volume in the market (or where the market is suspended or closed).Prudent liquidity risk management also implies maintaining sufficient cash and cash equivalents to meet our obligations as they become due. In the ordinary course of business, the Fund receives cash from assements of employers and is required to fund working capital and capital expenditure requirements. Management prepares a budget and ensures that surplus funds are invested in a manner to achieve market-related returns or the Funds objectives and to provide sufficient liquidity at the minimum risk.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The maturity analysis for interest bearing assets at year-end is disclosed in note 6. The Fund's exposure to liquidity risk is represented by the carrying amount of all financial liability determined to be exposed to liquidity risk, amounting to R2.4 billion as at 31 March 2022 (2021: R2.1 billion)

At financial year end 31 March 2022, the financial liabilities exposed to liquidity risk as follows.

At 31 March 2022	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Payables from non-exchange transactions	1,971,572	-	-	-
Payables from exchange transactions	445,118	-	-	-

At 31 March 2021	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Payables from non-exchange transactions	1,832,884	-	-	-
Payables from exchange transactions	314,784	-	-	-

35. Risk management (continued)

Credit risk

Credit risk is the risk that a counterparty may default or not meet its obligations in a timely manner. Financial instruments, which subject the Fund to concentrations of credit risk, consist of trade and other receivables (excluding non-financial instruments) and cash and cash equivalents.

Exposure to credit risk on trade and other receivables is monitored on a regular basis. The credit risk arising from cash and cash equivalents is managed by ensuring amounts are only invested with financial institutions of good credit quality based on external credit ratings. The Fund has policies that limit the amount of credit exposure to any one financial institution.

Credit risk limits incorporate measures that account for both current and potential exposures and are set and monitored by broad risk type, product type and maturity. The Fund manages credit risk through the investment administrator by utilising internal models, as well as ratings from external credit rating agencies.

The Fund’s maximum exposure to credit risk is represented by the carrying amount of all financial assets determined to be exposed to credit risk, amounting to R67 billion as at 31 March 2022 (2021: R59 billion).

At financial year end 31 March 2022, the credit rating distribution on fixed income instruments - namely bonds, rate notes, money market instruments, listed equities, unlisted loans and receivables was as follows:

Credit Rating	**2022 R'000**	**%**	**2021 R'000**	**%**
AAA	49,230,275	73.7%	42,890,454	71.6%
AA+	3,060,515	4.6%	2,530,932	4.2%
AA	10,176,529	15.2%	8,274,566	13.8%
AA-	676,884	1.0%	1,224,381	2.0%
A+	135,507	0,2%	159,188	0.3%
A	143,000	0.2%	-	-
A-	55,754	0.1%	-	-
B	2,786,057	4.2%	1,471,129	2.5%
BB	-	-	1,841,008	3.1%
Non Rated	-		501,462	0.8%
Other	-		590,709	1.0%
Receivable from Exchange transactions	167,299	0.3%	103,172	0.2%
Receivable from non-exchange transactions	326,477	0.5%	327,869	0.5%
	66,758,297	**100%**	**59,914,870**	**100%**

The rating categories are as follows:

National Long-term Rating Definition	**National Scale Rating Symbol**
Highest Grade Quality	AAA
Very High Credit Quality	AA+, AA, AA-
High Credit Quality	A+, A, A-
Possessing risk that obligations will not be met when due	B+, B, and B-
	-

	2022	2021 Restated*
	R '000	R '000

35. Risk management (continued)

Market Risk

Market risk is the risk that the value of a financial instrument or investment will fluctuate due to adverse movements in market factors, irrespective of whether such fluctuations are caused by circumstances particular to the investment(s) or general market dynamics.

Investment managers are required to diversify investments of the Fund and make investments within the specified asset allocation such that the performance of the asset classes are similar to the performance of corresponding sectors of the market as a whole and that exposure to a single investment is within an acceptable tolerance level.

Compensation

Spread in basis points	Profit/loss	% change	Market Value
-200	4,982,926	17.00%	34,319,483
-150	3,601,254	12.00%	32,937,811
-100	2,315,943	8.00%	31,652,500
-50	1,118,154	4.00%	30,454,711
0	-	0,00%	29,336,557
50	(1,045,569)	-4.00%	28,290,988
100	(2,024,866)	-7.00%	27,311,691
150	(2,943,549)	-10.00%	26,393,008
200	3,806,668	-13.00%	25,529,889

Pension

Spread in basis points	Profit/loss	% change	Market Value
-200	4,251,539	18.00%	27,910,192
-150	3,067,372	13.00%	26,726,024
-100	1,969,329	8%	25,627,982
-50	949,285	4.00%	24,607,938
0	-	0,00%	23,658,653
50	884,984	-4.00%	22,773,669
100	1,711,436	-7.00%	21,947,217
150	2,484,516	-11.00%	21,174,137
200	3,208,846	-14.00%	20,449,806

	2022	2021 Restated*
	R '000	R '000

35. Risk management (continued)

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or the income received from such instruments will fluctuate due to adverse movements in interest rates. Interest rate risk is managed and evaluated through scenario analysis and stress tests, which measures the sensitivity of the company's investment interest income and market value of the portfolio to extreme interest rate movements.

A change of basis points in interest rates at the reporting date would have increased/(decreased) profit or loss before tax by the amounts shown below. This analysis assumes that all other variables remain constant.

Bonds (Pension)

Spread in basis points	Profit/loss	% Change	Market Value
-200	4,251,539	18%	27,910,192
-150	3,067,371	13%	26,726,024
-100	1,969,329	8%	25,627,982
-50	949,285	4%	24,607,938
0	-	0%	23,658,653
50	(884,983)	-4%	(22,773,670)
100	(1,711,435)	-7%	(21,947,217)
150	(2,484,515)	-11%	(21,174,137)
200	(3,208,846)	-14%	(20,449,806)

Bonds (Compensation)

Spread in basis points	Profit/loss	% Change	Market Value
-200	4,982,925	17%	34,319,483
-150	3,601,254	12%	32,937,811
-100	2,315,942	8%	31,652,500
-50	1,118,153	4%	30,454,711
0	-	0%	29,336,557
50	(1,045,569)	-4%	28,290,988
100	(2,024,866)	-7%	27,311,691
150	(2,943,549)	-10%	26,393,008
200	(3,806,667)	-13%	25,529,889

Pension money market

Spread in basis points	Profit/ loss	% Change	Market value
-200	49,909	0.75%	6,694,286
-150	37,325	0.56%	6,681,702
-100	24,813	0.37%	6,669,190
-50	12,371	0.19%	6,656,748
0	-	0 %	6,644,377
50	12,302	-0.19%	6,632,075
100	24,535	-0.37%	6,632,075
150	36,701	-0.55%	6,619,841
200	48,799	-0.73	6,607,675
	-		6,595,577
	246,755	**-**	**66,433,546**

Compensation money market

Spread in basis points	Profit/ loss	% Change	Market value
-200	44,057		6,587,063
-150	32,961		6,575,966
-100	21,919		6,575,966
-50	10,933		6,564,925

	2022 R '000		2021 Restated* R '000

35. Risk management (continued)

	2022 R '000		2021 Restated* R '000
0	-		6,553,938
50	10,879		6,543,005
100	21,706		6,532,126
150	32,481		6,521,299
200	43,203		6,499,802
	218,139	**-**	**58,954,090**

Price risk

The Fund is exposed to equity securities price risk because of investments held by the Fund and classified on the statement of financial position either as available-for-sale or at fair value through surplus or deficit. The Funds not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Fund. The Fund's investments in equity of other entities that are publicly traded and are included in the SWIX All Share Index.

Sensitivity testing highlights the key risks or touch points of the portfolio to the market. In this case, we perform sensitivity testing of the portfolio to the equity indices. Sensitivity testing typically involves an incremental change in a risk factor (or a limited number of risk factors). Our analysis will be conducted over a shorter time horizon, for example as an instantaneous shock. Using a historical beta, for any instantaneous shock on our risk factor, we can estimate the impact on our portfolio.

Pension

Price change (%)	**Profit/loss**	**% change profit/loss**	**Market value fund in Rand**
-1%	(104,377)	-0,95%	10,933,239
0%	-	0,00%	11,037,616
1%	104,377	0,95%	11,141,994

Compensation

Price change (%)	**Profit/loss**	**% change profit/loss**	**Market value fund in Rand**
-1%	(129,930)	-0,94%	13,640,307
0%	-	0,00%	13,770,237
1%	129,930	0,94%	13,900,167

Concentration risk

Concentration risk is the risk of losses arising due to poor diversification within funds. This relates to both credit and market risk as excessive concentrations in a particular or correlated sector, issuer, asset class, term structure or financial instrument type can result in undesirable risk exposures. This risk is managed in accordance with investment mandates and approved policies, which dictate the level of acceptable concentration.

Asset classes	**Minimum range**	**SAA**	**Maximum range**
Bonds (nominal and inflation linked)	55,0%	59,5%	62,0%
Equities	20,0%	23,0%	27,0%
SRI	5,0%	10,0%	10,0%
Unlisted properties	2,5%	2,5%	5,0%
Cash and money market	3,0%	5,0%	10,0%

	2022 R '000	2021 Restated* R '000

36. Related parties

Relationships

Board, audit and risk committee members	Refer to note
Senior management	Refer to note
All National Government	Common control of parliament
Investments	Refer to note 6
Investment in Unlisted Loans	Refer to note 13
Investment in Associates	Refer to note 12
Investment in Joint Operation	Refer to note
Supported Employment Enterprises (SEE)	Entity under common control of Department of Employment and Labour (DEL)
Commission for Conciliation mediation and Arbitration (CCMA)	Entity under common control of DEL
Commission for Employment Equity (CEE)	Entity under common control of DEL
Compensation Board	Entity under common control of DEL
National Economic Development and Labour Council (NEDLAC)	Entity under common control of DEL
National Minimum Wage Commission	Entity under common control of DEL
Productivity SA	Entity under common control of DEL
Employment Service Board	Entity under common control of DEL
Unemployment Insurance Fund (UIF)	Entity under common control of DEL
Department of Employment and Labour	The Fund under control
Rand Mutual Assurance (RMA)	Cross sharing board members
Federal Employers' Mutual Assurance Company (FEMA)	Cross sharing board members
ACP General (PTY) Ltd	General Partner in Razorite Healthcare and Rehabilitation Fund 1
Clinix Health Group Ltd	Compensation Commissioner was a non-executive director (Resigned on 31 October 2020)

Related party balances

	2022	2021
Payable from non-exchange transactions		
Department of Employment and Labour	-	239,256
Unlisted loans		
Gurb Investments	51,960	70,784
TCI-TISO	68,684	57,923
Mpudulle Eye Centre CC	17,891	-

	2022 R '000	2021 Restated* R '000

36. Related parties (continued)

Related party transactions

	2022	2021
Employee related costs		
Department of employment and labour	1,251,406	1,022,082
Goods and other services		
Department of employment and labour		
Operating lease rental	39,709	39,443
Other goods and services	299,824	254,858
Subsidies for accident prevention	13,608	8,858
Capital & finance lease expenditure	18,230	14,861
Total	**371,371**	**318,020**
Administration contributions		
Rand Mutual Assurance	24,293	24,042
Federal Employers' Mutual Assurance Company	7,736	8,741
Medical claims from Clinix Health Group Limited		
Solomon Stix Morewa Memorial Hospital	-	1,828
Botshelong Empilweni Private Hospital	-	645
Naledi Nkanyezi Private Hospital	-	2,332
Phalaborwa Private Hospital	-	7
Tshepo Themba Private Hospital	-	1,489
Victoria Itokole Private Hospital	-	1,765

The Commissioner resigned as Director of Clinix Health Group as a non-executive direator on 30 October 2020.

	2022	2021
Joint Operations		
Klentech Joint Operations	7,339	1,503
Share of Surplus/ Deficits from Associates		
Day Break	9,784	13,603
Razorite Fund I	3,874	(53,463)
Razorite Fund II	26,836	20,206
SME Fund	(1,756)	(175)
TCI-Tiso Equity	1,970	1,233
Busamed	(3,842)	(4,717)
	36,866	**(23,313)**

Employee related costs as presented in the Statement of Financial Performance is R1 251 million (2021: R1 057 million) and therefore differ from the amounts presented above. This is caused by different accounting method used by the Fund (accrual basis of accounting) and Department of Employment and Labour (modified cash basis) to prepare and present financial statements.

Remuneration of management

Management class: Board members

31 March 2022

Name	Board Committee Meeting Attendance Fees	Audit Committee Meeting Attendance Fees	Risk Committee Meeting Attendance Fees	Finance Committee Meeting Attendance Fees	Total
J Bodibe	131	-	-	-	131
K Cowley	49	22	-	-	71

R '000

36. Related parties (continued)

S Tsiane	106	-	-	-	106
F A Xaba	125	180	-	-	305
S Sibitane	60	-	-	-	60
J Wilimiec	60	-	47	-	107
R Legoabe	56	-	-	-	56
E Burger	24	-	-	-	24
N V Madyibi	8	-	-	-	8
L Moni	69	-	-	-	69
G M Mpaku	7	134	-	-	141
E M Thobejane	8	-	-	-	8
D N Tsipane	12	-	-	-	12
D Pillai	7	-	-	-	7
De Kock	-	167	154	-	321
L Mangquku	-	406	-	-	406
S P Mzizi	-	163	-	-	163
C Appel	-	-	-	22	22
Department of Employment and Labour Board	5,454	-	-	-	5,454
	6,176	**1,072**	**201**	**22**	**7,471**

31 March 2021

Name	Board Committee Meeting Attendance Fees	Audit Committee Meeting Attendance Fees	Risk Committee Meeting Attendance Fees	Total
J Bodibe	109	-	-	109
K Cowley	44	-	-	44
A Letshele	87	-	-	87
S Tsiane	72	-	-	72
FA Xaba	119	95	-	214
S Sibitane	76	-	-	76
M Van Niekerk	48	-	-	48
J Wilimiec	70	-	16	86
R Legoabe	8	-	-	8
LZ Francois	-	189	-	189
CF Terhoeven	-	118	-	118
P Dala	-	148	-	148
De Kock	-	78	115	193
Department of Employent and Labour Board	1,518	-	-	1,518
	2,151	**628**	**131**	**2,910**

Compensation board is made up of Board Committee fees of R6,2 million (2021: R2,2 million), Audit Committee fees of R1,1 million (2021: R628 thousand), Risk Committee fees of R201 thousand (2021: R131 thousand) and Finance Committee fees of R22 thousand (2021: R0).

The amount of Audit Committee fees was incorrectly disclosed as R884 thousand and Risk Committee fees of R503 thousand due incorrect classification of amount due to the board and sub-committees.

Key management remuneration

31 March 2022

	2022	2021 Restated*
	R '000	R '000

36. Related parties (continued)

Name	Basic salary	Other short-term employee benefits	Service bonus/ 13th Cheque	Employer's contribution to penson funds	Total
Compensation Commissioner	942	466	80	124	1,612
Chief Director: Financial Management	250	134	-	33	417
Chief Operating Officer	1,048	270	-	138	1,456
Chief Director: Corporate Services	979	248	83	129	1,439
Chief Director: COID Services	877	128	68	116	1,189
Chief Director: Medical Benefits	756	374	64	100	1,294
Chief Director: Orthotics and Rehabilitation	882	262	-	115	1,259
	5,734	**1,882**	**295**	**755**	**8,666**

31 March 2021

Name	Basic salary	Other short-term employee benefits	Service bonus/ 13th Cheque	Employer's contribution to penson funds	Total
Compensation Commissioner	941	432	78	122	1,573
Chief Director: Financial Management	184	99	-	24	307
Chief Operating Officer	1,047	231	-	136	1,414
Chief Director: Corporate Services	972	209	-	126	1,307
Chief Director: COID Services	355	71	-	47	473
Chief Director: Medical Benefits	751	341	-	98	1,190
Chief Director: Orthotics and Rehabilitation	876	235	-	114	1,225
	5,126	**1,618**	**78**	**667**	**7,489**

37. Fruitless and wasteful expenditure

	2022	2021
Opening balance as previously reported	646,005	541,332
Correction of prior period error	(40)	-
Add Prior period error adjustment 2017/18,2018/19	1,161	-
Less correction: case recovered in incorrect period 2021/2022 and corrected in the correct period 2020/2021	(1,833)	-
Less correction: Derecognition(reversal) due to erroneous debt raised in the 2017/18 financial year. The case was incorrectly recognised as Fruitless and Wasteful Expenditure 2016/17.	(3)	-
Add: Fruitless and wasteful expenditure - incurred in the prior year adjusted in the current year.	99	-
Add correction: Reclassification from irregular expenditure	(3)	-
Add: Fruitless and wasteful expenditure - incurred in the prior year adjusted current year	-	104,678
Add: Fruitless and wasteful expenditure - current year	808	-
Less: Written off by relevant authority	(10,701)	-
Less: Transfer to receivables for recovery	(4)	(5)
Less: Derecognition	(6,640)	-
Closing balance	**628,849**	**646,005**

	2022 R '000	2021 Restated* R '000

37. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

Analysis number of cases for expenditure under investigation		
Prior year cases	178	161
Prior years error	(13)	-
Incurred in the prior year adjusted in the current year	1	-
Prior years error - transfer to receivables	(28)	(5)
Reclassification from irregular expenditure	(1)	4
Current year cases	11	20
Write-off	(3)	-
Reclassification to irregular expenditure	-	(1)
Transfer to receivables	(1)	(1)
	144	**178**

Recoverability steps taken/criminal proceedings

Fruitless and Wasteful Expenditure relates to the Fund and does not include any subsidiary.

The Fund had a total of 178 cases in the Fruitless and Wasteful Expenditure register that were accumulated over the past few years, classified as Fruitless and Wasteful Expenditure at the beginning of the financial year. The number of cases include a prior period error of 13 cases that was corrected .Cases were recovered in the incorrect period 2021/2022 and corrected in the period 2020/2021 at the amount of R1 828 109.60 and 1 case identified in the current year relating to prior year investigated by to Anti Corruption Integrity Management.

One (1) case was reclassified from Irregular Expenditure to Fruitless and Wasteful Expenditure. The restated total number of cases at the beginning of the year is 137 cases.

During the current financial year,10 additional cases were identified and recorded in the Fruitless and Wasteful Expenditure register as a result of the Fruitless and Wasteful Expenditure process. 1 case was reported by Anti Corruption Integrity Management.

During the current financial year, 1 case was reclassified from the Fruitless and Wasteful Expenditure register to Irregular Expenditure register. 28 cases were transferred to receivables by the relevant authority. The Derecognition related to a capital amount that does not form part of the fruitless and wasteful expenditure.

A total of 144 cases have been assessed as Fruitless and Wasteful Expenditure and are still under determination/ investigated as at the end of the financial year 31 March 2022.

38. Irregular expenditure

Opening balance as previously reported	701,998	720,746
Correction of prior period error	-	(398)
Prior period error	(1,375)	-
Add: Irregular expenditure - Reclassification from Fruitless and Wasteful Expenditure	3	-
Add: Irregular expenditure - Incurred in the prior year identified in current year	10,477	-
Opening balance as restated	**711,103**	**720,348**
Add: Irregular expenditure - current year	261	1,258
Add: Irregular expenditure - incurred prior year but identified in the current year	-	4,970
Add: Irregular expenditure - Reclassification from Fruitless and Wasteful Expenditure	-	2,078
Less: Condoned or derecognised by relevant authority	(488)	(26,656)
Less: Transfer to receivables for recovery – not condoned or derecognised	(254,577)	-
Closing balance	**456,299**	**701,998**

	2022 R '000	2021 Restated* R '000

38. Irregular expenditure (continued)

Incidents/cases identified/reported in the current year include those listed below:

Analysis number of cases for expenditure under investigation		
Prior years cases	115	162
Prior years error	2	2
Prior years error identified in the current year	2	(46)
Reclassification from fruitless and wasteful expenditure	1	(4)
Current year cases	1	2
Prior year but identified in the current year	-	1
Derecognised	(3)	(1)
Reclassification from Fruitless and Wasteful Expendure	-	1
	118	**117**

Irregular expenditure relates to the Fund and does not include any subsidiary.

The Fund had a total of 115 cases recorded in the Irregular Expenditure register as at the beginning of the current financial year and are still under determination/ investigation as at the end of the financial year. The number of cases include a prior period error of 2 case that was corrected. 1 case was a prior years error identified in the current year. 1 case was reclassified from Fruitless and Wasteful Expenditure to Irregular Expenditure. The restated total number of cases at the beginning of the year is 120 cases.

During the current financial year, no cases were identified and recorded as Irregular Expenditure register as a result of the Irregular Expenditure process.

A total of three (3) cases were derecognised by the relevant authority.

A total of 118 cases have been assessed as Irregular Expenditure and are still under determination/ investigated for the financial year 31 March 2022.

During the 2021 Financial period, management undertook a status of records assessment by, amongst other processes, matching of payments for the financial period 2018 -2022 to supporting claims originating documents.

To date the Fund has identified duplicate payment made to Medical Service Providers for the value of R16,65 million The Fund is still investigating the quantum of payments made to deceased beneficiaries, as well as tracing all garnishee payments to supporting claims documents.

The Fund will initiate an appropriate recovery process in the 2023 financial period for the results of the assessment.

39. Principal-agent arrangements

Details of the arrangment(s) is|are as follows:

In terms of section 18(2) of the Act, the Public Investment Corporation (PIC) was appointed as the Fund's investment manager.

Entity as principal

Description of the arrangement, including the transactions undertaken;

In determining whether there is a principal-agent relationship the Fund took the agreement, terms and condition into consideration. The Fund transfers surplus cash to the PIC to invest in terms of the Fund's investment strategy and the investment policy of the PIC. The PIC is expected to maximise the returns of the Portfolios. Based on the arrangement between the Fund and the PIC, the Fund is a principal and with the PIC being the agent.

PIC invests cash recieved from the Fund. All investments and deposits are registered and or held by the PIC in the Fund's portfolio account.

Significant terms and conditions of the arrangements

	2022 R '000	2021 Restated* R '000

39. Principal-agent arrangements (continued)

The PIC is required to implement the Funds Investment Strategy and Investment Policy by acquiring, holding, realising ans/or reinvesting assests comprising the Investment Portfolio as well as assess the risks of the Investments.

Purpose of the principal-agent relationship, significant risks and benefits

The purpose of the relationship is for the PIC to maximise returns on excess cash the the Fund has. Significant risks include financial losses. The Fund has a Credit Risk policy to mitigate any losses. The Portfolios are also diversified to limit risks.

	2022 R '000	2021 Restated* R '000
Transactions undertaken		
Management fees	54,046	47,456

	2022 R '000	2021 Restated* R '000
Assets under the custodianship of an agent at year end		
Listed Shares	24,668,370	19,716,855
Bonds	52,995,211	47,445,353
Bills, certificates of Deposit and Promisory Notes	1,349,680	1,852,912
Fixed Deposit	11,837,701	9,219,671
	90,850,962	**78,234,791**

40. Material losses

	2022 R '000	2021 Restated* R '000
Opening balance as previously reported	296,146	222,323
Opening balance as restated	296,146	222,323
Losses incurred (Current year incidents -discovered this year)	147	-
Losses incurred (Prior year incidents discovered this year)	1,822	86,652
Less: Actual losses recovered from litigation	-	(8,829)
Less: Actual losses recovered cash collections and debtors raised	(3,217)	(4,000)
Less: Actual losses recovered funds recalled from/through banks	(121)	-
	294,777	**296,146**

Section 85

This is a variation of tarrif of assessment where Director-General is costing the employers at a lower rate when they have demonstrated in their operation a conduct that aim to prevent COID related accidents. The fund is currently assessing the financial impact resulting from the implementation of section 85(1) of COIDA on the revenue previously reported.

41. New standards and interpretations

41.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2022 or later periods:

GRAP 25 (as revised): Employee Benefits

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

41. New standards and interpretations (continued)

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

Key amendments to GRAP 25

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

The effective date of the amendment is not yet set by the Minister of Finance.

The Fund expects to adopt the amendment for the first time when the Minister sets the effective date.

iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

The effective date of the amendment is not yet set by the Minister of Finance.

The Fund expects to adopt the amendment for the first time when the Minister sets the effective date.

GRAP 104 (as revised): Financial Instruments

41. New standards and interpretations (continued)

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the amendment is not yet set by the Minister of Finance.

The Fund expects to adopt the amendment for the first time when the Minister sets the effective date.

iGRAP 21: The Effect of Past Decisions on Materiality

Background

The Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3) applies to the selection of accounting policies. Entities apply the accounting policies set out in the Standards of GRAP, except when the effect of applying them is immaterial. This means that entities could apply alternative accounting treatments to immaterial items, transactions or events (hereafter called “items”).

The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially “misstated” over time. If the effect was considered material, retrospective adjustments were often made.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

iGRAP 21 addresses the following two issues:

- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

The effective date of the amendment is not yet set by the Minister of Finance.

The Fund expects to adopt the amendment for the first time when the Minister sets the effective date.

GRAP 2020: Improvements to the standards of GRAP 2020

Improvements to Standards of GRAP are aimed at aligning the Standards of GRAP with international best practice, to maintain the quality and to improve the relevance of the Standards of GRAP.

Amendments include,

41. New standards and interpretations (continued)

GRAP 5 – Borrowing Costs

- For general borrowings, borrowing costs eligible for capitalisation determined by applying a capitalisation rate
  - Clarify that borrowings made specifically for purposes of obtaining a qualifying asset are excluded until substantially all the activities necessary to prepare asset for intended use or sale are complete

GRAP 13 – Leases

- Operating leases & Sale and leaseback transactions are currently assessed for impairment in accordance with GRAP 26
- Clarify that these arrangements may also be assessed in accordance with GRAP 21

GRAP 16 – Investment Property

- Clarify that GRAP 21 may be applied to assess investment property for impairment
- Include heading “Classification of property as investment property” (par 6 and 7) & delete existing headings
- Investment property under construction (within scope of GRAP 16)
  - Added heading “Guidance on initially measuring self-constructed investment property at fair value”
  - Added clarification that investment property is measured at fair value at earliest of:
    - completion of construction or development; or
    - when fair value becomes reliably measurable
- Clarify requirements on transfers to and from Investment property
  - Change in use involves an assessment on whether:
    - property meets, or ceases to meet definition of investment property and
    - evidence exists that a change in use has occurred
  - List of examples of a change in use is regarded as non-exhaustive

GRAP 17 – Property, Plant and Equipment

- Delete example indicating that quarries and land used for landfill may be depreciated in certain instances
  - Land has an unlimited useful life and cannot be consumed through its use

GRAP 20 – Related Party Disclosures

- Clarify that entity, or any member of a group of which it is part, providing management services to reporting entity (or controlling entity of reporting entity) is a related party
  - Disclose amounts incurred by the entity for the provision of management services that are provided by a separate management entity
  - If an entity obtains management services from another entity (“the management entity”) the entity is not required to apply the requirements in paragraph .35 to the remuneration paid or payable by the management entity to the management entity’s employees or those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions
  - Management services are services where employees of management entity perform functions as “management” as defined

GRAP 24 – Presentation of Budget Information in Financial Statements

- Terminology amended
  - Primary financial statements amended to “financial statements” or “face of the financial statements”

GRAP 31 – Intangible Assets

- Extend requirement to consider whether reassessing useful life of intangible asset as finite rather as indefinite indicates that asset may be impaired
  - Both under cost model or revaluation model

GRAP 32 – Service Concession Arrangements: Grantor

- Clarify disclosure requirement for service concession assets
  - Disclose carrying amount of each material service concession asset recognised at the reporting date

GRAP 37 – Joint Arrangements

- Application guidance clarified
  - When party obtains joint control in a joint operation where activity of joint operation constitutes a function (GRAP 105 or GRAP 106), previous held interest in joint operation is not remeasured

41. New standards and interpretations (continued)

GRAP 106 – Transfer of Functions Between Entities Not Under Common Control

- When party obtains control of joint operation and entity had rights to assets, or obligations to liabilities before acquisition date, it comprises an acquisition received in stages
  - Apply the requirements for an acquisition achieved in stages, including remeasuring previously held interest in joint operation

Directive 7 – The Application of Deemed Cost

- Clarify that bearer plants within scope of Directive

The effective date of these improvements is 01 April 2023.

The entity expects to adopt the improvements for the first time in the 2023/2024 financial statements.

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be desegregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An entity applies judgemental based on past experience and current facts and circumstances.

The effective date of the amendment is not yet set by the Minister of Finance.

The Fund expects to adopt the amendment for the first time when the Minister sets the effective date.

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