



Mines and Works Compensation Fund

ANNUAL REPORT

ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016



health

Department:
Health
REPUBLIC OF SOUTH AFRICA

A Long and Healthy Life for All South Africans



NATIONAL DEPARTMENT OF HEALTH

**Mine and Works Compensation Fund
Annual Report
2015 / 2016**

RP422/2020

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Part A: GENERAL INFORMATION

1.1 Entity's legal form and domicile

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

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

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

1.2 Address

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

144 De Korte Street
Braamfontein
Johannesburg
2001

1.3 Postal address

PO Box 4566
Johannesburg
2000

1.4 Contact information

Contact number: 011 356 5600

1.5 External auditors

Auditor-General South Africa



Part A: GENERAL INFORMATION continued

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

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

All information and amounts disclosed in this Annual Report are consistent with the annual financial statements of the Fund, audited by the Auditor-General South Africa.

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

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

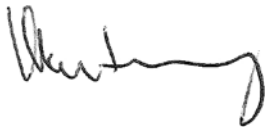
The Annual Financial Statements (Part E) have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) Standards applicable to the Fund.

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

The Accounting Officer is responsible for establishing and implementing a system of internal control that is designed to provide reasonable assurance as to the integrity and reliability of the Performance Information, the Human Resources Information and the Annual Financial Statements.

The external auditors (AGSA) are engaged to express an independent opinion on the Annual Financial Statements.

In my opinion, this Annual Report fairly reflects the Review of Operations, the Performance Information and Human Resources Information of the CCOD, and the financial affairs of the Fund for the financial year ended 31 March 2016.



Dr MB Kistnasamy

Compensation Commissioner for Occupational Diseases

Part A: GENERAL INFORMATION continued

1.7 MINISTER'S STATEMENT

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

The CCOD continued with business reforms aimed at improving the financial reporting of the Fund. Operation Ku-Riha was launched in May 2015 to assist with tracing unpaid claimants and obtaining the missing documents required to facilitate payment. The Chamber of Mines and the Gold Mining companies are acknowledged for their support to the CCOD. Funding has been provided for the electronic database of 700 000 claimant files, piloting the in bound and outbound call centre initiatives to update claimant records and provision of human resources for the completion of outstanding financial statements and supporting the activities of the Certification Committees.

The screening programme for Tuberculosis (TB) in the mining sector, led by the Chamber of Mines, has shown that TB is a considerable burden in the sector. The Chamber of Mines has committed its members to be part of TB screening, case finding and active contact tracing programme through partnerships with government, trade unions and non-governmental organisations.

The presidency has taken the lead on interventions for the Revitalisation of Distressed Mining Communities with several work streams covering Integrated Human Settlements, Improving Working Conditions, Socio-economic Development and Mining Charter Compliance. Officials from the NDOH actively participated in this programme and made presentations at the Mining Phakisa held in 2015.

The previous minister, Dr AP Motsoaledi, engaged with the previous Ministers of Labour and Mineral Resources about the need for an integrated, unified and comprehensive compensation system for occupational injuries and diseases. To this end, the previous Deputy Minister of Mineral Resources, supported by the previous Deputy Ministers of Health and Labour, set up a steering committee and task teams to consider the policy and legislative changes for an integrated compensation system, the organisation and management of the system, the benefit package, services and funding of the system. The steering committee and task teams include government, employers, trade unions and ex-mineworker association representatives as well as technical experts.



Dr ZL Mkhize, MP
Minister of Health

Part A: GENERAL INFORMATION continued

1.8 ACCOUNTING OFFICER'S REPORT

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

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

OVERVIEW OF PERFORMANCE ENVIRONMENT OF THE CCOD FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

There was a decline in the number of compensation payments owing to non-functioning of the Certification Committee of the MBOD due to a shortage of doctors for the Committee and the resignation of the Director of the MBOD. The previous Minister of Health approved rule changes for the appointment of additional doctors to the certification committees which began functioning in November 2015. The certification committees assess the claimant file and health records and determine whether the claimant has a compensable cardio-respiratory disease. 1 764 persons, other than pensioners, were compensated in the 2015/2016 financial year compared to 1 939 in the 2014/2015 financial year. The bulk of payments made relate to TB related claims.

The Fund continued to pay monthly pensions to 106 pensioners in terms of the Pneumoconiosis Compensation Act, 1962 (Act 64 of 1962), which preceded ODMWA. The monthly pensions are provided from voted funds.

As part of the business reforms implemented at the CCOD, a tender was awarded to Metrofile to provide off-site storage of claimant files and daily deliveries of requested files. A file verification exercise of 700 000 claimant files at the MBOD and CCOD was supported by the Chamber of Mines. Operation Ku-Riha, supported by the gold mining companies within the Chamber of Mines, ensured that 304 claimant files were finalised for payment. The tracking and tracing project of unpaid claimants, supported by the Chamber of Mines and gold mining companies, assisted with tracking and tracing initiatives, obtaining completed documents and effecting payments to claimants.

Under difficult conditions in the mining sector as a result of the depressed commodities market, the CCOD increased revenue primarily as a result of the 18% levy increases across all commodity groups effective 1 July 2015. Revenue collection efforts were aided by the platinum sector returning to normal activity in the 2015/2016 financial year after the 2014/2015 financial year was impacted by prolonged industrial action. In addition, a concerted effort was made to increase verification of risk shifts through the inspections of controlled mines and works for the year. The Deputy Commissioner, with the support of the financial inspectors has redoubled efforts in the collection of levies from non-paying controlled mines and works.

Nine health inspectors, funded by the Global Fund, have assessed the TB programs and health risks at controlled mines and works. Health inspections were conducted at 227 controlled mines and works. This facilitated the collection of baseline medical screening data. Out of the 252 controlled mines and works. 213 controlled mines and works (85%) had evidence of screening mineworkers for TB at least once a year.

The advisory committee of the CCOD, comprising representatives of employers and trade unions in the mines and works sector, was involved in many of the activities of the CCOD including providing advice, technical inputs and assisting with mobilising resources. The Risk Committee of the MBOD which determines the risk profile of controlled mines and works met infrequently. The CCOD is making a concerted effort to ensure that the Risk Committee fulfils its mandate and role.

The CCOD played an active role in initiatives led by the Presidency, on the revitalisation of distressed mining communities and on TB interventions in the mining sector through the Global Fund project in 10 countries in Southern Africa. Members of management of the MBOD/CCOD attended the two-day workshop on integration of compensation systems hosted by the previous Deputy Minister of Mineral Resources with the support of the previous Deputy Ministers of Health and Labour.

Part A: GENERAL INFORMATION continued

1.9 STRATEGIC OVERVIEW

VISION

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

MISSION

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

VALUES

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

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

1.10 LEGISLATIVE AND OTHER MANDATES

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

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

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

The ODWMA provides for the establishment of the MBOD.

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

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

- Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)
- National Health Act, 2003 (Act 61 of 2003)
- Promotion of Access to Information Act, 2000 (Act 2 of 2000)
- Promotion of Equality and the Prevention of Unfair Discrimination Act, 2000 (Act 4 of 2000)
- State Liability Act, 1957 (Act 20 of 1957)
- Public Finance Management Act, 1999 (Act 1 of 1999)
- Protected Disclosures Act, 2000 (Act 26 of 2000)
- Public Service Commission Act, 1997 (Act 46 of 1997)
- Control of Access to Public Premises and Vehicles Act, 1985 (Act 53 of 1985)
- Public Service Commission Act, 1997 (Act 46 of 1997)

Part A: GENERAL INFORMATION continued

- Labour Relations Act, 1995 (Act 66 of 1995)
- Promotion of Administrative Justice Act, 2000 (Act 3 of 2000)
- Basic Conditions of Employment Act, 1997 (Act 75 of 1997)
- Occupational Health and Safety Act, 1993 (Act 85 of 1993)
- Mine Health and Safety Act, 1996 (Act 29 of 1996)
- Compensation for Occupational injuries and Diseases Act, 1993 (Act 130 of 1993)

CCOD as a subprogramme of the national Department of Health

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

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

The CCOD functions cover:

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

1.11 REPORTING STRUCTURE

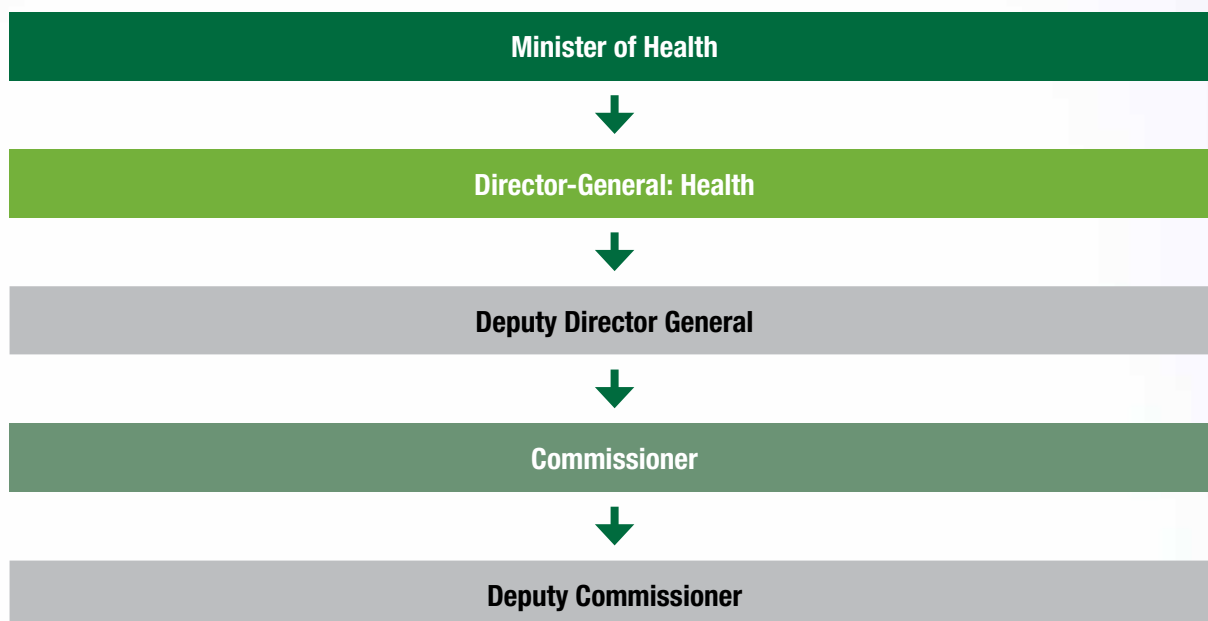


Figure 1: Reporting structure of the CCOD

Part B: PERFORMANCE INFORMATION

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

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

2.2 KEY STRATEGIC OBJECTIVES/ACHIEVEMENTS

The key focus areas for the 2015/2016 financial year were:

- to engage with stakeholders on the policy and legislative amendments to the ODMWA
- to enhance the governance and management of the CCOD
- to set up additional decentralised service units for current and ex-workers in controlled mines and works at provincial health services
- to ensure financial sustainability of the Fund

2.3 PERFORMANCE INDICATORS AND ACHIEVEMENTS

Strategic objective		Performance indicator	Actual achievement 2014/2015	Planned target 2015/2016	Actual performance 2015/2016	Deviation from planned target to actual achievement 2015/2016	Comments on deviation
1	To develop the policy and legislative framework for occupational health and compensation	Report on the policy and legislative framework for occupational health and compensation	Workshop held on 30 March 2015 to 1 April 2015	2 consultative meetings on amendments to the Occupational Diseases in Mines and Works Act, 1973 and the occupational health framework	2 consultative meetings held on amendments to the Occupational Diseases in Mines and Works Act, 1973 and the occupational health framework held on 30 March to 1 April 2015 and 25 to 26 January 2016	Achieved	None
2	To improve the governance and management for the CCOD.	Number of meetings of the Audit and Risk Committee, the advisory committee and the management committee	Advisory Committee – 2 meetings	Advisory Committee – 2 meetings	Advisory Committee – 6 meetings	Achieved	None
			Audit and Risk Committee – 6 meetings	Audit and Risk Committee – 4 meetings	Audit and Risk Committee – 3 meetings	Not achieved	Targets not achieved due to difficulty to arrange meetings
			Not applicable	Management Committee – monthly	7 Management meetings held in 6 calendar months	Not achieved	due to labour disruption activities throughout the year
3	To provide occupational health and compensation services through the development of One Stop Service centres in provinces	Number of provinces with One Stop Service Centres to deliver occupational health and compensation services	One occupational health service facility established at Nelson Mandela Academic Hospital in Mthatha, Eastern Cape and Carletonville Hospital in Carletonville, Gauteng	Establishment of One Stop Service Centre for occupational health and compensation services in one health facility in Northern Cape and Limpopo	No One Stop Service Centres for occupational health and compensation services in one health facility in Northern Cape and Limpopo were established	Not achieved	Target not achieved due to budget constraints in the year under review. One Stop Service Centres for occupational health and compensation services established in one health facility in Northern Cape and Limpopo during 2016/2017

Part B: PERFORMANCE INFORMATION continued

						Deviation from planned target to actual achievement 2015/2016	Comments on deviation
Strategic objective	Performance indicator	Actual achievement 2014/2015	Planned target 2015/2016	Actual performance 2015/2016			
4		Number of compensable disease claims paid by CCOD other than pensioners	1 939	3 000	1 764	-1 236 not achieved	Target not achieved due to outdated information technology systems and business processes. Implemented new payments systems and track and trace activities during the 2016/2017 resulting in 5 249 payments in the 2016/2017 year
5	To ensure collection of levies from 100% of controlled mines and works	% of controlled mines and works paying levies to the Fund	67%	100%	65%	-35% not achieved	Accounting system not functioning to facilitate adequate debtor management
6	To conduct an actuarial valuation of the Fund	Report of the Actuarial valuation of the Fund	Not applicable	1 Actuarial valuation report	No Actuarial report completed	Not achieved	The process to appoint the actuarial valuator had significant delays due to procedural and procurement delays. The actuarial valuation report was only concluded in the 2016/2017 financial year

2.4 LINKING PERFORMANCE WITH BUDGETS

The administration costs, mainly the personnel and operational costs, of the CCOD and MBOD are provided from the budget of the NDOH, included within "Vote 16 – Health" as part of the National budget. The budget constraints affecting the NDOH also affected the CCOD resulting in an increase of only 4.9% in the budget available for the CCOD. The table below represents the allocation from the NDOH for the functioning of the CCOD:

Table 1: Budget to administer the CCOD/MBOD (from voted funds)

Statement of financial performance	Budget	Audited outcome	Variance	Budget	Audited outcome
R thousand	2015/16	2015/16		2014/15	2014/15
Expense budget					
Compensation of Employees	28 283	29 285	(1 002)	23 501	26 009
Goods and Services	23 886	14 652	9 234	23 029	14 578
Building and other fixed structures	–	–	–	1 876	536
Transfer payments	3 363	3 363	–	3 215	3 215
Households	–	82	(82)	–	227
Machinery and equipment	2 112	1 224	888	3 546	2 033
Software and Intangible assets/ Financial assets	1 000	816	184	745	19
Total	58 644	49 422	9 222	55 912	46 617

Part B: PERFORMANCE INFORMATION continued

2.5 STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

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

- The CCOD is working at strengthening the governance structures of the Fund through the filling of vacancies in the Audit and Risk committee and ensuring that the required number of meetings are held within the year.
- The provision of decentralised services to bring service delivery closer to current and former workers. Given the success of decentralised service centres opened in Mthatha in the Eastern Cape and Carletonville in Gauteng in the 2014/2015 financial year; additional centres in Kuruman in the Northern Cape and Burgersfort in Limpopo are being commissioned during the 2016/2017 financial year. Historically, walk-in claimants had to travel to Braamfontein in Johannesburg to lodge their claims. One Stop Service Centres will be established in labour sending areas. It is expected that there will be an increase in the number of Benefit Medical Examinations (BME), certifications and benefit payments to eligible claimants. The Global Fund will provide funds for One Stop Service Centres in labour sending areas in neighbouring countries in the 2017/2018 and 2018/2019 financial years.
- The target for the number of claims paid had not been reached owing to non-functioning of the Certification Committee of the MBOD, work stoppages and lack of documents in claimant files. It is envisioned that 100% of the unpaid compensable claims at 31 March 2015 will be paid within five years.
- Consideration is being given to sourcing administrative support for the CCOD from service providers which would administer the medical assessment and claims process and improve the turn-around times for payments and feedback to claimants.
- To address the under-collection of levies from controlled mines/works the CCOD will gradually increase the inspections performed by the Finance Inspectors. Coupled with the levy increase approved by the Minister of Health, effective 1 July 2015, these inspections will ensure that revenue generated from levies will increase.
- An actuarial valuation is being undertaken and will provide a report on the liability of the Fund which will be incorporated into the annual financial statements. The process to set up a registry of claimant files and perform a verification exercise to clean-up the data, will assist with the actuarial valuation process and the payment of unpaid claims.
- Another measure to address the CCOD's underperformance is through outreach activities with unions, employers, current and ex-workers. The aim of outreach activities is to inform current and ex-workers about their rights and the process to follow in lodging claims.

The budget for the administration of the CCOD, the provision of BMEs and the activities of the certification committees is provided for within voted funds in the NDOH. There were no substantial increases in the CCOD budget and the business reform processes at the CCOD have been supported by human, technical and financial resources of the Chamber of Mines, gold mining companies and social partners. Additional resources are required to expand and scale up the services of the CCOD, recruit specialised staff in the legal, IT, engineering, medical and financial management disciplines and provide for the medical assessments, certifications, payments and infrastructural backlogs in buildings and information technology.

Part C: GOVERNANCE

3.1 INTRODUCTION

In the past there have been substantial governance and management deficiencies in the Fund administration with non-provision of annual reports and audited financial statements in earlier years. This was a consequence of the non-acceptance of the actuarial valuation outcome of the Fund due to unreliable data. To this end the CCOD together with the assistance of the Chamber of Mines and gold mining companies have strengthened the governance structures of the Fund, performed a data verification project and obtained technical and professional support to assist in clearing the backlog in submission of the annual financial statements.

3.2 STANDING COMMITTEE ON PUBLIC ACCOUNTS (SCOPA) RESOLUTIONS

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

3.3 PRIOR YEAR MODIFICATIONS TO AUDIT REPORTS

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

3.4 COMMITTEES

3.4.1 ADVISORY COMMITTEE MEMBERS

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

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

As at 31 March 2016 the membership of the Advisory Committee was as follows:

Advisory Committee Members

Name of Member	Representing	Date of appointment	Attendance
Dr B Kistnasamy	Compensation Commissioner for Occupational Diseases	Commissioner	4
A Letshele	NUM (Mineworkers)	12 March 2012 to 28 February 2016	6
A Rikhotso	NUM	12 March 2012 to 28 February 2016	5
P Mardon	SOLIDARITY	12 March 2012 to 28 February 2016	4
O Ralake	NUMSA (Metal workers)	12 March 2012 to 28 February 2016	4
P Mminele	NUMSA	12 March 2012 to 28 February 2016	6
N Mphofu	SEIFSA (Steel and Engineering Industries)	12 March 2012 to 28 February 2016	2
Dr T Balfour-Kaipa	Chamber of Mines	12 March 2012 to 28 February 2016	6
Dr J Pienaar	Chamber of Mines	12 March 2012 to 28 February 2016	2
C Chater	AngloGold Ashanti	01 May 2014 to 31 March 2016	5
A van Vuuren	Harmony	01 May 2014 to 31 March 2016	5
Dr J Andrews	Chamber of Mines	01 May 2014 to 31 March 2016	3

3.4 COMMITTEES continued

3.4.2 AUDIT AND RISK COMMITTEE MEMBERS

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

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

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

The members are as follows:

Name of member	Representing	Qualification	Date of appointment	Attendance
H Buthelezi	Chairperson	Chartered Accountant	1 February 2014 to 31 January 2017	3
Adv. W Huma	Member	LLD (Doctorate of Law)	1 February 2014 to 31 January 2017	–
P Mvulane	Member	Chartered Accountant	1 August 2012 to 31 July 2015	3
			1 August 2015 to 31 January 2017	
T Mofokeng	Member	Chartered Accountant	1 August 2012 to 31 July 2015	–
			Resigned 25 June 2015	

3.4.3 ADJUDICATING COMMITTEE MEMBERS

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

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

No adjudicating committee meetings were held during the financial year ended 31 March 2016.

Part C: GOVERNANCE continued

3.4 COMMITTEES continued

3.4.4 RISK COMMITTEE MEMBERS

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

The CCOD will thereafter maintain a register containing the name and description of every controlled mine and works as per Section 10(3) of the ODMWA. The CCOD will also determine in respect of each controlled mines or works an amount payable by the owner of the mine or works to the CCOD, for the benefit of the Fund, in respect of each risk shift worked. This is to enable the CCOD to pay every person, who performs risk work at or in connection with mines and works, and who is found to be suffering from a compensable disease in terms of Section 62(1) of the ODMWA.

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

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

3.4.5 KEY PERSONNEL

Dr MB Kistnasamy – Compensation Commissioner for Occupational Diseases

S Molautsi – Deputy Commissioner

MD Maswanganye – Director of finance

3.5 AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee met during the course of the 2015/2016 financial year, however due to the fact that the Audit And Risk Committee's term ended prior to the Annual Report and Annual Financial Statements being finalised, no Audit and Risk Committee report has been included in this Annual Report. The NDOH is in the process of appointing a new Audit and Risk Committee.

Part D: HUMAN RESOURCE MANAGEMENT

4.1 INTRODUCTION

Whilst the CCOD is capacitated at 100 percent, these are mainly administrative posts and there are an inadequate number of posts for specialised employees within the CCOD with skills and knowledge in law, occupational health, information technology and accounting.

4.2 EMPLOYEE DISTRIBUTION

The employee distribution was as follows:

Table 2: Distribution of posts at the CCOD as at 31 March 2016

Designation	Level	Number of posts	Filled	Vacant
Commissioner	14	1	1	0
Director	13	2	2	0
Deputy Directors	12	2	2	0
Assistant Directors	10	3	3	0
Senior State Accountants	8	3	3	0
Senior Administration Officer	8	1	1	0
Administration Officers	7	3	3	0
Personal assistant to the Director	6	1	1	0
Senior Administration Clerks	6	4	4	0
Administration Clerks	5	21	21	0
Switchboard Operator	4	1	1	0
Cleaner	3	1	1	0
Messenger	3	1	1	0
Total		44	44	0

Table 3: Profile of the workforce at the CCOD

Level	African				Coloured				Indian				White				Total			
	M	D	F	D	M	D	F	D	M	D	F	D	M	D	F	D	M	D	F	D
14									1								1			
13	2	1															2	1		
12			2																2	
10	2		1														2		1	
8	3		1														3		1	
7	3																3			
6	2		1											2			2		3	
5	6		15														6		15	
4			1																1	
3	1		1														1		1	
Total	19	1	22						1						2		20	1	24	

* M=Male F=Female D=Disabled

Part D: HUMAN RESOURCE MANAGEMENT continued

4.2 EMPLOYEE DISTRIBUTION continued

Table 4: Distribution of posts at the MBOD as at 31 March 2016

Designation	Level	Number of posts	Filled	Vacant
Director: MBOD	13	1	0	1
Deputy Director: Inspectorate	12	9	9	0
Deputy Director: Administration	12	1	1	0
Chief Clinical Technologist	10	1	1	0
Assistant Director: Administration	10	1	1	0
Assistant Director: Clinical Technology	10	1	1	0
Assistant Director: Radiographer	10	1	1	0
Professional Nurse	9	1	1	0
Specialist	9	1	0	1
Radiographer	8	1	1	0
Senior Human Resource Officer	7	1	1	0
Personal Assistant	7	1	1	0
Chief Security Officer	7	1	1	0
Chief Provisioning Clerk	7	1	1	0
Chief Administration Clerks	7	3	3	0
Senior Registry Clerk	6	1	1	0
Senior Provisioning Clerk	6	1	1	0
Senior Security Officer	6	1	1	0
Senior Administration Clerks	6	10	9	1
Accounting Clerks	5	1	1	0
Provisioning Clerk	5	1	1	0
Administration Clerks	5	12	11	1
Security Officers	4	8	8	0
Messenger	3	1	0	1
General Assistants	3	11	7	4
Driver	3	1	1	0
Total		73	64	9

* M=Male F=Female D=Disabled

Table 5: Profile of the workforce at the MBOD

Level	African				Coloured				Indian				White				Total			
	M	D	F	D	M	D	F	D	M	D	F	D	M	D	F	D	M	D	F	D
13																				
12	5		5														5		5	
10			3							1									4	
9	1																1			
8			1																1	
7	4		2										1				4		3	
6	8		3	1									1				8		4	1
5	5	1	8														5	1	8	
4	7		1														7		1	
3	3		5														3		5	
Total	33	1	28	1						1				2			33	1	31	1

* M=Male F=Female D=Disabled

Part E: ANNUAL FINANCIAL INFORMATION

5.1 OVERALL PERFORMANCE

The annual performance plan for the CCOD for 2015/2016 was approved by the Minister of Health on 10 March 2015.

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

Classification	Budget R'000	Expenditure R'000	Available R'000	% Spend	Over/under expenditure
Compensation of employees	28 283	29 285	(1 002)	4	over
Goods and services	23 886	14 652	9 234	(39)	under
Transfer payments	3 363	3 363	–	–	–
Households	–	82	(82)	(100)	over
Machinery and equipment	2 112	1 224	888	(42)	under
Software & Intangible Assets	1 000	816	184	(18)	under
Total	58 644	49 422	9 222	(16)	under

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

5.2 FINANCIAL OVERVIEW

5.2.1 REVENUE

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

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

Table 7: Breakdown of the sources of revenue

Statement of financial performance item	Audited amount			Targeted	Actual	% deviation from target	% deviation from prior year
	2012/2013 R'000	2013/2014 R'000	2014/2015 R'000				
Levy income	299 430	278 712	262 701	296 795	310 074	4	18
Interest received	117 688	137 132	180 737	201 170	220 217	11	22
Transfers received	5 693	3 062	3 215	3 363	3 363	–	5
Other income	–	–	–	–	6 998	–	100
Total revenue	422 811	418 906	446 653	501 328	540 652	8	21

As at 31 March 2016 the total number of controlled mines was 231 and controlled works was 21. Levy revenue increased by 18 percent for the financial year ended 31 March 2016 due to levy increases approved by the previous Minister of Health from 1 July 2015, as well as the platinum sector returning to normal activity after prolonged industrial action in the 2014/2015 financial year.

Investment income increased by 22 percent compared with the prior year due to the continued growth in investment balances.

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

Part E: ANNUAL FINANCIAL INFORMATION continued

5.2 FINANCIAL OVERVIEW continued

5.2.2 EXPENDITURE

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

Table 8: Breakdown of the types of expenditure

Statement of financial performance item	Audited amount			Targeted	Actual	% deviation from target	% deviation from prior year
	2012/2013 R'000	2013/2014 R'000	2014/2015 R'000	2015/2016 R'000	2015/2016 R'000		
Finance costs	218 924	286 726	306 240	225	348 974	>100	14
Operating expenses	27 184	15 707	7 299	7 614	5 560	(27)	(24)
Claims including pensioners/ Valuation adjustments	540 437	17 215	352 080	160 700	(712 973)	<100	<100
Total expenses	786 545	319 648	665 619	168 539	(358 439)	<100	<100

Total expenses for the current year were more than 100 percent lower than the prior year due to the incremental releases to provisions in the current period ended 31 March 2016. The net decrease in provisions was R442 916 220 in 2015/2016 compared with a net increase of R564 256 731 in 2014/2015. The decrease in 2015/2016 is largely attributable to claims paid during the year of R76 038 803 and changes in methodology and assumptions of R818 234 918. This was partly offset by an increase to provisions from the annual unwinding charge of R347 465 585 which offset the decrease in expenses.

In addition, operating expenses were lower in 2015/2016 due to the reduction in the contribution to the impairment allowance (R5 395 381 in 2015/2016 compared to R7 200 713 in 2014/2015).

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

5.2.3 ASSETS

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

The CCOD administers four current accounts:

- **Mines account**

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

- **Works account**

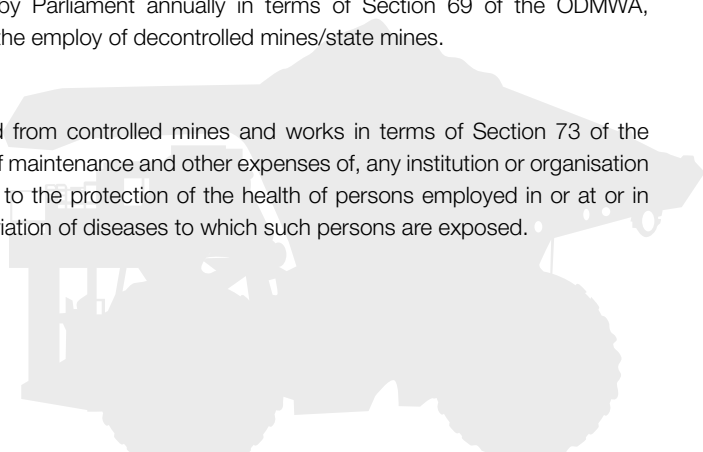
The works account is funded through levies collected from controlled works, in terms of Section 62 of the ODMWA.

- **State account**

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

- **Research account**

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



5.2 FINANCIAL OVERVIEW continued

Table 9 provides a breakdown of assets:

Table 9: Breakdown of assets

Statement of financial position item	Audited amount			Targeted	Actual	% deviation from target	% deviation from prior year
	2012/2013 R'000	2013/2014 R'000	2014/2015 R'000	2015/2016 R'000	2015/2016 R'000		
Investments	2 229 171	2 606 832	2 963 058	3 163 067	3 349 181	6	13
Trade and other receivables	59 865	65 631	71 799	27 338	74 562	>100	4
Cash and cash equivalents	169 797	74 613	58 995	60 000	131 935	>100	>100
Total assets	2 458 833	2 747 076	3 093 852	3 250 405	3 555 678	9	15

Investments were 13 percent higher at 31 March 2016 compared to 31 March 2015, due to a surplus of levies received over payments made to claimants, together with interest earned on surplus funds invested.

Cash and cash equivalents exceeded the 2015/2016 balances with more than 100 percent mainly as a consequence of the timing of investing excess cash into short-term fixed deposits.

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

5.2.4 LIABILITIES

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

Table 10 provides a breakdown of liabilities.

Table 10: Breakdown of liabilities

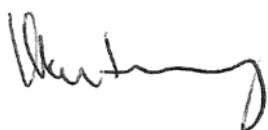
Statement of financial position item	Audited amount			Targeted	Actual	% deviation from target	% deviation from prior year
	2012/2013 R'000	2013/2014 R'000	2014/2015 R'000	2015/2016 R'000	2015/2016 R'000		
Accumulated deficit	(858 711)	(760 869)	(981 706)	2 176 824	(84 608)	< (100)	>100
Provisions, trade and other payables	3 317 544	3 507 945	4 075 558	1 073 581	3 640 286	>100	(11)
Total equity and liabilities	2 457 210	2 747 076	3 093 852	3 250 405	3 555 678	9	15

The decrease in provisions and trade and other payables of 11 percent from prior year is due to the decrease in the provision liability of R442 916 220 in the year. The decrease is largely attributable to claims paid during the year of R76 038 803 and changes in methodology and assumptions of R818 234 918, partially offset by the unwinding adjustment of R347 465 585. Please refer to Note 6 for a detailed breakdown of the movement in the provision liability during the year.

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

APPROVAL

The annual financial statements for the financial year ended 31 March 2016 as set out on pages 23 to 56 have been approved by the accounting officer.



Dr MB Kistnasamy

Compensation Commissioner for Occupational Diseases

Part E: ANNUAL FINANCIAL INFORMATION continued

5.3 RESPONSIBILITY STATEMENT

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

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

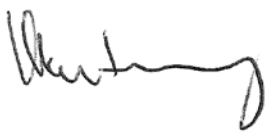
The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations of such statements issued by the Accounting Practice Board and in the manner required by the Public Finance Management Act, 1999 (Act 1 of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

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

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

The Auditor-General is responsible for examining and reporting on the fair presentation of the annual financial statements. The audit report of the annual financial statements of the Fund is presented on pages 19 to 22.

The annual financial statements of the Fund, set out on pages 23 to 56, were approved by the accounting officer, in terms of the ODMWA, for the financial year ended 31 March 2016 and were signed on its behalf by:



Dr MB Kistnasamy

Compensation Commissioner for Occupational Diseases

Part E: ANNUAL FINANCIAL INFORMATION *continued*

5.4 REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE MINES AND WORKS COMPENSATION FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified opinion

1. I have audited the financial statements of the Mines and Works Compensation Fund set out on pages 23 to 56, which comprise the statement of financial position as at 31 March 2016, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Mines and Works Compensation Fund as at 31 March 2016, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for qualified opinion

Revenue from exchange transactions

3. I was unable to obtain sufficient appropriate audit evidence for section 62 levies and section 63 research levies, as internal controls had not been established to verify the risk shifts declared on assessment forms before their entry in the financial records. Additionally, the entity had not established internal controls to ensure all controlled mines and works are included in the list of controlled mines and works to be invoiced. I could not confirm whether all levy revenue had been recorded by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to section 62 levies stated at R309 621 894 (R262 289 750), section 63 research levies stated at R451 752 (R411 506), and the related trade receivables stated at R67 461 395 (R70 489 978) in the financial statements.

Context for the opinion

4. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
5. I am independent of the entity in accordance with sections 290 and 291 of the Code of ethics for professional accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA codes), as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Responsibilities of the accounting authority for the financial statements

7. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
8. In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Part E: ANNUAL FINANCIAL INFORMATION continued

5.4 REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE MINES AND WORKS COMPENSATION FUND continued

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS continued

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

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

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

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

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

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

Annual financial statements, performance reports and annual reports

14. Financial statements were not submitted for auditing within the prescribed period after the end of financial year, as required by section 55(1)(c)(i) of the PFMA.
15. The financial statements submitted for auditing were not supported by full and proper records, as required by section 55(1)(a) of the PFMA.
16. Material misstatements identified by the auditors in the submitted financial statements were not corrected, which resulted in the financial statements receiving a qualified opinion.

Revenue management

17. The risk committee for mines and works was not in operation for the year under review, as is required by section 18(1) of the Occupational Diseases in Mines and Works Act of South Africa, 1973 (Act No. 78 of 1973) (ODMWA).
18. No mines or works performing risk shifts were declared as controlled because the risk committee for mines and works was not functioning, in contravention of section 10(1) of the ODMWA.

Part E: ANNUAL FINANCIAL INFORMATION continued

5.4 REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE MINES AND WORKS COMPENSATION FUND continued

OTHER INFORMATION

19. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements and the auditor's report.
20. My opinion on the financial statements and findings on compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
21. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
22. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

INTERNAL CONTROL DEFICIENCIES

23. I considered internal control relevant to my audit of the financial statements and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and the findings on compliance with legislation included in this report.
24. Leadership did not exercise oversight responsibility for financial reporting and compliance, as well as related internal controls.
25. Insufficient capacity at the entity resulted in deficiencies in internal controls around revenue and trade receivables.
26. Management did not implement proper and timely record keeping to ensure that complete and relevant information is accessible and available to support the recognition of the levy revenue and trade receivables..
27. The accounting authority did not implement a system of risk management during the year under review, resulting in no risk assessments being performed.

Auditor - General

Auditor-General

Pretoria

27 November 2020



**AUDITOR-GENERAL
SOUTH AFRICA**

Auditing to build public confidence

Part E: ANNUAL FINANCIAL INFORMATION continued

5.4 REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE MINES AND WORKS COMPENSATION FUND continued

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and on the entity's compliance with respect to the selected subject matters.

Financial statements

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

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

Part E: ANNUAL FINANCIAL INFORMATION continued

5.5 STATEMENT OF FINANCIAL POSITION for the year ended 31 March 2016

	Note(s)	2016 R	2015 R
Assets			
Current assets			
Investments	3	3 349 181 395	2 963 058 430
Receivables from exchange transactions	4	74 561 967	71 798 675
Cash and cash equivalents	5	131 934 602	58 994 757
Total assets		3 555 677 964	3 093 851 862
Liabilities			
Current liabilities			
Payables from exchange transactions	7	40 252 525	34 600 642
Payables from non-exchange transactions	8	6 393 265	4 400 406
Provisions	6	883 570 843	839 805 893
		930 216 633	878 806 941
Non-current liabilities			
Provisions	6	2 710 069 752	3 196 750 922
Total liabilities		3 640 286 385	4 075 557 863
Net assets		(84 608 421)	(981 706 001)
Accumulated deficit		(84 608 421)	(981 706 001)

The accounting policies on pages 29 to 36 and the notes on pages 37 to 56 form an integral part of the annual financial statements.

Part E: ANNUAL FINANCIAL INFORMATION continued

5.6 STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2016

	Note(s)	2016 R	2015 R
Revenue			
Revenue from exchange transactions			
Section 62 levies		309 621 894	262 289 750
Section 63 research levies		451 752	411 506
Other income		6 997 524	–
Interest received	10	220 216 541	180 737 364
Total revenue from exchange transactions		537 287 711	443 438 620
Revenue from non-exchange transactions			
Transfer revenue			
Good and services in-kind from the national Department of Health	11	43 937 145	40 586 456
Pension payments transfer utilised		1 370 141	1 343 874
Total revenue from non-exchange transactions		45 307 286	41 930 330
Total revenue	9	582 594 997	485 368 950
Expenditure			
Finance costs	12	(348 973 563)	(306 240 450)
Debt impairment	13	(5 395 381)	(7 200 713)
Goods and services in-kind from the national Department of Health	11	(43 937 145)	(40 586 456)
Movement in provisions and general expenses	14	712 808 672	(352 178 638)
Total expenditure		314 502 583	(706 206 257)
Operating surplus (deficit)		897 097 580	(220 837 307)
Surplus (deficit) for the year		897 097 580	(220 837 307)

The accounting policies on pages 29 to 36 and the notes on pages 37 to 56 form an integral part of the annual financial statements.

Part E: ANNUAL FINANCIAL INFORMATION continued

5.7 STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2016

	Accumulated surplus/(deficit) R	Total net liabilities R
Balance at 01 April 2014	(760 868 694)	(760 868 694)
Changes in net assets		
Deficit for the year	(220 837 307)	(220 837 307)
Total changes	(220 837 307)	(220 837 307)
Balance at 01 April 2015	(981 706 001)	(981 706 001)
Changes in net assets		
Surplus for the year	897 097 580	897 097 580
Total changes	897 097 580	897 097 580
Balance at 31 March 2016	(84 608 421)	(84 608 421)

The accounting policies on pages 29 to 36 and the notes on pages 37 to 56 form an integral part of the annual financial statements. .

Part E: ANNUAL FINANCIAL INFORMATION continued

5.8 CASH FLOW STATEMENT

for the year ended 31 March 2016

	Note(s)	2016 R	2015 R
Cash flows from operating activities			
Receipts			
Levy income		308 912 497	249 332 849
Interest income		209 015 104	175 015 218
Transfer from the national Department of Health for pension payments		3 363 000	3 215 000
		521 290 601	427 563 067
Payments			
Claimants		(70 551 109)	(89 646 994)
Finance costs		(1 507 978)	(1 686 237)
Pension payments		(1 370 141)	(1 343 874)
		(73 429 228)	(92 677 105)
Net cash flows from operating activities	16	447 861 373	334 885 962
Cash flows from investing activities			
Purchase of financial assets		(374 921 528)	(350 503 939)
Net cash flows from investing activities		(374 921 528)	(350 503 939)
Net increase/(decrease) in cash and cash equivalents		72 939 845	(15 617 977)
Cash and cash equivalents at the beginning of the year		58 994 757	74 612 734
Cash and cash equivalents at the end of the year	5	131 934 602	58 994 757

The accounting policies on pages 29 to 36 and the notes on pages 37 to 56 form an integral part of the annual financial statements.

Part E: ANNUAL FINANCIAL INFORMATION continued

5.9 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

for the year ended 31 March 2016

BUDGET ON CASH BASIS

	Approved budget R	Adjustments R	Final budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Statement of financial performance						
Revenue						
Revenue from exchange transactions						
Levy revenue	296 795 000	–	296 795 000	310 073 646	13 278 646	Note 24
Interest received	144 263 000	56 907 000	201 170 000	220 216 541	19 046 541	Note 24
Total revenue from exchange transactions	441 058 000	56 907 000	497 965 000	530 290 187	32 325 187	
Revenue from non-exchange transactions						
Transfer revenue						
Pension payments transfer utilised	3 363 000	–	3 363 000	1 370 141	(1 992 859)	Note 24
Total revenue	444 421 000	56 907 000	501 328 000	531 660 328	30 332 328	
Expenditure						
Finance costs	(225 000)	–	(225 000)	(1 507 978)	(1 282 978)	Note 24
Movement in provisions and general expenses	(171 680 000)	–	(171 680 000)	712 808 672	884 488 672	Note 24
Total expenditure	(171 905 000)	–	(171 905 000)	711 300 694	883 205 694	
Surplus	272 516 000	56 907 000	329 423 000	1 242 961 022	913 538 022	
Actual amount on comparable basis as presented in the budget and actual comparative statement	272 516 000	56 907 000	329 423 000	1 242 961 022	913 538 022	
Reconciliation						
Basis difference						
Other income – S74(a) recovery from the National Department of Health				6 591 934		Note 24
Other income – S74(b) recovery from the National Department of Health				405 590		Note 24
Non-exchange revenue – goods and services in-kind from the national Department of Health				43 937 145		Note 24
Non-exchange – services in-kind – employee related expenses				(29 284 724)		Note 24
Non-exchange – goods and services in-kind				(14 652 421)		Note 24
Debt impairment				(5 395 381)		Note 24
Provisions – unwinding adjustment				(347 465 585)		Note 24
Actual amount in the statement of financial performance				897 097 580		

Part E: ANNUAL FINANCIAL INFORMATION continued

5.9 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS continued for the year ended 31 March 2016

BUDGET ON CASH BASIS

	Approved budget R	Adjustments R	Final budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Statement of financial position						
Assets						
Current assets						
Investments	2 953 513 000	209 554 000	3 163 067 000	3 349 181 395	186 114 395	Note 24
Receivables from exchange transactions	3 800 000	23 538 000	27 338 000	74 561 967	47 223 967	Note 24
Cash and cash equivalents	60 000 000	–	60 000 000	131 934 602	71 934 602	Note 24
	3 017 313 000	233 092 000	3 250 405 000	3 555 677 964	305 272 964	
Total assets	3 017 313 000	233 092 000	3 250 405 000	3 555 677 964	305 272 964	
Liabilities						
Current liabilities						
Payables from exchange transactions	3 700 000	15 860 000	19 560 000	40 252 525	20 692 525	Note 24
Payables from non-exchange	–	–	–	6 393 265	6 393 265	Note 24
Provisions	–	–	–	883 570 843	883 570 843	Note 24
	3 700 000	15 860 000	19 560 000	930 216 633	910 656 633	
Non-current liabilities						
Provisions	2 670 960 000	(1 616 939 000)	1 054 021 000	2 710 069 752	1 656 048 752	Note 24
Total liabilities	2 674 660 000	(1 601 079 000)	1 073 581 000	3 640 286 385	2 566 705 385	
Net assets	342 653 000	1 834 171 000	2 176 824 000	(84 608 421)	(2 261 432 421)	
Net assets						
Net assets attributable to owners of controlling entity						
Reserves						
Accumulated deficit	342 653 000	1 834 171 000	2 176 824 000	(84 608 421)	(2 261 432 421)	

The accounting policies on pages 29 to 36 and the notes on pages 37 to 56 form an integral part of the annual financial statements.

Part E: ANNUAL FINANCIAL INFORMATION continued

5.10 ACCOUNTING POLICIES

for the year ended 31 March 2016

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

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

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables or loans and receivables

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

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Provisions

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

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

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

Part E: ANNUAL FINANCIAL INFORMATION continued

5.10 ACCOUNTING POLICIES continued

for the year ended 31 March 2016

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

1.4 Financial instruments

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

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

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

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is either:

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

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

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

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

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

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

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

Part E: ANNUAL FINANCIAL INFORMATION continued

5.10 ACCOUNTING POLICIES continued

for the year ended 31 March 2016

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

1.4 Financial instruments continued

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

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

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

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

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

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

Classification

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

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

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

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

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at amortised cost.

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

Part E: ANNUAL FINANCIAL INFORMATION continued

5.10 ACCOUNTING POLICIES continued

for the year ended 31 March 2016

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

1.4 Financial instruments continued

Gains and losses

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

The entity derecognises a financial asset only when:

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

Presentation

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

1.5 Provisions and contingencies

Provisions are recognised when:

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

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

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

Part E: ANNUAL FINANCIAL INFORMATION continued

5.10 ACCOUNTING POLICIES continued

for the year ended 31 March 2016

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

1.5 Provisions and contingencies continued

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

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

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

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

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

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 22.

1.6 Revenue from exchange transactions

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

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Revenue from exchange transactions comprise levy revenue and interest.

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

Measurement

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

Interest

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

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

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

1.7 Revenue from non-exchange transactions

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

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

Part E: ANNUAL FINANCIAL INFORMATION continued

5.10 ACCOUNTING POLICIES continued

for the year ended 31 March 2016

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

1.7 Revenue from non-exchange transactions continued

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Transfers

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

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

Goods in-kind

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

Part E: ANNUAL FINANCIAL INFORMATION continued

5.10 ACCOUNTING POLICIES continued

for the year ended 31 March 2016

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

1.7 Revenue from non-exchange transactions continued

Services in-kind

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

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

1.8 Investment income

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

1.9 Comparative figures

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

1.10 Fruitless and wasteful expenditure

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

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

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

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

1.11 Budget information

The entity is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

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

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

The approved budget covers the fiscal period from 1 April 2015 to 31 March 2016.

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

Part E: ANNUAL FINANCIAL INFORMATION continued

5.10 ACCOUNTING POLICIES continued

for the year ended 31 March 2016

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

1.12 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.13 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

Part E: ANNUAL FINANCIAL INFORMATION continued

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 1 April 2016 or later periods:

Standard/interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20 – Related parties	01 April 2017	Unlikely there will be a material impact
• GRAP 108 – Statutory receivables	01 April 2016	Unlikely there will be a material impact

3. INVESTMENTS

	2016 R	2015 R
At amortised cost		
CPD Investment	1 700 735 638	1 596 577 061
The interest bearing investment is money invested with the Corporation for Public Deposits (CPD). It bears interest at 7.07% per annum (2015: 5.76% per annum).		
Fixed deposit – Mines	1 518 233 244	1 244 952 101
Short term fixed deposits are funds invested in financial institutions which bear interest between 6.5% and 8.4% per annum (2015: between 5.25% and 6.95%).		
Fixed deposit – Works	127 226 449	118 740 900
Short term fixed deposits are funds invested in financial institutions which bear interest between 7.45% and 7.8% per annum (2015: between 6.80% and 6.85%).		
Fixed deposit – Research	2 986 064	2 788 368
Short term fixed deposits are funds invested in financial institutions which bear interest at 7.2% per annum (2015: 6.6%).		
Investments will mature within the next year.		
	3 349 181 395	2 963 058 430
Current assets		
At amortised cost	3 349 181 395	2 963 058 430

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2016 R	2015 R
Trade debtors	67 461 395	70 489 978
Other receivables	103 048	1 308 697
S74(a) receivable	6 591 934	–
S74(b) receivable	405 590	–
	74 561 967	71 798 675

Part E: ANNUAL FINANCIAL INFORMATION continued

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2016

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS continued

Standard terms and interest charged on overdue accounts

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

2016	%
1 April 2015 to 31 August 2015	9.25
1 September 2015 to 31 December 2015	9.50
1 January 2016 to 29 February 2016	9.75
1 March 2016 to 31 March 2016	10.25
2015	%
1 April 2014 to 31 August 2014	9
1 September 2014 to 31 March 2015	9.25

Fair value of trade and other receivables

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

Trade and other receivables past due but not impaired

At 31 March 2016, R23 317 105 (2015: R23 195 077) were neither past due nor impaired.

At 31 March 2016, R51 244 862 (2015: R48 603 598) were past due but not impaired.

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

	2016 R	2015 R
One month past due	1 411 630	7 638 900
Two to three months past due	3 115 060	11 720 853
Over three months past due	46 718 172	29 243 845
	51 244 862	48 603 598

Trade and other receivables impaired

As of 31 March 2016, trade and other receivables of R79 221 014 (2015: R73 825 633) were impaired and provided for.

The amount of the provision was R79 221 014 as of 31 March 2016 (2015: R73 825 633).

The ageing of these receivables is as follows:

	2016 R	2015 R
Current	6 707 556	6 752 717
One month past due	270 951	507 176
Two to three months past due	966 521	1 689 137
Over three months past due	71 275 986	64 876 603
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	73 825 633	66 624 920
Provision for impairment	5 395 381	7 200 713
	79 221 014	73 825 633

Part E: ANNUAL FINANCIAL INFORMATION continued

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2016

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS continued

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

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The entity does not hold any collateral as security.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2016	2015
	R	R
Bank balances	131 934 602	58 994 757

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

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

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

	2016	2015
	R	R
Credit rating		
Absa (F1+) – Current Account: Mines	114 025 129	35 140 545
Absa (F1+) – Current Account: State	9 565 410	7 323 390
Absa (F1+) – Current Account: Research	42 456	41 252
Absa (F1+) – Current Account: Works	3 921 342	3 747 038
FNB (F1+) – Current Account: Mines	4 380 265	12 742 532
	131 934 602	58 994 757

6. PROVISIONS

	2016	2015
	R	R
Provisions comprise:		
Benefits due	878 340 777	834 242 826
IBNR provision	2 710 069 752	3 196 750 922
Provision for Eastern Cape claims	5 230 066	5 563 067
	3 593 640 595	4 036 556 815
Provisions comprise:		
Non-current liabilities	2 710 069 752	3 196 750 922
Current liabilities	883 570 843	839 805 893
	3 593 640 595	4 036 556 815

Part E: ANNUAL FINANCIAL INFORMATION continued

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2016

6. PROVISIONS continued

Reconciliation of provisions – 2016

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

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

⁽²⁾ Actual payments for the year

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

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

Part E: ANNUAL FINANCIAL INFORMATION continued

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued for the year ended 31 March 2016

6. PROVISIONS continued

Reconciliation of provisions – 2015

	Opening balance	Additions ⁽¹⁾	Paid during the year ⁽²⁾	Changes in methodology and assumptions/ unexpected increase/ (decrease) ⁽³⁾	Unwinding ⁽⁴⁾	Transfer to benefits due	Total
	R	R	R	R	R	R	R
IBNR –							
TB Loss of Earnings	4 139 844	2 528 366	–	(289 917)	368 297	(2 265 887)	4 480 703
IBNR – TB First Degree	7 322 780	2 249 739	–	(702 894)	647 726	(2 542 128)	6 975 223
IBNR –							
TB Second Degree	7 187 369	4 113 039	–	(169 007)	629 649	(4 210 596)	7 550 454
IBNR – Permanent							
First Degree	1 397 185 744	40 371 558	–	108 782 681	125 999 236	(32 818 281)	1 639 520 938
IBNR – Permanent							
Second Degree	1 302 149 518	39 639 321	–	115 793 780	116 428 901	(35 787 916)	1 538 223 604
Benefits due –							
TB Loss of Earnings	59 829 537	–	(1 798 384)	6 737 990	5 284 358	2 265 887	72 319 388
Benefits due –							
TB First Degree	37 706 799	–	(5 479 301)	4 749 437	3 023 766	2 542 128	42 542 829
Benefits due –							
TB Second Degree	195 896 291	–	(17 627 422)	18 213 829	15 355 871	4 210 596	216 049 165
Benefits due –							
Permanent First Degree	208 575 561	–	(22 433 110)	(11 326 910)	16 264 743	32 818 281	223 898 565
Benefits due –							
Permanent Second Degree	244 420 374	–	(43 541 422)	20 220 099	20 122 926	35 787 916	277 009 893
Eastern Cape Provision	5 463 281	–	(153 900)	(175 054)	428 740	–	5 563 067
Provision for PH files	2 422 986	–	–	–	–	–	2 422 986
	3 472 300 084	88 902 023	(91 033 539)	261 834 034	304 554 213	–	4 036 556 815

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

⁽²⁾ Actual payments for the year

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

⁽⁴⁾ Unwinding represents interest credited to the liability as per the BEASSA nominal zero yield curve as at 31 March 2015 for the 12-month inter-valuation period

Part E: ANNUAL FINANCIAL INFORMATION continued

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued for the year ended 31 March 2016

6. PROVISIONS continued

Provision for Benefits Due and IBNR provision

The total claims liability, including provision for claims incurred but not yet reported (IBNR), as at 31 March 2016 was estimated to be R3 588 410 529 (31 March 2015: R4 030 993 748). This represents the expected monetary amount that together with investment income, would be sufficient to cover future payments in respect of last risk work to 31 March 2016.

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

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

Provision for Benefits Due

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

Claims in relation to Benefits Due were categorised as follows:

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

The following methodology was applied to determine the Provision for Benefits Due as at 31 March 2016:

- the number of claims reported, certified and not yet paid per claims year was multiplied by the average cost per claim for that claim year
- the average cost per claim was calculated as the average of claims reported, certified and paid in each particular category
- payment rates (probability of payment) dependent on the time period between claim year and valuation date were applied
- these payment rates represent a sliding scale which are subject to a maximum of the payment rate for the IBNR provision at 31 March 2016
- a settlement pattern was applied to the proportion of claims that are assumed will be paid as at 31 March 2016. The settlement patterns were consistent with those used to calculate the IBNR provision
- expected future claim payments were discounted to 31 March 2016 using the Bond Exchange and Actuarial Society of South Africa (BEASSA) nominal zero coupon yield curve as at 31 March 2016
- the provision for Benefits Due equals to the sum of these discounted future claim payments

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

Part E: ANNUAL FINANCIAL INFORMATION continued

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued for the year ended 31 March 2016

6. PROVISIONS continued

IBNR provision

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

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

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

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

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

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

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

- gold
- platinum
- other commodities

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

The following methodology was applied to determine the TB Liability as at 31 March 2016:

- the ultimate number of claims were projected for last risk years up to the end of 31 March 2016 by applying a development pattern to the cumulative proportion of claims observed to have been reported to 31 March 2016. This process was repeated to determine incremental claims per development year for each applicable last risk year
- to allow for complete claims experience, current certification guidelines and based on an analysis of the data, a seven-year development period was used in determining the development pattern
- the average cost per claim was derived by analysing the underlying distribution of claim amounts awarded and subsequently paid per claim year. The following disease categories were analysed separately, based on the separate rules stipulated in the ODMWA with regard to the way in which award amounts are calculated:
 - TB Loss of Earnings (consists of TB Initial and TB Reactivated)
 - TB First Degree
 - TB Second Degree
- with respect to TB Loss of Earnings and TB Second Degree, the mean of the underlying distributions was used.
- with respect to TB First Degree, the mode of the underlying distributions was used which corresponds to the maximum benefit as per the ODMWA
- the average cost per claim for TB Loss of Earnings was projected forward by the observed 'inflation rate'
- the average cost per claim for TB First Degree was projected forward by applying a 20 percent increase in the maximum benefit which was allowed for with respect to 31 March 2016. Thereafter, inflation was applied to the maximum benefit each year

Part E: ANNUAL FINANCIAL INFORMATION continued

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2016

6. PROVISIONS continued

IBNR provision continued

- the average cost per claim for TB Second Degree was projected forward by adjusting the underlying distribution to each subsequent claims year by keeping the minimum and maximum benefits constant (as no increases to the limits occurred over this period) and increasing the benefits falling between these amounts by inflation each year (subject to the applicable maximum benefit). The average cost per claim for the 2017 claim year was derived from the 2016 claims distribution, allowing for a 20 percent increase in the maximum benefits and inflationary increases to the benefits falling between the maximum (subject to the applicable maximum benefit)
- the total claim amounts per development year for each last risk year was calculated by multiplying the expected number of claims in each development year (for each risk year) by the average cost per claim for that year. With respect to TB Loss of Earnings, a proportion of claims result in no loss once assessed. These claims have therefore been reduced by the proportion of claims expected to result in no loss
- a payment rate (probability of payment) was applied to total outstanding claims to allow for a proportion of the ultimate claims that will result in no payment
- a settlement pattern was applied to the proportion of claims assumed to be paid in each development year for each last risk year. This gives an estimate of total claims that will be settled per claim year and settlement year

The settlement pattern was derived for the following groupings:

- TB Loss of Earnings (consists of TB Initial and TB Reactivated)
- TB Permanent Diseases (consists of First Degree and Second Degree)

A 9-year settlement period was used in respect of both these groupings

- expected future claim amounts to be paid per settlement year for each claims year were discounted to 31 March 2016 using the BEASSA nominal zero coupon yield curve as at 31 March 2016
- the TB Liability equals to the sum of these discounted future claim payments across all settlement years for all risk years

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

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

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

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

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

- black
- white

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

Part E: ANNUAL FINANCIAL INFORMATION continued

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2016

6. PROVISIONS continued

IBNR provision continued

The following methodology was applied to determine the Permanent Disease Liability as at 31 March 2016:

- the ultimate number of claims were projected for last risk years up to the end of 31 March 2016 by applying a development pattern to the cumulative proportion of claims observed to have been reported to 31 March 2016. This process was repeated to determine incremental claims per development year for each applicable last risk year
- to allow for complete claims experience, current certification guidelines and based on an analysis of the data, the development patterns have been allowed for over the following number of years:
 - Asbestos-related diseases: 55 years
 - Silicosis: 45 years
 - OAD: 10 years
 - Other: 55 years
- the ultimate number of claims expected to arise for last risk years 2003 to 2016 was determined applying this method. The ultimate number of claims for risk years prior to 2003 was done in conjunction with the estimation of under-reported claims
- the average cost per claim was derived by analysing the underlying distribution of claim amounts awarded and subsequently paid per claim year. The following disease categories were analysed separately, based on the separate rules stipulated in the ODMWA with regard to the way in which award amounts are calculated:
 - Permanent Disease First Degree
 - Permanent Disease Second Degree
- with respect to Permanent Disease First Degree, the mode of the underlying distributions was used which corresponds to the maximum benefit as per the ODMWA
- with respect to Permanent Disease Second Degree, the mean of the underlying distributions was used
- the average cost per claim for Permanent Disease First Degree was projected forward by applying a 20 percent increase in the maximum benefit which was allowed for with respect to 31 March 2016 thereafter, inflation was applied to the maximum benefit each year
- the average cost per claim for Permanent Disease Second Degree was projected forward by adjusting the underlying distribution to each subsequent claims year by keeping the minimum and maximum benefits constant (as no increases to the limits occurred over this period) and increasing the benefits falling between these amounts by inflation each year (subject to the applicable maximum benefit). The average cost per claim for the 2017 claim year was derived from the 2016 claims distribution, allowing for a 20% increase in the maximum benefits and inflationary increases to the benefits falling between the maximum (subject to the applicable maximum benefit)
- a payment rate (probability of payment) was applied to total outstanding claims to allow for a proportion of the ultimate claims that will result in no payment
- a settlement pattern was applied to the proportion of claims assumed to be paid in each development year for each last risk year. A nine-year settlement period was used
- expected future claim amounts to be paid per settlement year for each claims years were discounted to 31 March 2016 using the BEASSA nominal zero coupon yield curve as at 31 March 2016
- the number of under-reported claims was estimated as follows:
 - the development pattern for white workers is assumed be representative of the true development of permanent diseases such as Silicosis
 - within the black and white workers' development patterns, active workers claim within development year zero and ex-workers claim after development year zero. Under-reporting is minimal with respect to active workers
 - under-reporting is therefore assumed to occur predominantly for black ex-workers
 - the proportion of black ex-workers claiming after development year zero was adjusted such that the proportion of black workers claiming in development year zero to the proportion of black ex-workers claiming after development year zero equals the proportion of white workers claiming in development year zero to the proportion of white ex-workers claiming after development year zero. This was applied to last risk years from 2003 to 2016

Part E: ANNUAL FINANCIAL INFORMATION continued

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2016

6. PROVISIONS continued

IBNR provision continued

- frequency rates (excluding and including under-reporting) were estimated for this period and projected prior to 2003. This projection was done using historical claim numbers to calibrate frequency rates excluding under-reporting prior to 2003. The relationship between post 2003 frequency rates including and excluding under-reporting was used to determine pre-2003 frequency rates including under-reporting
- pre-2003 frequency rates including and excluding under-reporting were applied to estimated total risk shifts prior to 2003 to determine total ultimate claims including and excluding under-reporting for last risk years prior to 2003
- the proportion of the total ultimate number of claims excluding under-reporting relating to last risk years prior to 2003 expected to be reported and certified after 31 March 2016 was determined by using the applicable development patterns
- past under-reported claims was calculated as the difference between ultimate claims including and excluding under-reporting that are assumed to have developed by 31 March 2016
- after the payment rate was applied, a settlement pattern was applied to past under-reported claims with effect 1 April 2016. Mortality was allowed for to allow for the probability of survival from the point the worker should have claimed to the valuation date
- future under-reported claims were calculated as the difference between ultimate claims including and excluding under-reporting that are assumed to arise after 31 March 2016 for last risk years to 31 March 2016. After the payment rate was applied, these were assumed to be settled in line with claims arising through the normal course of events
- expected future claim amounts to be paid per settlement year for each claim years were discounted to 31 March 2016 using the BEASSA nominal zero coupon yield curve as at 31 March 2016
- the Permanent Liability equals to the sum of these discounted future claim payments across all settlement years for all risk years

Assumptions

The following were the principal assumptions at the reporting date:

Economic assumptions

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

- annual cash flows have been discounted at the rate implied by the BEASSA nominal zero coupon bond curve as at 31 March 2016 at that point in time
- inflation is calculated to be difference between the yields on the BEASSA nominal zero coupon bond curve and real zero bond curve as at 31 March 2016. An inflation risk premium of 0.5% has been applied

Demographic assumption

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

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

Other assumptions

	2016	2015
	%	%
Future 'inflation rate' for TB Loss of Earnings	15	15
Proportion of TB Loss of Earnings claims that result in no loss	15	15
TB Liability – percentage future claims that will be paid	90	90
Permanent Disease Liability – percentage future claims that will be paid	90	87
Permanent Disease Liability – percentage of under-reported claims that will be paid	75	70

Part E: ANNUAL FINANCIAL INFORMATION continued

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2016

6. PROVISIONS continued

Provision for Eastern Cape Claims

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

The following methodology was applied to determine the provision for Eastern Cape claims as at 31 March 2016:

- the number of unpaid claims at the valuation date was multiplied by R2 700 per claim
- payment rates (probability of payment) dependent on the time period between claim year and valuation date were applied
- these payment rates represent a sliding scale which are subject to a maximum of the payment rate for the IBNR provision at 31 March 2016
- a settlement pattern was applied to the proportion of claims that are assumed will be paid as at 31 March 2016
- the settlement patterns were consistent with those used to calculate the IBNR provision
- expected future claim payments were discounted to 31 March 2016 using the BEASSA nominal zero coupon yield curve as at 31 March 2016
- the provision for Eastern Cape claims equals to the sum of these discounted future claims

Sensitivity analysis

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

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

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

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

2015	Benefits due R	IBNR provision R	Impact on deficit/ accumulated deficit R
Base scenario	834 242 826	3 196 750 922	–
97% of IBNR claims (Permanent diseases), 80% of under reported claims, 97% maximum payment rate for benefits due	908 170 229	3 639 992 035	(517 168 516)
77% of IBNR claims (Permanent diseases), 60% of under reported claims, 77% maximum payment rate for benefits due	771 454 159	2 753 509 810	506 029 779

Part E: ANNUAL FINANCIAL INFORMATION continued

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2016

7. PAYABLES FROM EXCHANGE TRANSACTIONS

	2016 R	2015 R
Trade payables	35 098 230	30 886 434
Other payables	5 154 295	3 714 208
	40 252 525	34 600 642

8. TRANSFERS PAYABLE (NON-EXCHANGE)

	2016 R	2015 R
National Department of Health – Pensions	6 393 265	4 400 406

9. REVENUE

	2016 R	2015 R
Section 62 levies	309 621 894	262 289 750
Section 63 research levies	451 752	411 506
Other income – S74(a) and S74(b) recovery from the National Department of Health	6 997 524	–
Interest received	220 216 541	180 737 364
Goods and services in-kind from the national Department of Health	43 937 145	40 586 456
Pension payments transfer utilised	1 370 141	1 343 874
	582 594 997	485 368 950

The amount included in revenue arising from exchanges of goods or services are as follows:

Section 62 levies	309 621 894	262 289 750
Section 63 research levies	451 752	411 506
Other income – S74(a) and S74(b) recovery from the National Department of Health	6 997 524	–
Interest received	220 216 541	180 737 364
	537 287 711	443 438 620

	2016 R	2015 R
The amount included in revenue arising from non-exchange transactions is as follows:		
Transfer revenue		
Goods and services in-kind from the national Department of Health	43 937 145	40 586 456
Pension payments transfer utilised	1 370 141	1 343 874
	45 307 286	41 930 330

Part E: ANNUAL FINANCIAL INFORMATION continued

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2016

9. REVENUE continued

Basis on which fair value of inflowing resources was measured

Transfers

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

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

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

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

Pension payments made

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

Nature and type of goods in kind are as follows:

Rental paid for CCOD buildings

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

Property, plant and equipment

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

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

Services in-kind from the national Department of Health

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

Services in-kind from social partners and the mining industry

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

10. INVESTMENT REVENUE

	2016 R	2015 R
Interest revenue		
Interest on investments	207 493 008	169 249 348
Interest on cash and cash equivalents	5 266 249	4 261 951
Interest charged on trade and other receivables	7 457 284	7 226 065
	220 216 541	180 737 364

The amount included in Investment revenue arising from exchange transactions amounted to R220 216 541 (2015: R180 737 364).

Part E: ANNUAL FINANCIAL INFORMATION continued

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2016

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

	2016 R	2015 R
Goods and services in-kind from the national Department of Health	43 937 145	40 586 456
Goods and services in-kind from the national Department of Health comprise:		
Non-exchange – services in-kind – employee related expenses	29 284 724	26 008 795
Non-exchange – goods and services in-kind	14 652 421	14 577 661
	43 937 145	40 586 456

12. FINANCE COSTS

	2016 R	2015 R
Trade and other payables	1 507 978	1 686 237
Provisions – Unwinding adjustment	347 465 585	304 554 213
	348 973 563	306 240 450

13. DEBT IMPAIRMENT

	2016 R	2015 R
Contributions to debt impairment provision	5 395 381	7 200 713

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

14. MOVEMENT IN PROVISIONS AND GENERAL EXPENSES

	2016 R	2015 R
Bank charges	164 189	98 707
Pensions	1 370 141	1 343 874
Movement in provisions	(714 343 002)	350 736 057
	(712 808 672)	352 178 638
Movement in provisions		
Disease in the First Degree – Section 80(1)	(806 842 638)	137 827 329
Disease in the Second Degree – Section 80(3)	83 028 435	175 653 200
Tuberculosis at 75% – Section 80(1)	3 723 664	8 976 439
Tuberculosis in the First Degree – Section 80(4)	1 654 450	6 296 282
Tuberculosis in the Second Degree – Section 80(2)(b)	4 819 841	22 157 861
Eastern Cape	(726 754)	(175 054)
	(714 343 002)	350 736 057

Part E: ANNUAL FINANCIAL INFORMATION continued

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued for the year ended 31 March 2016

14. MOVEMENT IN PROVISIONS AND GENERAL EXPENSES continued

	2016 R	2015 R
Payment for pneumoconiosis which has permanently impaired cardio-respiratory functions by:		
Not less than 20 percent but not more than 50 percent	145 724	185 720
More than 75 percent	68 045	35 322
Pneumoconiosis together with tuberculosis	36 754	57 188
Tuberculosis	33 352	28 644
Dependants	1 086 266	1 037 000
	1 370 141	1 343 874

15. FRUITLESS AND WASTEFUL EXPENDITURE

	2016 R	2015 R
Fruitless and wasteful expenditure – incurred in prior year and identified in current year	403 849	–
Fruitless and wasteful expenditure – incurred in current year and identified in current year	1 741	–
Less: amounts transferred for recovery i.t.o S74 – refer note 4	(405 590)	–
	–	–

Fruitless and wasteful expenditure relates to the impairment of other receivables for unauthorised debit orders deducted from the State bank account from September 2013 to August 2015 and duplicate payments made to claimants in error from March 2010 to March 2015 which are deemed to be not recoverable by the CCOD.

The unauthorised debit orders were raised with the financial institution and the CCOD was successful in the partial recovery of a number of the debit orders. However, debit orders to the value of R118 105 could not be recovered due to delays in raising the claims with the bank. Subsequently, a criminal case has been opened with the South African Police Service.

Controls and processes at the CCOD have been improved to ensure that unauthorised debit orders are detected timeously and reversed with the relevant banking institution. Controls over the claimant payment process have been strengthened to prevent and detect duplicate payments to claimants. Examples of process improvements include electronic database queries which significantly reduces the risk of duplicate payments.

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

Part E: ANNUAL FINANCIAL INFORMATION continued

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2016

16. CASH GENERATED FROM OPERATIONS

	2016 R	2015 R
Surplus/(Deficit)	897 097 580	(220 837 307)
Adjustments for:		
Finance costs (provisions unwinding adjustment)	347 465 585	304 554 213
Debt impairment	5 395 381	7 200 713
Net movement in provisions (excluding unwinding adjustment)	(790 381 805)	259 702 518
Accrued interest on investments	(11 201 437)	(5 722 146)
Changes in working capital:		
Receivables from exchange transactions	(8 158 673)	(13 368 406)
Payables from exchange transactions	5 651 883	1 485 251
Transfers payable (non exchange)	1 992 859	1 871 126
	447 861 373	334 885 962

17. FINANCIAL INSTRUMENTS DISCLOSURE

Categories of financial instruments

2016 Financial assets	At amortised cost R	Total R
Investments	3 349 181 395	3 349 181 395
Trade and other receivables from exchange transactions	74 561 967	74 561 967
Cash and cash equivalents	131 934 602	131 934 602
	3 555 677 964	3 555 677 964

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

2015 Financial assets	At amortised cost R	Total R
Investments	2 963 058 430	2 963 058 430
Trade and other receivables from exchange transactions	71 798 675	71 798 675
Cash and cash equivalents	58 994 757	58 994 757
	3 093 851 862	3 093 851 862

2015 Financial liabilities	At amortised cost R	Total R
Trade and other payables from exchange transactions	34 600 642	34 600 642
Taxes and transfers payable (non-exchange)	4 400 406	4 400 406
	39 001 048	39 001 048

Part E: ANNUAL FINANCIAL INFORMATION continued

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2016

18. RELATED PARTIES

Relationships

Controlling entity: National Department of Health

Related party balances	2016 R	2015 R
Amounts included in trade payables regarding related parties		
National Department of Health	6 393 265	4 400 406
Related party transactions		
Transfer payments for pension payments		
National Department of Health	3 363 000	3 215 000
Goods and services in-kind from the national Department of Health		
National Department of Health	43 937 145	40 586 456

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

19. COMPARATIVE FIGURES

Comparative figures have not been restated.

20. RISK MANAGEMENT

Financial risk management

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

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

The Fund monitors the management of these risks.

Liquidity risk

The Fund manages liquidity risk through ensuring adequate reserves and liquid resources are maintained to meet financial obligations as they become due. Financial liabilities include trade accounts payable, which consist of benefits payable for claims approved and are due in less than one year. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Credit risk

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

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

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

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

Part E: ANNUAL FINANCIAL INFORMATION continued

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued for the year ended 31 March 2016

20. RISK MANAGEMENT continued

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

Financial instrument	2016 R	2015 R
Investments – CPD	1 700 735 638	1 596 577 061
Short-term fixed deposits – Absa	191 513 468	178 606 135
Short-term fixed deposits – FNB	1 456 932 289	1 187 875 234
Cash and cash equivalents – Absa	127 554 337	46 252 225
Cash and cash equivalents – FNB	4 380 265	12 742 532

Market risk

Interest rate risk

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

The estimated fair value at 31 March 2016 has been determined using the market value and appropriate valuation methodologies, but are not necessarily indicative of the amounts the Fund could realise in the normal course of business. The fair value of financial instruments equals their carrying value, either because of the short-term nature and normal trade terms thereof, or the market-related interest rate attached to them.

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

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

Financial Instruments and their exposure to interest rate risk are:

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

This analysis assumes that all other variables remain constant.

	100 bp increase	100 bp decrease
31 March 2016		
Interest bearing investments – CPD	17 085 524	(16 929 622)
Short term fixed deposits	16 560 221	(16 409 114)
Cash and cash equivalents	1 325 410	(1 313 316)
Trade and other receivables	1 469 491	(1 456 082)
Trade and other payables	(352 595)	349 378
	36 088 051	(35 758 756)
31 March 2015		
Interest bearing investments – CPD	16 039 151	(15 892 797)
Short term fixed deposits	13 727 618	(13 602 357)
Cash and cash equivalents	592 659	(587 251)
Trade and other receivables	1 449 789	(1 436 560)
Trade and other payables	(310 284)	307 453
	31 498 933	(31 211 512)

Part E: ANNUAL FINANCIAL INFORMATION continued

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2016

20. RISK MANAGEMENT continued

Cash flow interest rate risk

Financial instrument	Current interest rate %	Due in less than a year R	Due in one to two years R
Trade and other receivables – normal credit terms	10.25	146 276 819	–
Interest bearing investment – CPD	7.07	1 700 735 638	–
Short term fixed deposits – Mines	7.85	167 301 796	–
Short term fixed deposits – Mines	7.30	294 711 132	–
Short term fixed deposits – Mines	7.45	404 128 286	–
Short term fixed deposits – Mines	7.60	424 029 158	–
Short term fixed deposits – Mines	6.50	51 296 432	–
Short term fixed deposits – Mines	8.40	37 669 043	–
Short term fixed deposits – Mines	8.05	139 097 397	–
Short term fixed deposits – Works	7.45	115 465 484	–
Short term fixed deposits – Works	7.80	11 760 965	–
Short term fixed deposits – Research	7.20	2 986 064	–
Cash and cash equivalents – Mines	6.00	4 380 265	–
Cash and cash equivalents – Mines	6.00	114 025 129	–
Cash and cash equivalents – State	4.00	9 565 410	–
Cash and cash equivalents – Research	6.00	42 456	–
Cash and cash equivalents – Works	6.00	3 921 342	–
Trade and other payables	10.25	35 098 230	–

Price risk

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

21. GOING CONCERN

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

The actuarial valuation of the Fund is conducted at least every three years as prescribed in s77A(1) of the ODMWA. The latest actuarial valuation for 2016 was performed as at 31 March 2016 by Deloitte Touché Tohmatsu Limited.

Accounting for the provision resulted in the accumulated deficit for the Fund. As at 31 March 2016 the Fund had an accumulated deficit of R84 608 421 (2015: Accumulated deficit of R981 706 001). The shortfall will be addressed by future levy increases.

The Fund believes there is sufficient liquidity to meet short-term financial obligations as they become due, as current assets (R3 555 677 964) exceed current liabilities (R930 216 633) by R2 625 461 331 as at 31 March 2016.

22. CONTINGENCIES

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

23. EVENTS AFTER THE REPORTING DATE

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

Part E: ANNUAL FINANCIAL INFORMATION continued

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued for the year ended 31 March 2016

24. BUDGET DIFFERENCES

Material differences between budget and actual amounts

Material differences can be explained as follows:

Levy revenue

Actual revenue was R13 278 646 higher than budget reflecting the impact of the 18 percent average increase in levy rates across all commodities, effective 1 July 2015.

Interest received

Interest received was nine percent higher than budget due to higher than budgeted cash and investment balances.

General expenses

The budget for general expenses includes a forecast of claim payments of R164 066 000 for claims and pension payments compared to actual claim and pension payments of R76 038 803. General expenses, in the statement of financial performance, includes net decreases to provisions of R714 343 002. The updated Actuarial valuation at 31 March 2016 was performed after the budget process for the year was completed.

Investments

Actual investment balances of R3 349 181 395 were higher than budget of R3 163 067 000 as a consequence of lower than forecast claims payments made in the year. The excess of cash received from levies over claim payments made was either held in cash or invested in short-term fixed deposits.

Receivables from exchange transactions

Receivables from exchange transactions were higher than budget due to lower than forecast collections from debtors, higher revenues and interest on outstanding accounts levied of R7 457 284 for the year ended 31 March 2016.

Cash and cash equivalents

Actual cash and cash equivalents of R131 934 602 were higher than the budget of R60 000 000 due to lower than forecast claims payments made in the year. The excess cash received from levies over claim payments made was either held in cash or invested in short-term fixed deposits.

Payables from exchange transactions

Payables from exchange transactions were higher than budget largely due to an increase in trade payables (R17 193 917 as at 31 March 2016) and payments from unregistered mines (R17 904 313 at 31 March 2016). Trade payables represents benefits payable for claims approved.

Transfers payable

Transfers payable of R6 393 265 represents excess funds from pension transfer payments which were not utilised by the CCOD to date.

Provisions

The budget did not split provisions into current and non-current. Total provisions per the statement of financial position was R3 593 640 595 compared to the budget of R1 054 021 000. The updated actuarial valuation at 31 March 2016 was performed after the budget process for the year was completed.

Differences between budget and actual amounts basis of preparation and presentation

The budget and the accounting bases differ. The annual financial statements for the whole-of-government are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The annual financial statements are for the fiscal period from 1 April 2015 to 31 March 2016. The annual financial statements differ from the budget, which is approved on the cash basis.

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

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