Road Accident Fund

Be the Legacy

Nelson Mandela Centenary 2018 Be the Legacy

ANNUAL REPORT
TWENTY **17/18**

100 Nelson Mandela Centenary 2018 Be the Legacy

Be the Legacy

Road Accident Fund

ANNUAL REPORT
TWENTY 17/18

Contents

The Year 2017/18 at a Glance

Number of permanent employees increased from 2,676 to 2,754.

Total revenue during the 2017/18 financial year increased to R37.34 billion from R33.34 billion in the previous financial year,

...mainly due to a 9 c/l increase in the RAF Fuel Levy from the beginning of the financial year.

During the 2017/18 financial year, the RAF Fuel Levy was set at 163 c/l from 154 c/l during the 2016/17 financial year.

12%

At recent fuel price levels, the RAF Fuel Levy (currently at 163 c/l) represents almost 12% of the total pump price.

In 2017/18, the RAF:

registered and settled

more claims in cash than ever before and reduced turnaround times, while also increasing its footprint.

16%

The total amount of claims paid (incl. net effect of Requested Not Yet Paid) increased by 16% to R34.6 billion from R29.8 billion during the previous financial year.

The RAF registered 271,933 new claims and

and finalised 203,493 claims in 2017/18.

14%

Claims liabilities increased by 14% to R215 billion from R188 billion in the previous financial year.

387,044 calls were responded to by the Call Centre compared to 376,215 in the previous financial year.

More than 66,000 claimants were engaged through the award-winning 'RAF on the Road' community outreach programme and other RAF promotions and activations.

The primary target of reducing the number of open claims was exceeded. The number of open claims at 198,285 exceeded the target of 207,461 open claims set for the 2017/18 financial year, on the back of increased registrations of new claims.

26.5 %

31.5 %

5%

The number of direct claims originated increased to 32,622 in the 2017/18 financial year versus 25,797 reported in the 2016/17 financial year, representing an increase of 26.5% from the previous year.

20,394 direct personal claims were settled in 2017/18 versus 15,507 in the 2016/17 financial year, representing a 31.5% increase from the previous year.

Average value per claim decreased by 5% from R117,059 to R111,072 during the financial year.

5%

Average RAF legal and other costs per claim increased by 5% from R30,995 to R32,613.

4%

Average claimant legal and other costs per claim increased by 4% from R133,313 to R139,282.

7%

Average funeral costs increased by 7% from R15,264 to R16,374.

13%

Average loss-of-support claims increased by 13% from R368,164 to R417,281.

7%

Average loss-of-earnings claims increased by 7% from R645,832 to R691,459.

10%

Average general damages claims increased by 10% from R390,005 to R429,486.

29%

Average medical claims decreased by 29% from R15,030 to R10,621.

28%

Cost-to-income ratio for the financial year was 28% versus 29% in 2016/17.

91%

Cash expenditure on claims amounted to 91% of the net RAF Fuel Levy. This is due to the high rate of claims settled, and payments strictly managed via the RAF's Cash Management Strategy.

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

100 Nelson Mandela Centenary 2018 Be the Legacy

General Information

PART A

Registered name	Road Accident Fund
Physical address	Eco Glades Office Park 2 420 Witch-Hazel Avenue Centurion 0046
Postal address	Private Bag X178 Centurion 0046
Telephone number	0860 235 523 (Customer Care Share Call Number)
Website	www.raf.co.za
External auditors	Auditor-General of South Africa
Bankers	Standard Bank / Absa Bank
Company Secretary	Ms JR Cornelius

2. Abbreviations/Acronyms

AGSA	Auditor-General of South Africa
Amendment Act	RAF Amendment Act, 2005 (Act No. 10 of 2005)
APP	Annual Performance Plan
APs	Assurance Providers
ARF	Architecture Review Forum
ASB	Accounting Standards Board
AVE	Advertising Value Equivalency
BAC	Bid Adjudication Committee
B-BBEE	Broad-based Black Economic Empowerment
BCM	Business Continuity Management
BEE	Black Economic Empowerment
CAE	Chief Audit Executive
CBRTA	Cross-Border Road Traffic Agency
CEF	Central Energy Fund
CEO	Chief Executive Officer
CGICTPF	Corporate Governance of ICT Policy Framework
CIO	Chief Information Officer
COGHSTA	Cooperative Governance, Human Settlements and Traditional Affairs
COP	Communities of Practice
CPI	Consumer Price Index
CPSI	Centre for Public Service Innovation
CRMP	Compliance Risk Management Plan
CSC	Customer Service Centre
CSO	Chief Strategy Officer
CSR	Corporate Social Responsibility
DAM	Database Activity Monitoring
DLP	Data Leakage Prevention
DoH	Department of Health
DoJ	Department of Justice
DoT	Department of Transport
DP	Directorship Programme
DPSA	Department of Public Service and Administration
DR	Disaster Recovery
EA	Enterprise Architecture
ECM	Enterprise Content Management
EE	Employment Equity
EMDP	Executive Management Development Programme
EQMS	Electronic Queue Management System
ERP	Enterprise Resource Planning
ESD	Enterprise Supplier Development
EWS	Employee Wellness Services
EXCO	Executive Management Committee
FAIS	Financial Advisory and Intermediary Services
FAR	Fixed Asset Register
FID	Forensic Investigation Department
FSB	Financial Services Board
GDP	Gross Domestic Product
GIBS	Gordon Institute of Business Science
GM	General Manager
GRAP	Generally Recognised Accounting Practice
GRC	Governance Risk and Compliance
GRI	Global Reporting Initiative
HC	Human Capital
HCT	HIV Counselling and Testing
HIV	Human Immunodeficiency Virus
HPCSA	Health Professions Council of South Africa
HR	Human Resources
HRA	Health Risk Assessment
HRBP	Human Resources Business Partners
HRIS	Human Resources Information System
HRM	Human Resources Management
HSC	Hospital Service Centre
IaaS	Infrastructure as a Service
IAM	Identity and Access Management
IBNR	Incurred, But Not Yet Reported (claims)
ICA	Information Collection Agent
ICAS	Independent Counselling and Advisory Services
ICMS	Integrated Claims Management System
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standards
IoDSA	Institute of Directors in Southern Africa
IIASA	Institute of Internal Auditors SA

IT	Information Technology
King IV	King Code on Corporate Governance IV
LAN	Local Area Network
LMS	Learning Management System
LMS	Litigation Management System
MAP	Management Advanced Programme
MBA	Master of Business Administration
MDP	Management Development Programme
MoU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NARSSA	National Archive and Records Service of South Africa
MVA	Motor Vehicle Accident
NDOH	National Department of Health
NDP	National Development Plan
NEAP	National Economic Active Population
NEDLAC	National Economic Development and Labour Council
NMDP	New Management Development Programme
NPA	National Prosecuting Authority
NSD	National Skills Development
OECD	Organisation for Economic Co-operation and Development
OHS	Occupational Health and Safety
PAIA	Promotion of Access to Information Act, 2000 (Act No. 2 of 2000)
PCOT	Portfolio Committee on Transport
PEEC	Provincial Efficiency Enhancement Committee
PFMA	Public Finance Management Act, 1999 (Act No. 1 of 1999)
POC	Proof of Concept
POPI Act	Protection of Personal Information Act, 2013 (Act No. 3 of 2013)
QA	Quality Assurance
RABS	Road Accident Benefit Scheme
RABSA	Road Accident Benefit Scheme Administrator
RAF	Road Accident Fund
RAF Act	Road Accident Fund Act, 1996 (Act No. 56 of 1996)
REMCO	Remuneration and Human Resources Committee
RMEC	Risk Management and Ethics Committee
RNYP	Requested but Not Yet Paid (claims)
RTMC	Road Traffic Management Corporation
RTO	Recovery Time Objective
SABPP	SA Board for People Practices
SADC	South African Development Community
SALGA	South African Local Government Association
SANBS	South African National Blood Service
SANTACO	South African National Taxi Association
SANWIT	South African Women in Transport
SAP	Systems Applications and Products in Data Processing
SAPIA	South African Petroleum Industry Association
SAPO	South African Post Office
SAPS	South African Police Service
SARS	South African Revenue Service
SASSA	South African Social Security Agency
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
SDM	Sensitive Data Masking
SMDP	Senior Management Development Programme
SMRs	Statutory Medical Reports
SOE	State-Owned Entity
SOP	Standard Operating Procedure
T.A.S.K.	Tuned Assessment of Skills and Knowledge
TEC	Total Employment Cost
Transitional Act	RAF (Transitional Provisions) Act, 2012 (Act No. 15 of 2012)
TOM	Target Operating Model
UDM	Unstructured Data Management
UIF	Unemployment Insurance Fund
UN	United Nations
Unisa	University of South Africa
UNPSA	United Nations Public Service Awards
UNRSC	UN Road Safety Collaboration
WAN	Wide Area Network
WHO	World Health Organisation
YDDP	Youth Driver Development Programme

3. Scope of the Report

3.1 INTRODUCTION

The Road Accident Fund (RAF) welcomes the opportunity to present its Annual Report for the year ending 31 March 2018 in line with the National Treasury Annual Report Guide for Public Entities, the King Code on Corporate Governance for South Africa 2016 (King IV), and the Protocol on Corporate Governance in the Public Sector (2002). In terms of the latter, corporate governance "embodies processes and systems by which corporate enterprises are directed, controlled and held to account"[1]. According to the National Treasury (NT), oversight entails "reviewing, monitoring and overseeing the affairs, practices, activities, behaviour and conduct"[2] of an administrative authority to ensure that it meets its objectives.

3.2 REPORTING CYCLE

The objective of this report is to provide stakeholders with an integrated view of the RAF's organisational, operational and financial performance for the financial year 1 April 2017 to 31 March 2018. The report intends to demonstrate the RAF's commitment to integrity, transparency and accountability and provide a complete and balanced view of its performance, including the successes and challenges during the 2017/18 financial year, as well as those likely to form part of its future.

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

3.3 REPORTING BOUNDARY

This Annual Report covers organisational, operational and financial performance, including the audited financial results for the period 1 April 2017 to 31 March 2018 in terms of section 55(1) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). The narrative of the report is structured around the National Treasury Annual Report Guide for Public Entities. In addition, the report covers the social, environmental and broader economic impacts of the organisation's activities in Part C: Social Responsibility. The RAF acknowledges that its sustainability platform represents the beginning of a journey towards the maturation of its sustainability management and is inextricably linked to its business objectives.

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

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

3.4 REPORTING PRINCIPLES

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

During the current financial year, no new GRAP Standards were applied in the Annual Financial Statements.

3.5 SUPPORTING DOCUMENTS

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

3.6 AUDIENCE

The stakeholders addressed by this report include, among others, the Parliament of the Republic of South Africa, the Executive Authority, national, provincial and local government, industry-related organisations, trade unions, employees, suppliers, existing and prospective claimants (local and foreign), the media, and the public. Stakeholders are discussed in detail in the section 'Social Responsibility' in Part C of this report.

4. Foreword by the Chairperson

INTRODUCTION

On behalf of the Board of the Road Accident Fund (RAF), it is my privilege to present the organisation's Annual Report and the Annual Financial Statements for the financial year ending 31 March 2018.

This report is prepared and presented in line with the Annual Report specimen and guidelines issued by the South African National Treasury (NT). The report has also been prepared in accordance with the King Report on Corporate Governance for South Africa 2016 (King IV), which states that an integrated report is, "A concise communication about how an organisation's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term."

Our view is that the RAF's Annual Report for 2017/18 provides a holistic and integrated overview of the Fund's performance in terms of its operations, finances, governance and sustainability, as well as its role as one of the country's vital public entities.

BOARD PERFORMANCE

The year under review saw many changes on the political front, with President Cyril Ramaphosa replacing President Jacob Zuma as President of the Republic of South Africa, and Dr Blade E. Nzimande replacing Mr Joe Maswanganyi as Minister of Transport. The RAF Board was also replaced by an interim Board by the Minister of Transport in July 2018. During the 2017/18 financial year the Board comprised of 11 members, including the Director-General of Transport's representative.

The Board believes that on-going director development should be encouraged in the same manner as continuing professional development is encouraged in other professions. During the 2017/18 financial year Board members attended several director development events and the newly elected RAF Board will be encouraged to continue with this development process.

The former RAF Board considered and approved the first, second and final draft of the Annual Performance Plan (APP) 2018/19, which was subsequently approved by the Minister of Transport and tabled in Parliament. The former Board has also considered objectives and targets based on performance outcomes, of which some of the targets have matured.

The new RAF Board considers ethics as the foundation of good corporate governance. According to King IV, ethics relates to, "Considering what is good and right for the self and the other and can be expressed in terms of the golden rule, namely to treat others as you would like to be treated yourself. In the context of organisations, ethics refers to ethical values applied to decision-making, conduct, and the relationship between the organisation, its stakeholders and broader society." For the purposes of King IV, "corporate governance" is defined as "the exercise of ethical and effective leadership by the governing body towards the achievement of the following governance outcomes:

- Ethical culture
- Good performance
- Effective control
- Legitimacy.

Corporate governance is therefore also an institution's practical expression of ethical standards. The RAF implemented Year Four of its Ethics Strategy during the 2017/18 financial year. As the Board of the RAF, we are responsible for the following four ethical values which underpin good corporate governance, namely responsibility, accountability, fairness and transparency.

TRANSFORMATION

The transformation of the RAF, which commenced six years ago, continues and has seen the Fund becoming a key player in the country's social security system. The Fund has transformed into being the reliable, consoling arm of our government for victims of road crashes. Fundamental to the RAF's mandate is the enormous task of mitigating the adverse impact of road crashes. By alleviating the financial suffering and burden on thousands of road crash victims, as well as their loved ones, the RAF continues to play a comforting and aiding role in the country's social protection agenda. Serious mental or bodily injury sustained through a road crash may result in loss of support and income, and this can likely drive many people into abject poverty and suffering. The RAF is thus called upon to receive, process and pay claims to the bereaved or injured, as well as indemnify the wrongdoers in crashes on South African roads. The RAF remains a beacon of hope to the distressed and destitute victims and families of those affected by death and injury on our roads.

The extensive changes taking place in the organisation cannot be solely attributed to the change of strategy introduced in the 2012/13 financial year, but also to the unflinching support from our government, and the general support and dedication of the RAF personnel.

CHALLENGES

We regret to report that the former RAF Board operated under difficult circumstances, characterised by on-going unethical and illegal leaking of sensitive Board information during the year under review. For the first time ever, the former Board has also had to go to court twice to uphold governance principles.

In addition, the RAF's business model remains fault-based, meaning drivers at fault are excluded from claiming for compensation. As a result, injured persons are unable to access medical care in a timely manner, and dependants of persons killed in road accidents are left to fend for themselves. In addition, claims are received and administered in a highly litigious and dispute-ridden environment, and many cases take years to be finalised and paid. This prolongs hardship and severely impacts on the poor and vulnerable.

This is challenging to the Fund as, from a health and economic perspective, it contradicts the Fund's socio-economic role of re-integrating victims of road accidents into society and protecting at-fault drivers and their families from financial ruin. The crux of the Fund's underlying business model is determined by the legislative environment in which it operates. At present, claims against the Fund for bodily injury and personal loss arising from road accidents are based on common law rules of delict and liability insurance principles. Inherent in the fault-based system are numerous difficulties, including long delays in accessing compensation, and high delivery costs.

The RAF remains severely under-capitalised with liabilities exceeding assets by R206 billion (2016/17: R180 billion). The liquidity ratio of the RAF is 0.05:1 (current ratio: 0.24:1). This, in sharp perspective, explains how unsustainable the current compensation system is in that the RAF has only 5 cents (current ratio: 24 cents) worth of assets for every R1 of its liabilities. Hence, the RAF does not have sufficient cash or near cash assets to cover its short-term liabilities. Organisations similar to the RAF elsewhere in the world have, as part of their major assets, investments that cover in excess of 100% of their full outstanding liability.

The RAF Fuel Levy increased by 9 c/l to 163 c/l in the 2017/18 financial year but was fixed at 154 c/l for both the 2016/17 and 2015/16 financial years respectively. In view of an unchanged fuel levy running over two consecutive financial years, the RAF had to implement cash management measures to address existing cash demands through the implementation of a well-founded Cash Management Strategy which aimed to sustain payments to all creditors, as well as attempting to reduce the cost of claims and administrative expenditure lines. Similarly, as during the previous financial year, claims creditors had to wait for payments in accordance with payment schedules strictly enforced and adhered to by the RAF.

Efforts to secure additional funding for the RAF are on-going. The RAF's liquidity challenges are known and discussed at a high level between the RAF and all relevant stakeholders, i.e. the Portfolio Committee on Transport (PCOT), the Department of Transport (DoT), NT, the Department of Health (DoH), the Department of Justice (DoJ), the Financial Services Board (FSB) and the Auditor-General of South Africa (AGSA). During the year under review, other stakeholders were informed of the RAF's financial position through meetings, road shows, correspondence, media releases and the Call Centre.

Legislative changes, which will be brought about by the Road Accident Benefit Scheme (RABS), are imminent. The RABS Bill was approved by Cabinet on 29 March 2017 and was formally introduced in Parliament on 8 June 2017 as the RABS Bill, No. 17 of 2017. The envisaged new scheme will be more reasonable, equitable, affordable and sustainable.

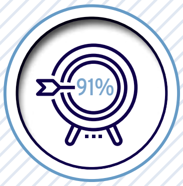
PERFORMANCE

It is encouraging to note that despite the obvious challenges affecting both the country and the RAF, there has been persistent performance, with the organisation fulfilling 91% of its APP targets for the year under review. Unstinted performance could be attributed to many factors, not the least being readily available support from the DoT. Other factors include: the relentless pursuit of excellence in the execution of duties; a sound strategy; strong and competent leadership; recognition of staff who went beyond the call of duty; as well as adherence to individual contracts and performance agreements linked to the mandate of the Fund. Finally, recruitment of competent Executives, and staff who have been able to implement and execute the strategy have also contributed to increased productivity.

RISK CULTURE

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

In fulfilling its governance oversight responsibility, the former RAF Board identified seven (7) strategic risks which could threaten the achievement of the RAF's strategic goals and performance targets for the 2017/18 financial year. These were (in order of prevalence): financial management; information communication technology (ICT); stakeholder pressure; fraud and corruption; service delivery; regulatory framework; and people management. The Risk Management culture is maturing; however, the strategic risk profile has not improved much over the past three years, mainly on strategic risks such as fraud and corruption, financial management, and ICT – and will possibly further deteriorate mainly due to continued cash constraints, undercapitalisation of the Fund and stakeholder pressure as a result of delayed payments to claimants, resistance to the RABS Bill and delayed implementation and future funding of the RABS, which will subsequently impact on other strategic risks.



It is encouraging to note that despite the obvious challenges affecting both the country and the RAF, there has been persistent performance, with the organisation fulfilling **91%** of its APP targets for the year under review.

FUEL LEVY

Financial challenges will continue to affect many of government's projects and interventions. During the 2017/18 Budget announcement, the Minister of Finance announced the 9 c/l increase in the RAF Fuel Levy. Based on a levy of 163 c/l (previously 154 c/l) during the year under review, the RAF was able to maintain productivity and cope with past as well as current cash flow constraints that were managed through consistent implementation of the Cash Flow Management Strategy, with the aim of sustaining payments to all creditors, while reducing the cost of claims and administrative expenditure lines. Regardless of the increase of 9 c/l (5.8%) in the RAF Fuel Levy during the 2017/18 financial year, the income required by the RAF for sustained settlement of claims and the RAF Fuel Levy determined by the NT, inclusive of annual inflationary adjustments, are clearly not feasible. Creditors continued to wait for payments in accordance with payment schedules strictly adhered to.

Although the financial year was hard-hitting, the Board is convinced that the RAF will surmount the challenges faced, but will not solve the decades-old financial predicament the organisation finds itself in. Nevertheless, the institution has been successful in securing support from government and over the past three years additional financial support added an additional R14 billion to the RAF's coffers.

Engagement with the RAF's stakeholders is on-going, not only to ensure the Fund's circumstances and the consequences are known, but also to ensure a transparent and frank sharing of information with those affected by the prevailing cash flow constraints, i.e. our claimants and service providers.

The engagements include submissions to Cabinet, MTEF submissions to the DoT and NT, presentations at the PCOT and ad hoc requests, electronic or otherwise, for support to DoT and NT by the Acting Chief Executive Officer (ACEO), the Chief Financial Officer (CFO), etc.

The Board and Management have and will continue motivating for additional funding and seeking support from stakeholders as the RAF operates with insufficient cash, as well as to bringing an affordable dispensation into being. During the 2018/19 Budget announcement in February 2018 an additional 30 c/l adjustment in the RAF Fuel Levy (effective from 1 April 2018) was announced by the Minister of Finance. This increase of the levy to 193 c/l is estimated to add an additional R9 billion to the RAF's income in the 2018/19 financial year. Though the Budget Speech was delivered in a tough economic climate, we are grateful for the financial assistance that will support the RAF in reducing the backlog in claims payments over time.

An increase of the levy to **193 c/l** is estimated to add an additional **R9 billion** to the RAF's income in the 2018/19 financial year.

The RAF has a duty and responsibility to fulfil its mandate, whilst deriving the maximum value out of every rand received, thus maintaining a maximum amount of expenditure on claims-related items and delivering its services to those left vulnerable by motor vehicle accidents.

RAF AMENDMENT BILL AND THE RABS BILL

The Road Accident Fund Amendment Bill was aimed at amending the RAF Act to facilitate responsible financial management and enable cost-effective delivery of compensation. The proposed amendments provided for:

- A 'final judgment' definition;
- A 'medical practitioner' definition;
- Authority for the RAF to revise its claim forms;
- A procedure to manage payment in respect of final court orders;
- A prescribed list of injuries that will be deemed serious, without the need for a formal assessment in terms of the existing prescribed method;
- Authority for the RAF to offer a contribution to the claimant's costs;
- A 30 day 'no-fault' liability period in respect of claims for medical treatment;
- A single medical tariff;
- A capped 'no-fault' funeral claim limited to specified items; and
- Alignment of the 'hit-and-run' claim prescription periods with those of identified claims.

The Amendment Bill was introduced in Parliament on 7 February 2017. Soon after, on 8 June 2017 the RABS Bill, No. 17 of 2017 (the RABS Bill) was introduced in Parliament. Both Bills were referred to the PCOT who requested the Minister to consider whether both Bills were required. A decision was taken to prioritise the RABS Bill, and consequently the Amendment Bill was withdrawn by the Minister.

ROAD ACCIDENT BENEFIT SCHEME BILL, NO. 17 OF 2017 (THE RABS BILL)

The current scheme of arrangement, being based on fault, insurance principles and common law, remains inequitable, wasteful and open to abuse. The key change proposed by the draft legislation is a move away from the insurance-based system of compensation, which has been largely unchanged in South Africa since its inception in 1946, to a system of defined and structured benefits paid on a no-fault basis.

The transformation of the current scheme, as envisaged in the RABS Bill, will address many of the challenges facing the RAF that are constraining its ability to deliver on its mandate in an effective and efficient manner. In addition, a no-fault, fixed benefit scheme will ensure smooth alignment with the comprehensive social security system envisaged by government. The RABS aims to ensure expanded access to benefits by removing the requirement to establish 'fault' as a determinant to qualify for benefits and making available timely and appropriate health care based on a reasonable tariff. Equally, the RABS will ensure that benefits intended for road crash victims and their dependants are in fact received by the intended beneficiaries in contrast to the RAF where numerous intermediaries often unfairly benefit at the expense of the claimant. The promulgation of this piece of legislation will address many of the current challenges experienced by the Fund. Once in place, the RAF Fuel Levy will be assigned to the new scheme.

Other benefits include:

- Reducing disputes by removing the 'fault' requirement and by providing pre-determined benefits;
- Simplification of claims procedures;
- Wider cover to persons injured in road accidents;
- Fewer exclusions from benefits;
- Defined benefits which promote affordability; and
- Alleviation of the burden on South Africa's courts through the establishment of an appeal procedure.

The RABS Bill also provides for a new Administrator, to be called the RABS Administrator (RABSA), which will replace the current RAF and compensation system administered by it.

Following the introduction of the RABS Bill in Parliament on 8 June 2017, the PCOT has subsequently published the Bill for comment by stakeholders. The comment period closed on 30 November 2017 and it is anticipated that the PCOT will schedule public hearings on the RABS Bill early in 2018.

STRATEGIC DIRECTION

Moving forward with interventions to promote and implement a social security system that will cater for core financial and medical needs of victims of road crashes, the Board is mindful of the country's National Development Plan (NDP) and the importance of aligning the RAF's strategy with what this plan seeks to achieve. The NDP 2030 remains the primary policy framework for government and provides the first layer of government policy for the RAF to perform its responsibilities and align its plans. The NDP provides a clear picture of the challenges the country is facing, as well as the strategic choices to be embarked upon to create a better life for all South Africans.

To achieve the objectives of the NDP, the RAF will continue to efficiently pay for claims and effectively rehabilitate victims of road accidents to restore balance in the social system. In addition, the RAF will promote effective governance, strong leadership and active citizenship by:

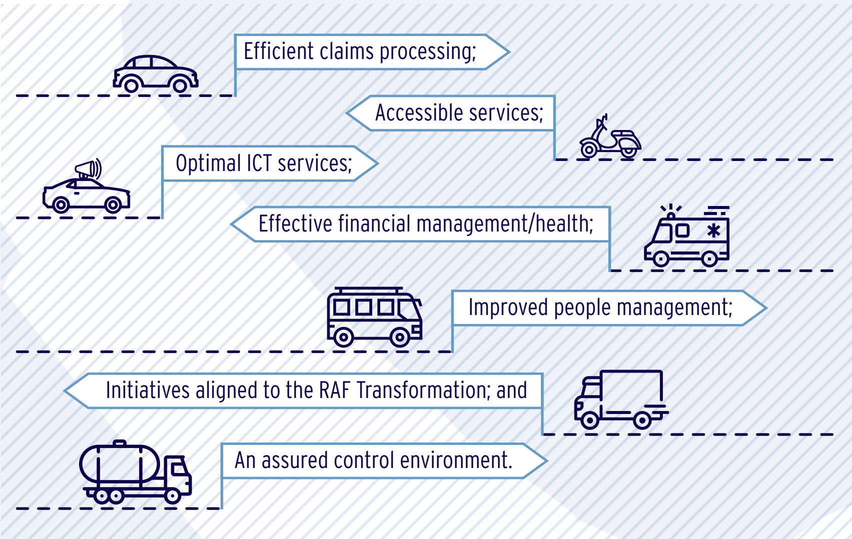
- Continuing to improve services;
- Maintaining compliance;
- Increasing levels of awareness on RAF offerings and benefits;
- Continuing to partner with other government departments to improve the State's overall effectiveness and efficiency;
- Engaging with other Motor Vehicle Accident (MVA) Funds, regionally and internationally to exchange best practice;
- Impose ethical standards; and
- Clear the RAF of any kind of fraud and corruption.

In the February 2016 State of the Nation Address (SONA), the former President of South Africa mentioned that there are on-going deliberations within government, led by the Department of Social Development and NT, with regard to the finalisation of the Comprehensive Social Security Policy, which will bring about interventions that should not only be aimed at elevating social security risks, but also focus on rehabilitation and integration of persons back into social and economic life.

Furthermore, this policy will foster independence and ultimately reduce inequality, while increasing opportunities for development. The RAF, as one of the critical organs of the State, will continue to effectively and efficiently carry out its mandate to provide compulsory social insurance cover to all users of South African roads; rehabilitate and compensate people injured as a result of the negligent driving of motor vehicles in a timely and active manner; and actively promote the safe use of our nation's roads.

The Board seeks to ensure that the RAF sustains a high-performance level and will review targets on an on-going basis, with the goal of improving them, to increase service delivery. Despite the many challenges we faced, it is important to note that the RAF continues to deliver on its mandate.

Looking to the future, seven strategic objectives have been identified with outcome indicators linked to these. The objectives are:



The outcome indicators are discussed at length elsewhere in this report.

ACKNOWLEDGEMENTS

Despite trying conditions, I wish to thank the former RAF Board for their efforts during the year under review. I trust that these will not be in vain and will serve as encouragement to the newly appointed Board and all RAF staff members regarding the need to hold each other accountable in the taxpayer's interest.

On behalf of the RAF Board, I wish to extend our sincere appreciation to the outgoing Minister of Transport, Mr Joe Maswanganyi, and welcome Dr Blade E. Nzimande MP in the Transport fold. We wish both well in their new ventures.

A word of gratitude is also extended to the Deputy Minister, Ms Sindisiwe Chikunga, for her dedication to the RAF's cause, as well as the key role players within the DoT for their leadership and guidance. We would also like to thank the members of Parliament's PCOT, as well as other government departments, related state-owned entities, provincial leadership and municipalities for hosting many RAF activities, Executives, Management and employees of the RAF in particular who are tasked with fulfilling the RAF mandate.

Last, but not least, we wish to acknowledge the Acting Chief Executive Officer and thank her for successfully leading the Fund through a period of transformation during the past financial year under extremely challenging conditions. As the Board, we appreciate her total dedication to the RAF and its activities. We are determined to maintain this encouraging environment for another successful phase of transformation for the Fund.

DR PETER MATHEBULA
Chairperson of the Board
28 July 2018

5. Acting Chief Executive Officer's Overview

INTRODUCTION

The RAF's Annual Report: 2017/18 is centred on the principles and recommendations of King IV and NT's Regulations. The report provides context to the financial results and how the Fund has impacted on the socio-economic wellbeing of all users of South African roads.

This overview of the 2017/18 financial year forms part of the Annual Financial Statements of the RAF for the year ended 31 March 2018 in accordance with section 55(1)(d) of the Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended by Act No. 29 of 1999 (PFMA).

The RAF, as established by the Road Accident Fund Act, 1996 (Act No. 56 of 1996), (RAF Act), is listed as a National Public Entity in accordance with schedule 3A of the PFMA. The Board is the Accounting Authority in terms of the PFMA.

In simple terms, the RAF is called upon to assist road crash victims by receiving, processing and paying claims effectively. In 2017/18, the RAF registered, finalised and settled more claims in cash than ever before, and reduced turnaround times, while also increasing its footprint.

It is, however, easy to forget in which context the RAF not only operated in, but in which it succeeded. The RAF in its current form is a business that has not been solvent since 1981, has been "cash strapped" for the past four years and has been the subject of nine commissions of inquiry dating back to the 1940's. Prior to 1997, the organisation existed under the following legislation:

- Motor Vehicle Insurance Act, 1942 (Act No. 29 of 1942);
- Compulsory Motor Vehicle Insurance Act, 1972 (Act No. 56 of 1972);
- Motor Vehicle Accident Act, 1986 (Act No. 84 of 1986);
- Multilateral Motor Vehicle Accidents Fund Act, 1989 (Act No. 93 of 1989).

SERVICE DELIVERY

The RAF concluded the 2017/18 financial year on a high note, having achieved 91% of its APP targets (2016/17 and 2015/16 financial years: 90%), as set out by the Board and approved by Parliament in the previous financial year. Targets were either new or stretched and there were great expectations for the Fund to maintain the achievements of the previous financial year. Fulfilling this mandate and ensuring that strategic objectives were achieved, while continuing the RAF's transformation into a more sustainable, customer-centric entity, governed by the pursuit of excellence in performance, was never going to be an easy task.

Our promise to work and deliver, as well as our achievements and successes during the year, are a clear indication that the RAF remains set on delivering. After numerous years of transformation, employees are now aware that the RAF exists to render support to victims of car crashes and their families, providing assistance financially, medically and by way of indemnification. Change management is no longer a programme, but is viewed as a prerogative, setting the organisation apart and seeing performance improve despite changes to Executive Management, the

Personal claims:
42,078

Supplier claims:
161,415

203,493 claims were finalised during the 2017/18 financial year.

organisational structure and operating environment during the year under review.

Improved business processes have streamlined operations and daily work outcomes. Our physical and virtual presence has been expanded and access to the RAF is now greater than it has ever been. Our national footprint was expanded with 100 Hospital Service Centres (HSCs) and six Customer Service Centres (CSCs) now in place. Over 66,000 claimants were engaged at our highly regarded 'RAF on the Road' community outreach campaigns and other road shows. More than 387,000 telephone calls were responded to by our Call Centre and more than 315,482 people follow our social media footprint – eager to track what the RAF is doing, where and when. The organisation is fast becoming a public entity that all road users have confidence in and are proud to be associated with.

At a corporate level, our governance framework complies with King IV, our risk maturity level is higher than that of many public and private entities, and our credibility as a recognised authority on road safety and road accident insurance mechanisms is growing, especially since our assistance to the families of mass accidents during the year under review. Our tireless support at crash scenes sees us often leading government's support initiatives.

OPERATIONAL STATISTICS

The year saw a sharp increase in new claims registered. 271,933 new claims were registered and the number of registered claims showed an increase compared to the registrations in the 2016/17 financial year. The increase in newly registered claims could only be owing to the promotion of access which the RAF has persistently implemented over the past couple of years.

69,833 more claims were registered in 2017/18 compared to the previous financial year (personal claims: 18,241 more and supplier claims 51,592 more). Despite registering 35% more claims during the financial year, it is noteworthy that the number of new personal claims registered increased by 25% (from 73,860 during the 2016/17 financial year to 92,101 at 31 March 2018). Supplier claims increased by 40% (from 128,240 at the end of the 2016/17 financial year to 179,832 as at 31 March 2018).

During the 2017/18 financial year 203,493 claims were finalised (personal claims: 42,078 and supplier claims: 161,415).

The Fund settled and paid a total amount worth R34.6 billion of claims during the reporting period compared to R29.8 billion in 2016/17. This amount is almost R4.8 billion more compared to the 2016/17 financial year. An amount of

R9.06 billion of claims was finalised for payment, but could not be paid due to cash restrictions, compared to R8.51 billion in 2016/17, but these will nonetheless be honoured through our monthly income (via the RAF Fuel Levy) to be received in the next financial year because of the Fund's current limited cash reserves.

During the year under review, the RAF finalised an average of 771 claims[3] each working day of the year compared to 794 in the previous year. The average loss-of-earnings claims increased in value by 7% from R645,832 to R691,459, while the average in general damages claims increased by 10% from R390,005 to R429,486. The mutual average value of legal and other cost payments was R171,895, with the RAF share accounting for 19%, and the plaintiff share for 81% respectively. Obviously, as the RAF, we would prefer if this money was spent on taking care of claimants and paying for rehabilitation and other post-crash care expenses.

On the other hand, 245,926 claims were still outstanding as at 31 March 2018 (personal claims: 234,572 and supplier claims: 11,354). Outstanding claims increased by almost 15% from 213,877 at the end of the previous financial year due to an increased number of registrations, as well as claims finalised that also increased, but could not meet the high influx of new claims registered.

This was consequently influenced by an increase of 14% in the number of open and reopened claims totalling 198,285 (2016/17: 173,740) where compensation had not been paid, as well as legal cost claims totalling 47,641 (2016/17: 40,137) which were still outstanding at the end of the financial year.

Reopened claims at the end of the current financial year decreased by 24% to 3,489 (2016/17: 4,616). This points to the fact that claims are not being classified as 'finalised' prematurely.

In the context of the current financial constraints, the RAF remains committed to:

- Finding new solutions and funding;
- Utilising all available money to honour payments which are due;
- Ensuring that all categories of payees receive regular payments;
- Ensuring that no category of payment is neglected; and
- Introducing a new, equitable, affordable and sustainable scheme.

The net deficit of the RAF has continued to climb sharply during the 2017/18 financial year. Regardless of the increase of 9c/l (5.8%) in the RAF Fuel Levy during the year under review, the income required by the RAF for sustained settlement of claims and the RAF Fuel Levy determined by the NT, inclusive of annual inflationary adjustments, are clearly not feasible.

Total assets are higher, mainly because of cash and cash equivalents and receivables from non-exchange transactions (RAF Fuel Levy). Total liabilities were higher, attributable to a combination of the increase in the claims provision and an increase in claims requested but not yet paid (RNYP). Overall, the net deficit has increased substantially compared to the previous reporting period.

However, the RAF achieved an operational surplus of R400 million for 2017/18 (2016/17: R1.4 billion surplus) prior to the increase in the claims provision being considered. This is due to a combination of a R4 billion increase in the RAF's net revenue from fuel levies, contributed by lower diesel refund recoupments from gross fuel levies. A slight increase in petrol and diesel fuel volumes consumed during the financial year (compared to the previous year) was also noticed.

Claims expenditure (excl. the increase in claims provision) increased. This increase was driven by the cash component of claims, as well as a net increase in the RNYP component of the claims expenditure for the year. This was due to consistent productivity in the claims operational environment during the year under review.

During the 2017/18 financial year R8.4 billion (2016/17: R7.9 billion) was paid out towards General Damages. This represents 33% (2016/17: 32%) of total compensation paid in cash. Medical payments (incl. undertaking payments) at a total of R2.5 billion (2016/17: R2.1 billion) represented 10% (2016/17: 9%) of total compensation paid. Loss-of-earnings and -support payments of R14.7 billion (2016/17: R14.3 billion) represented 57% (2016/17: 59%) of total compensation paid, and funeral costs, at R144 million (2016/17: R137 million) represented 0.6% (2016/17: 0.6%) of total compensation paid in cash by the RAF.

Notwithstanding, the organisation persevered, overcame and conquered many of its challenges during the financial year.

Cost savings, in addition to that considered advisable by NT, remained a daily imperative. Delayed spending, underspending and delays in the Supply Chain Management (SCM) processes further yielded real savings during the year. Any funding not

[3] 203,493 claims finalised based on 22 working days per month

utilised for general expenditure was further channelled to the settlement of claims. Initiatives were explored on an on-going basis in the Operations Department to reduce costs or ensure a more efficient approach to the processing of claims.

ENGAGEMENTS WITH CUSTOMERS

The hard work put in over recent years has not only earned the RAF great support from government, communities and stakeholders, but also boosted the image and reputation of the organisation. We continue to take our services to the doorsteps of previously marginalised communities with our community outreach programme, 'RAF on the Road', and other promotions and activations. As at the end of the financial year, the target for claimants engaged at road shows (38,100) was far exceeded with an audited figure of 66,819. These are not just statistics, but figures which represent real lives that have been touched by the RAF. The extensive community mobilisation that precedes such events, as well as our increased media presence, has empowered millions of road users with knowledge of the RAF and its services.

Whilst on the one hand we are meeting thousands of claimants through various RAF engagements and collaborations with other stakeholders, our Call Centre, or virtual contact centre, continues to make strides in attending to claimants' queries. During the year under review, the team achieved its main objective of increasing the Call Centre responsiveness to 387,044 calls attended to, a significant growth from 376,215 in the previous fiscal.

Furthermore, we effectively used social media platforms (such as Twitter, Facebook, Instagram, YouTube and LinkedIn) to update the public about our activities throughout the country and as channels where we can engage on numerous issues from claiming from the RAF to road safety. Currently, we have 315,482 followers over a range of social media platforms, eager to hear what the RAF is doing or has to say, with Facebook achieving the highest number of fans at 250,847 as at the end of March 2018.

STAFF COMPLEMENT

Our team has grown in line with the budget approved by the DoT, NT and Parliament over the medium term. Experts in numerous fields were brought in to help improve delivery in both core and support business, resulting in a permanent staff complement of 2,754 at the end of March 2018 with a vacancy rate of 4.4%. More importantly, work is underway to conclude the final appointments of 127 vacant positions, as we contend with the reality that the RAF is a fertile training ground for sought-after professionals. We ensure optimal capacity in terms of people and performance by recruiting, remunerating, managing and retaining skilled staff; identifying talent and managing succession; training and developing, while managing outliers; and recognising and rewarding performers within the organisation.

Over the medium term, we will maintain the current organisational structure and headcount.

ETHICS, FRAUD AND CORRUPTION

We are still amid plugging many loopholes, which, over the years, have made the RAF vulnerable to abuse by many stakeholders and employees. Our Legal and Forensic teams have relentlessly pursued fraudsters and those stealing from the RAF. The result is that many attorneys have been struck off the roll, doctors and SAPS officials arrested, and many touts are languishing in jail or serving suspended sentences for RAF fraud-related matters.

Compared to R901 million during the previous year, R1.450 billion worth of fraudulent claims were identified before payment was made and 10 people were arrested for fraud against the RAF.

The RAF is further committed to discharge its legislative mandate in an ethical organisational climate that ensures that its business is run fairly and justly. To this end, the Ethics Office has been established to raise ethical standards in the RAF through the implementation of an Ethics Management Programme. At the core of the RAF Ethics Management Framework is the Ethics Policy and SOPs, which are informed by principles set out in the Constitution, the PFMA, King IV and international best practices.

Our ability to effectively protect money meant for victims of road accidents, deal with corruption against the Fund, implement measures to ensure adherence to good corporate governance and PFMA standards and improve delivery on the set mandate can be attributed to the continued support we have enjoyed from government and the public.

FINANCIAL REVIEW

The financial strain on the RAF was once again tough during the reporting period. On average, the Fund was R9 billion in arrears per month with finalised claims that could not be paid, due to insufficient cash to pay these claims. The Fund's financial challenges continued under these circumstances with attachments by the Sheriff of RAF bank and call accounts that have continued during the year under review in prevalence and value. Internal measures were also introduced to optimise cash flow management and time periods, but the core challenge was and remains real – the RAF dispensation is not adequately funded and remains unreasonable, inequitable, unaffordable and unsustainable.

To counter the challenges experienced on the historic practice of direct claims, policies were put in place and performance continued with increased direct claims being registered and increased settlements being made.

The financial challenges that were experienced in prior financial years persisted, but the RAF continued with claims settlements, although the amount of settled claims that could not be paid (RNYP) increased in the year under review to R9.06 billion from R8.5 billion outstanding at the end of the previous financial year.

The reality is that the institution has been insolvent since 1981 and continues to find itself in this space as a result of the fact that its funding and expenditure are not linked. In the past six years a Turnaround Strategy has seen remarkable transformation in the institution, but the focus on performance resulted in severe cash flow constraints. Trends observed in the claims environment saw a substantial increase in the provision for claims liabilities. The Statement of Financial Position reflects the extent to which the Fund remains undercapitalised. A net deficit of R206.3 billion (2016/17: R180 billion) was recorded for 2017/18. Threats of attachment and removal of movable property are and remain day-to-day operational challenges. Attachments of the RAF bank accounts have been equally disruptive.

Despite these challenges and limitations, the RAF continued to receive, assess and finalise claims, to render services to claimants, to transform itself, to record successes and to drive the evolution of the business into a new dispensation which addresses the weaknesses of the present model and which will benefit considerably more road crash victims for decades to come in an affordable way.

Total revenue for the year increased to R37.3 billion compared to R33.3 billion in the previous financial year – mostly because of the 9 c/l increase in the RAF Fuel Levy and a reduction in diesel refunds recouped from this levy. Net fuel levies accounted for 99.8% of total revenue. The Fund recorded a deficit of R26.4 billion in the year under review compared to a deficit of R34.7 billion in the previous year. The deficit is directly related to the provision for outstanding claims, which increased by R26.7 billion from R179.5 billion (2016/17) to R206.2 billion in the current year. The provision is an actuarial estimation of what it would cost to fund claims that are on hand and being attended to, as well as those which will still be registered in future for past periods.

Expenditure in cash, for claims paid as well as settled (excluding the increase in the claims provision), increased by 16% to R34.6 billion (2016/17: R29.8 billion). During the reporting period, 93% of the RAF Fuel Levy income was utilised to pay claims, compared to 90% in the 2016/17 financial year. 316,749 (2016/17: 276,008) payments were made in the 2017/18 financial year.

Total expenditure for the year, excluding the increase in the claims provision, increased by R4.98 billion to R36.94 billion (2016/17: R31.96 billion) as a result of increased productivity in claims settlements, increased earnings and support claims average values. Claims expenditure (excluding the increase in the claims provision) of R34.6 billion accounted for 93.6% of total expenses, with the balance being made up of employee costs, i.e. R1.6 billion (4.3%) and administration and other costs, i.e. R742 million (2.1%).

It is noteworthy that the sustained cash flow constraints have resulted in a significant increase in the amount of interest paid during the course of the year. Interest paid increased by 7.2% to R224 million from R209 million in the previous year.

Management interventions to improve the payment of claims and efficient business processes continued during the financial year. These interventions resulted in improved claims processing during the year, which outstripped the RAF's cash reserves. Quite simply, by improving productivity, claims processing improved, making claim payments dependent on monthly fuel levy inflows.

At a broader level, the inequitable allocation of economic resources, as a result of the legislative framework, continues under the current compensation arrangement. Out of R34.6 billion claims settlements per category in the 2017/18 financial year:

- R1.9 billion was towards medical costs;
- R140 million towards funeral costs;
- R8.8 billion towards legal and other expert costs;
- R8.5 billion towards general damages – primarily to persons not seriously injured; and
- R15.3 billion towards loss of earnings and support for those who qualified.

The 9 c/l (5.8%) RAF Fuel Levy increase during the financial year had a positive impact on the budget, and more cash was available for the payment of claims. Notwithstanding, it again reflects the unsustainability of the current compensation system, which has accumulated to R206.3 billion (2016/17 R180 billion) unfunded liability, as at 31 March 2018. Even though the 50 c/l received in the 2015/16 financial year, for two financial years (zero c/l fuel levy increase in 2016/17 financial year) was a significant increase, it was not sustainable to compensate for claims the RAF had on hand, as well as for the inflow of new claims and claims still to be expected. The Cash Flow Management Strategy was maintained during the financial year ensuring regular and scheduled payments to RAF creditors and claimants.

During the reporting period, the number of outstanding claims where no payments had yet been made increased from 173,740 in the previous financial year to 198,285 in 2017/18. Although, within the APP target, this relates to a substantial increase of 35% in the number of newly registered claims compared to the previous financial year. The detailed review of the results of the RAF for the year ended 31 March 2018 is included under the 'Operating Environment' contained in Part B of this report.

As at 31 March 2018, current liabilities of the RAF exceeded current assets by R29 billion (2016/17: R26 billion).

Liquidity is closely managed daily in line with available cash reserves in accordance with an approved Cash Management Strategy. Compliance is strictly adhered to (99% compliance rate) and communicated to stakeholders. NT has granted the RAF multi-year approval for the retention of cash and cash equivalents at financial year end for the purpose of payment of claims.

However, the RAF's liquidity position remains unsustainable. For the period ended 31 March 2018, the cash balance stood at R1.57 billion, as all available resources were utilised to pay claims. (The ideal scenario would be to keep cash holdings sufficient to pay claims for at least two months in advance at any given point in time). The balance partially reflects the RAF Fuel Levy that was received on 27 March 2018. The cash balance, short-term in nature, would therefore be applied to fund RAF operations in the first month of the following financial year, i.e. April 2018.

ACKNOWLEDGEMENTS

I wish to express a sincere word of thanks to the former Minister of Transport, Mr Joe Maswanganyi, and the Deputy Minister of Transport, Ms Sindisiwe Chikunga, for their unstinting support over the past financial year. We also wish to welcome the new Minister of Transport, Dr Blade E. Nzimande, in his new role.

As the Executive Management of the RAF, our gratitude is also extended to the Chairperson and Members of the PCOT for the unfettered guidance and support provided throughout the year.

A message of thanks is extended to the former Board members for their distinctive guidance to the RAF, especially the Chairperson and the Vice-Chairperson for their leadership, enthusiasm and dedication shown to the organisation.

A word of appreciation also goes to the RAF leadership and staff for their continued loyalty, support and diligence. In impossible and unreal circumstances, I want to recognise a team who makes possibilities a reality on a daily basis. We have met 91% of the predetermined 2017/18 APP targets, which were more difficult than the previous year, showing that the RAF, as an organisation, will not shy away when faced with challenges, but will continue to transform its delivery record.

Our appreciation is also extended to the thousands of claimants, lawyers, healthcare providers, caregivers, corporate suppliers and creditors who patiently joined hands with the Fund.

In conclusion, we recognise those who have lost their lives, been injured or who have lost a loved one in a motor vehicle accident in the period under review. As the RAF, our responsibility going forward remains firmly fixed on alleviating the suffering which arises from negligence on our roads.

MS LINDELWA XINGWANA-JABAVU
Acting Chief Executive Officer
28 July 2018

6. Statement of Responsibility and Confirmation of Accuracy for the Annual Report

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

All information and amounts disclosed in this Annual Report are consistent with the Annual Financial Statements of the RAF, audited by the Auditor-General.

The Annual Report is complete, accurate and is free of 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 RAF.

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

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

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

In our opinion, this Annual Report fairly reflects the Review of Operations, the Performance Information, the Human Resources Information and the financial affairs of the RAF for the financial year ended 31 March 2018.

Yours faithfully

MS L XINGWANA-JABAVU
Acting Chief Executive Officer
28 July 2018

DR P MATHEBULA
Chairperson of the Board
28 July 2018

7. Strategic Overview

MANDATE OF THE RAF

The Road Accident Fund (RAF) is a juristic person established by an Act of Parliament, namely the Road Accident Fund Act, 1996 (Act No. 56 of 1996), as amended (RAF Act). It commenced operations on 1 May 1997, assuming at the time, all the rights, obligations, assets and liabilities of the Multilateral Motor Vehicle Accidents Fund.

The RAF provides compulsory social insurance cover to all users of South African roads; rehabilitates and compensates people injured as a result of the negligent driving of motor vehicles in a timely and active manner; and actively promotes the safe use of our nation's roads. According to the Act, the object of the Fund is the payment of compensation in accordance with the Act for loss or damage wrongfully caused by the driving of a motor vehicle.

The customer base of the RAF comprises not only the South African public, but all foreigners within the borders of the country too.

The RAF provides two types of cover, namely personal insurance cover to accident victims or their families and indemnity cover to wrongdoers.

The RAF's vision is informed by its legislative mandate. As an institution of government, its mandate outlines its obligations towards the State and its people. This mandate supports and is directly informed by a higher purpose, namely to contribute directly to the health and socio-economic balance of the country for government to meet its priorities.

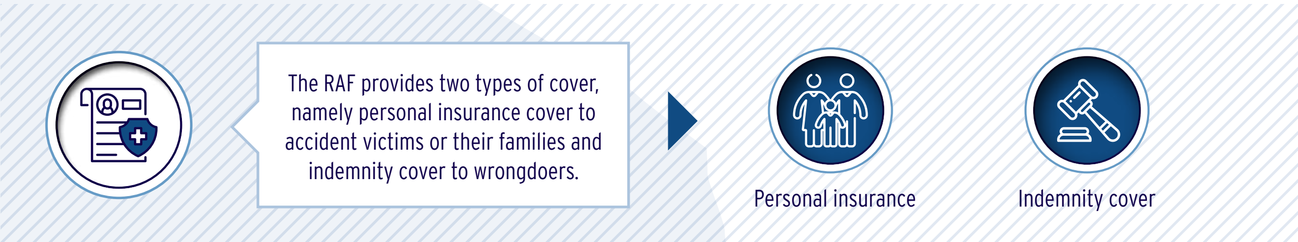
The National Development Plan (NDP): 2030 is the primary policy framework for government and provides the first layer of government policy for the RAF to carry out its responsibilities and align its plans. The NDP provides a clear account of the challenges the country is facing, as well as the strategic choices that must be made to create a better life for all South Africans.

The nine primary challenges as outlined in the NDP are:

- Too few people work;
- The quality of school education for black people is poor;
- Infrastructure is poorly located, inadequate and under-maintained;
- Spatial divides hobble inclusive development;
- The economy is unsustainably resource intensive;
- The public health system cannot meet demand or sustain quality;
- Public services are uneven and often of poor quality;
- Corruption levels are high; and
- South Africa remains a divided society.

As a response to the above challenges, the NDP aims to improve health and broaden social protection by:

- Improving the quality of public health care;
- Lowering the costs of private health care;
- Long-term vision for implementation of a comprehensive social security system;
- Social security reforms aimed at providing balance and broadening coverage;
- Alignment and rationalisation of social security institutions;
- Short-term reforms focusing on broadening coverage of existing social security benefits; and
- Longer term priorities include mandatory savings, risk benefits and health insurance.



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

In order to achieve the objectives of the NDP, the RAF will continue to efficiently pay for claims and effectively rehabilitate victims of road accidents to restore balance in the social system. In addition, the RAF will promote effective governance, strong leadership and active citizenry by:

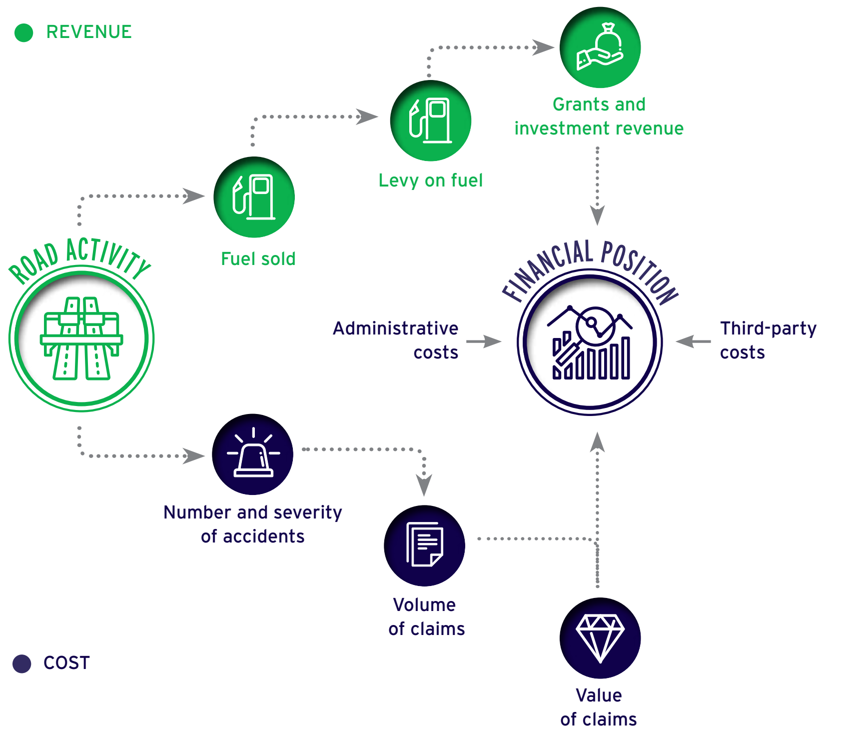
- Continuing to improve services and maintaining compliance;
- Increasing levels of awareness on RAF offerings and benefits;
- Continuing to partner with other government departments to improve the State's overall effectiveness and efficiency;
- Engaging with other Motor Vehicle Accident (MVA) Funds, regionally and internationally to exchange best practice; and
- Ensuring that the RAF is free of fraud and corruption.

The RAF will promote:
- effective governance,
- strong leadership and,
- active citizenry

SERVICE DELIVERY ENVIRONMENT

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

FIGURE 1: Factors influencing the RAF's financial position



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

The fuel levy per litre is set by the NT on a yearly basis, whereas total fuel sales are influenced by many macroeconomic factors. On an annual basis, the RAF requests the NT for an increase in the RAF Fuel Levy, based on a financial model and a calculation of its costs during the coming year. The full extent of the RAF Fuel Levy requested is seldom granted, because the NT has historically set the levy based on a pay-as-you go principle, rather than with the purpose of establishing a fully-funded position for the RAF. During the 2017/18 financial year, the RAF Fuel Levy was set at 163 c/l from 154 c/l during the 2016/17 financial year.

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

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

The costs that the RAF incurs are as a result of road accidents. The volume and severity of accidents influence the volume and average value of claims made against the RAF. In addition, the RAF's costs consist of:

- Third-party costs (e.g. attorney costs, medical and/or legal expert costs); and
- Administration costs.

Claims expenditure comprises the RAF's largest expense item. Liquidity is determined by the cash available after claims and other expenses have been paid out for a specific period. Liability is largely composed of outstanding claims that need to be settled, along with their associated costs. This can be simplistically represented as follows:

FIGURE 2: Key value drivers

- Fuel levy
- Volume of fuel sold

- Number of claims
- Claims expenditure

- Outstanding claims provision
- Cash available

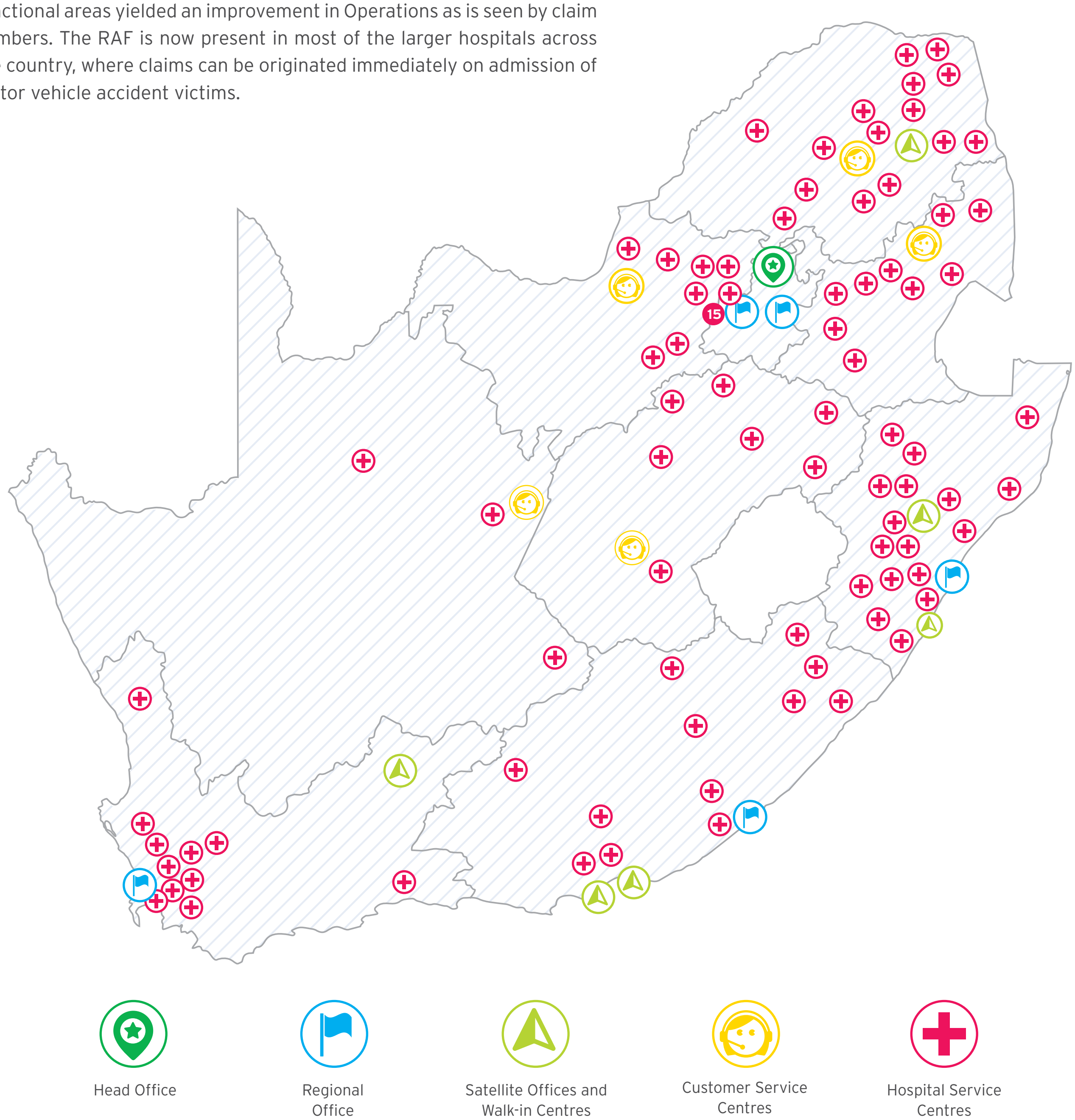
Whilst the value drivers presented may appear conceptually simple, they are driven by multiple other factors. Claims expenditure is influenced, for example, by whether a claimant chooses to claim directly or be represented by an attorney; the awards made by courts that determine precedent; the number of expert witnesses called; and the time taken from date of accident to date of finalisation of the claim. Because of these revenue and cost drivers, the gap between the RAF's deficit and its income, which has grown over the last three decades, has increased exponentially in recent years.

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

The two main variables that determine the income of the RAF are the volume of petrol and diesel sold per annum and the rate of the levy.

ORGANISATIONAL ENVIRONMENT

During the year under review, the national service footprint was further expanded, with the number of Hospital Service Centres (HCSs) now standing at 100, and a total of six Customer Service Centres (CSCs) and four Walk-In Service Centres (WICs) throughout the country. Segregated functional areas yielded an improvement in Operations as is seen by claim numbers. The RAF is now present in most of the larger hospitals across the country, where claims can be originated immediately on admission of motor vehicle accident victims.



VISION, MISSION AND VALUES OF THE RAF

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

THE VALUES OF THE RAF

The following values drive everything that we do and the manner in which we do it.

UBUNTU

- We care for and support our customers.
- We care for and support each other.

SOLUTION FOCUSED

- We offer solutions.
- We take responsibility for our actions.

EXCELLENCE

- We execute our duties with dedication and fortitude while pursuing excellence across the business.
- We are driven by a desire to succeed which we realise through intelligent planning and commitment to delivery.

EFFICIENCY

- Doing the right thing with the least amount of resources.
- In our endeavours we strive to optimal output from the time, cost and effort invested.

PRIDE IN WHAT WE DO

- We commit to and demonstrate integrity, honesty, consistency and fairness in our actions and decisions.
- We model the highest standards of personal and professional behaviour.

BUSINESS MODEL

The RAF's business model is fault-based; meaning drivers at fault are excluded from claiming for compensation. As a result, injured persons are unable to access medical care in a timely manner, and dependants of persons killed in road accidents are left to fend for themselves. In addition, claims are received and administered in a litigious and dispute-ridden environment, and many cases take years to be finalised and paid. This prolongs hardship and severely impacts on the poor and vulnerable.

This is challenging to the Fund as, from a health and economic perspective, it contradicts the Fund's socio-economic role of re-integrating victims of road accidents into society and protect at-fault drivers and their families from financial ruin. The crux of the Fund's underlying business model is determined by the legislative environment in which it operates. At present, claims against the Fund for bodily injury and personal loss arising from road accidents are based on common law rules of delict and liability insurance principles. Inherent in the fault-based system are numerous difficulties, including long delays in accessing compensation and high delivery costs.

STRATEGIC OUTCOMES - 2016 - 2020

PILLARS	OUTCOME INDICATORS
EFFICIENT CLAIMS PROCESSING	• Manage the number of outstanding claims • Manage efficiency of claims processing • Improve direct claims management • Improve claims litigation • Improve post-crash care management
ACCESSIBLE SERVICES	• Number of claimants serviced at RAF events • Improved Call Centre responsiveness
EFFECTIVE FINANCIAL MANAGEMENT/ HEALTH	• Effective cash flow management • Provision for claims incurred assessed quarterly and an annual assessment conducted by an independent actuary • Improve procurement outcomes • Improve B-BBEE rating
OPTIMAL ICT SERVICES	• Ensure optimal ICT service availability • Implement and assess benefits of the Five-Year ICT e-Enablement Strategy and Plan
IMPROVE PEOPLE MANAGEMENT	• Manage organisational performance • RAF contribution towards government's social and economic agenda • Contribute to government's youth employment and road safety through the Youth Driver Development Programme (YDDP) • Manage absenteeism
INITIATIVES ALIGNED TO THE RAF TRANSFORMATION	• Transform the RAF
INITIATIVES ALIGNED TO ASSURED CONTROL ENVIRONMENT	• Raise ethical standards • Increase percentage of fraud detected before undue payments are made

The actual outcomes are further detailed under 'Performance by Objective' on page 62 of this report.

8. Legislative and other Mandates

SCHEDULE IN TERMS OF THE PFMA

The RAF is a juristic person established by an Act of Parliament, namely the RAF Act. Section 3 of the RAF Act stipulates that "the object of the Fund shall be the payment of compensation in accordance with this Act for loss or damage wrongfully caused by the driving of motor vehicles".

The RAF is a national public entity listed in Schedule 3A of the PFMA.

POLICY FRAMEWORKS GOVERNING THE RAF

Applicable legislation to the RAF is, inter alia:

- Basic Conditions of Employment Act, 1977 (Act No. 75 of 1977);
- Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003);
- Constitution of the Republic of South Africa, 1996;
- Contingency Fees Act, 1977 (Act No. 66 of 1977);
- Customs and Excise Act, 1964 (Act No. 91 of 1964);
- Employment Equity Act, 1998 (Act No. 55 of 1998);
- Labour Relations Act, 1995 (Act No. 66 of 1995);
- Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);
- Prescribed Rate of Interest Act, 1975 (Act No. 55 of 1975);
- Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004).
- Promotion of Access to Information Act, 2000 (Act No. 2 of 2000);
- Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000);
- Promotion of Equality and Prevention of Unfair Discrimination Act, 2000 (Act No. 4 of 2000);
- Protected Disclosures Act, 2000 (Act No. 26 of 2000);
- Protection of Personal Information Act, 2013 (Act No. 4 of 2013);
- PFMA, 1999 (Act No. 1 of 1999);
- RAF Act, 1996 (Act No. 56 of 1996);
- Road Accident Fund Amendment Act, 2005 (Act No. 19 of 2005) (the Amendment Act);
- Road Accident Fund (Transitional Provisions) Act, 2012 (Act No. 15 of 2012); and
- Use of Official Languages Act, 2012 (Act No. 12 of 2012).

EXPECTED FRAMEWORK CHANGES

Background

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

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

Given this broad mandate, it became clear that the RAF was unsustainable in its current form, and in 2005 the RAF Act was amended by the Road Accident Fund Amendment Act, 2005 (Act No. 19 of 2005) (the Amendment Act), which came into effect on 1 August 2008. Soon after promulgation, a number of claimants challenged the constitutionality of section 18 thereof (related to the R25,000 passenger claims limit). Parliament remedied the defect through the promulgation of the Road Accident Fund (Transitional Provisions) Act, 2012 (Act No. 15 of 2012) (the Transitional Act), which came into effect on 13 February 2013.

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

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

ROAD ACCIDENT FUND AMENDMENT BILL, NO. 3 OF 2017 (THE AMENDMENT BILL)

The Amendment Bill was aimed at amending the RAF Act to facilitate responsible financial management and enable cost-effective delivery of compensation. The proposed amendments provided for:

- A 'final judgment' definition;
- A 'medical practitioner' definition;
- Authority for the RAF to revise its claim forms;
- A procedure to manage payment in respect of final court orders;
- A prescribed list of injuries that will be deemed serious, without the need for a formal assessment in terms of the existing prescribed method;
- Authority for the RAF to offer a contribution to the claimant's costs;
- A 30 day 'no-fault' liability period in respect of claims for medical treatment;
- A single medical tariff;
- A capped 'no-fault' funeral claim limited to specified items; and
- Alignment of the 'hit-and-run' claim prescription periods with those of identified claims.

The Amendment Bill was introduced in Parliament on 7 February 2017. Soon after, on 8 June 2017 the Road Accident Benefit Scheme Bill, No. 17 of 2017 (the RABS Bill) was introduced in Parliament. Both Bills were referred to the PCOT who requested the Minister to consider whether both Bills were required. A decision was taken to prioritise the RABS Bill, and consequently the Amendment Bill was withdrawn by the Minister.

ROAD ACCIDENT BENEFIT SCHEME BILL, NO. 17 OF 2017 (THE RABS BILL)

The current scheme of arrangement, being based on fault, insurance principles and common law, remains inequitable, wasteful and open to abuse. The key change proposed by the draft legislation is a move away from the insurance-based system of compensation, which has been largely unchanged in South Africa since its inception in 1946, to a system of defined and structured benefits paid on a no-fault basis.

The transformation of the current scheme, as envisaged in the RABS Bill, will address many of the challenges facing the RAF that are constraining its ability to deliver on its mandate in an effective and efficient manner. In addition, a 'no-fault', fixed benefit scheme will ensure smooth alignment with the comprehensive social security system envisaged by government.

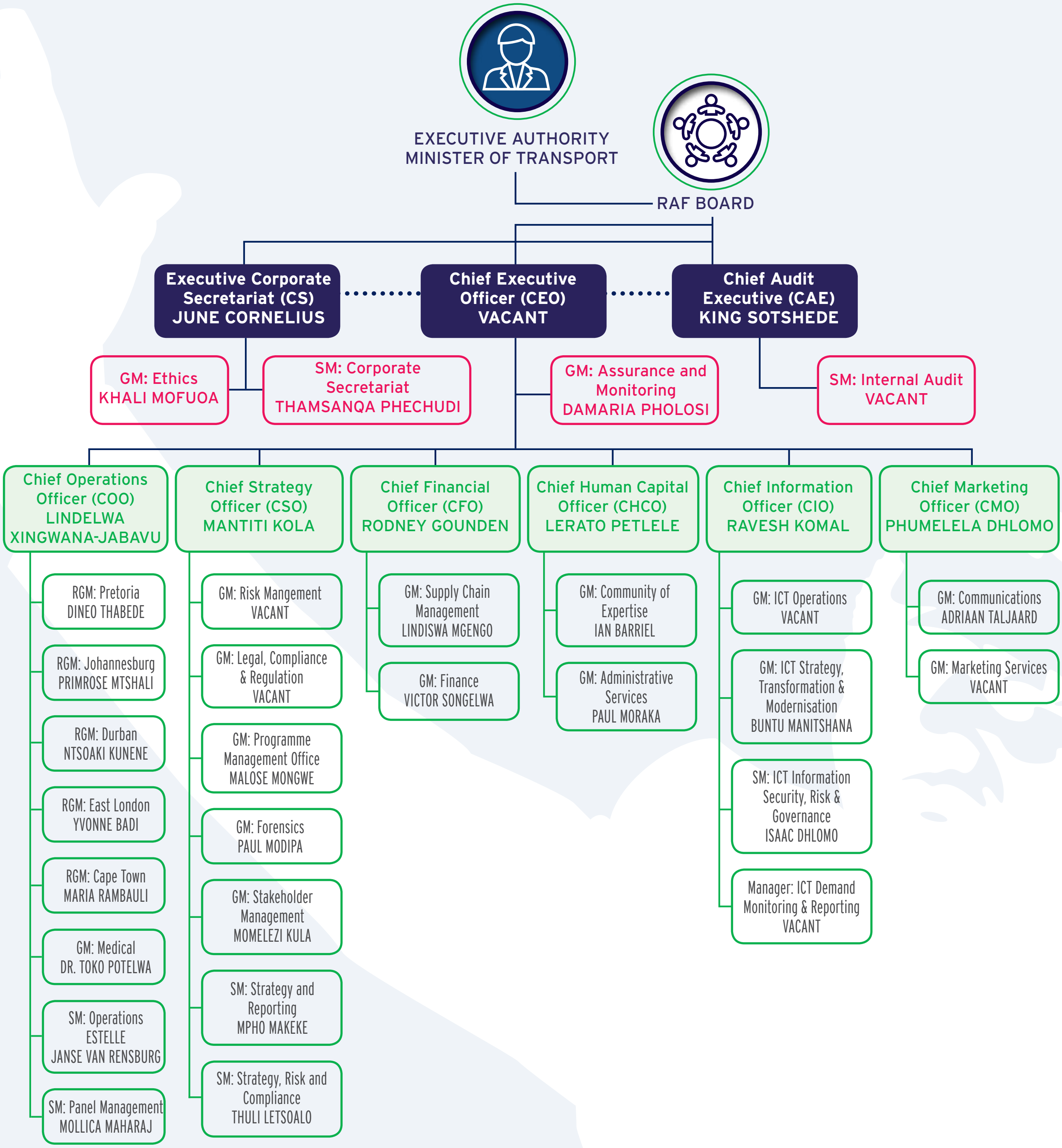
The benefits of the proposed new scheme are:

- Provision of benefits that are reasonable, equitable, affordable and sustainable;
- Expansion of access to benefits by removing the requirement to establish 'fault' as a determinant to qualify for benefits;
- Reducing disputes by removing the 'fault' requirement and by providing pre-determined benefits;
- The availability of timely and appropriate healthcare benefits based on a reasonable tariff;
- Simplification of claims procedures;
- Wider cover to persons injured in road accidents;
- Fewer exclusions from benefits;
- Defined benefits which promote affordability; and
- Alleviation of the burden on South Africa's courts through the establishment of an appeal procedure.

The RABS Bill also provides for a new Administrator, to be called the Road Accident Benefit Scheme Administrator (RABSA), which will replace the current RAF and compensation system administered by it.

Following Cabinet's approval on 29 March 2017, the RABS Bill was introduced in Parliament on 8 June 2017. The PCOT has subsequently published the RABS Bill for comment by stakeholders. The comment period closed on 30 November 2017 and it is anticipated that the PCOT will schedule public hearings on the RABS Bill early in 2018.

9. Organisational Structure



100 Nelson Mandela Centenary 2018 Be the Legacy

Performance Information

PART B

1. Auditor-General's Report: Pre-Determined Objectives

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

Refer to page 160 of the Annual Report for the Auditor-General's Report, published in Part E: Annual Financial Information.

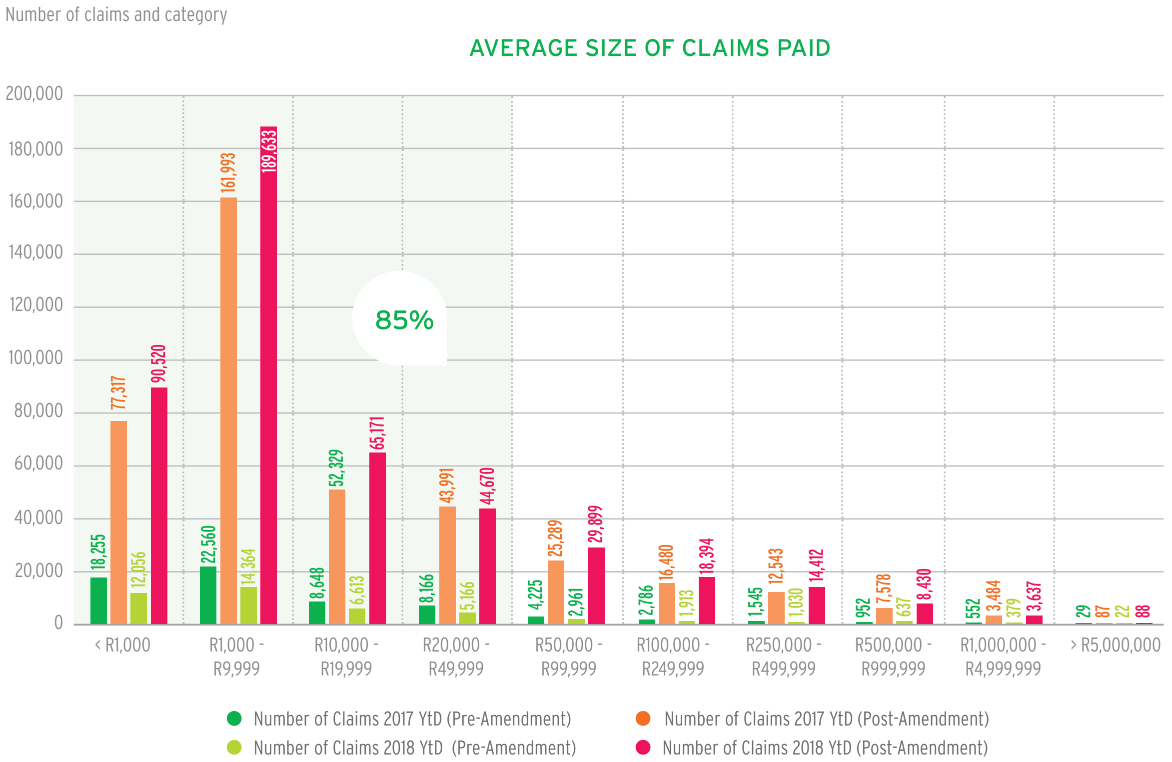
2. Operating Environment

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

CLAIMS ANALYSIS

Of the total claims finalised in the financial year, a large number of claim payments were at values less than R1,000 and less than R10,000 (Graph 1). This was as a result of the accelerated approach to supplier claims, which allowed for hospitals and other service providers to be paid directly by the RAF. Thus, the RAF managed to reduce outstanding supplier claims more effectively than those of personal claims. (It is important to note that the graph below reflects payments per category and not finalised claims.)

GRAPH 1: Average size of claims paid



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

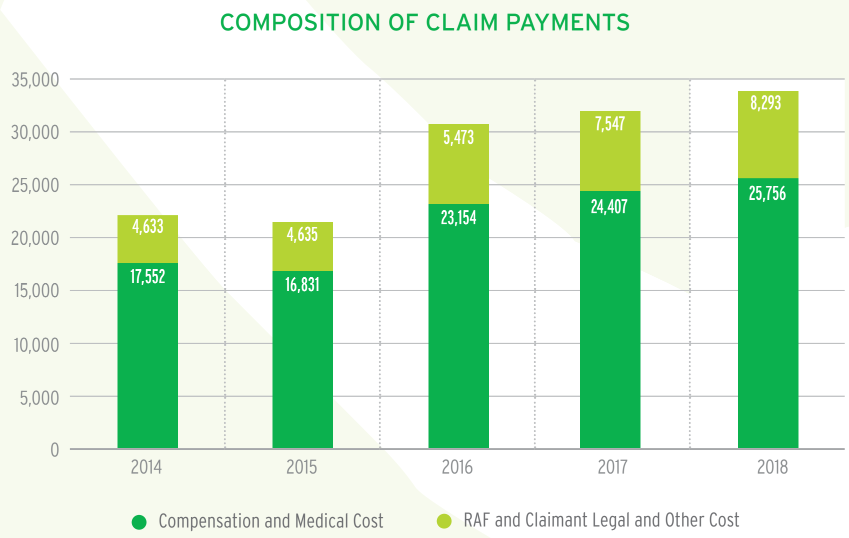
CLAIM VALUES

The composition of claim payments continues to reflect the insufficiency of the existing fault-based, common law system of compensation. The proposed introduction of RABS (a no-fault based system) will address these wastages over the longer term. In the short term, however, Management believes that interim legislative changes will address some of the wastages. Of the R34 billion (2016/17: R31.9 billion) cash paid out in respect of claims for the 2017/18 financial year, R25.8 billion (i.e. 75.6%) (2016/17: R24.4 billion (i.e. 76.4%)) represented compensation pay-out.

The balance of 24.4% (2016/17: 23.6%) comprised legal and other expert fees. On the other hand, when claims requested that could not be paid (RNYP) due to cash constraints are added to the above scenario, the variance in the composition reflects compensation at 76.4% and legal and other expert fees at 23.6% respectively (Graph 2). The year under review, therefore, again reflects an increase in legal and other expert fees when compared to total cash/accrued claims expenditure.

GRAPH 2: Composition of claim payments

R'million and financial year



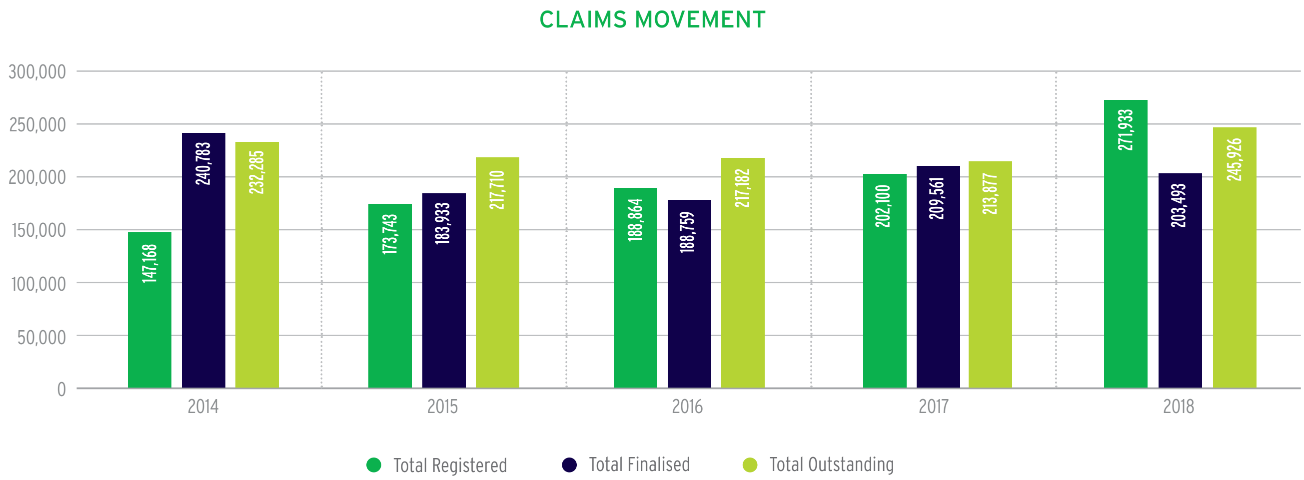
CLAIM STATISTICS

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

	Reference	Units	31 March 2018	31 March 2017	31 March 2016	31 March 2015	31 March 2014
New claims registered	**1.**	**No.**	**271,933**	**202,100**	**188,864**	**173,743**	**147,168**
Personal claims		No.	92,101	73,860	71,664	62,436	53,230
Suppliers		No.	179,832	128,240	117,200	111,307	93,938
Total: Increase/(decrease)		%	35	7	9	18	(2)
Personal claims: Increase/(decrease)		%	25	3	15	17	13
Supplier claims: Increase/(decrease)		%	40	9	5	19	(9)
Claims finalised	**2.**	**No.**	**203,493**	**209,561**	**188,759**	**183,933**	**240,783**
Personal claims		No.	42,078	73,538	72,484	65,243	115,736
Suppliers		No.	161,415	136,023	116,275	118,690	125,047
Total: Increase/(decrease)		%	(3)	11	3	(24)	49
Personal claims: Increase/(decrease)		%	(43)	1	11	(44)	116
Supplier claims: Increase/(decrease)		%	19	17	(2)	(5)	15

GRAPH 3: Claims registered/finalised/outstanding

Number of claims and financial year



From the table and Graph 3, a sharp increase can be seen in new claims registered. 69,833 more claims were registered during the 2017/18 financial year compared to the previous financial year (personal claims: 18,241 more and supplier claims 51,592 more respectively). Despite registering 35% more claims during the financial year, it is noteworthy that the number of new personal claims registered increased by 25% (from 73,860 during the 2016/17 financial year to 92,101 at 31 March 2018). Supplier claims were considerably more by 40% (from 128,240 at the end of the 2016/17 financial year to 179,832 as at 31 March 2018).

A year-on-year decrease of 3% in finalised claims was experienced during the financial year where a total of 203,493 claims were finalised (personal claims: 42,078 and supplier claims: 161,415).

The reason for the decrease in finalised claims was that the "basis for determining when a claim is finalised" changed, only claims with payments made during the financial year were regarded as finalised for performance measurement. Previously all claims that moved from open status to finalised status were regarded as finalised. The new basis is more representative of service delivery.

From the Outstanding Claims Analysis table on the following page, it can be deduced that a total number of 245,926 claims were still outstanding on 31 March 2018 (Graph 3) (personal claims: 234,572 and supplier claims: 11,354).

Outstanding claims increased by almost 15% from 213,877 at the end of the previous financial year due to an increased number of registrations, as well as claims finalised that have also increased but could not meet the high influx of new claims registered.

This was consequently influenced by an increase of 14% in the number of open and reopened claims totalling 198,285 (2016/17: 173,740) where compensation had not been paid and legal cost claims totalling 47,641 (2016/17: 40,137) were still outstanding at the end of the financial year. This also speaks to the increased number of compensation payments that were made.

Reopened claims at the end of the current financial year decreased by 24% to 3,489 (2016/17: 4,616). Claims are therefore not being classified as 'finalised' prematurely.

203,493 claims were finalised during the 2017/18 financial year (personal claims: 42,078 and supplier claims: 161,415).

DEFINITIONS

NEW CLAIMS REGISTERED

Claims received and registered during the financial year.

CLAIMS FINALISED

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

CLAIMS OUTSTANDING

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

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

Outstanding Claims	No Compensation			Compensation Paid Legal Costs Awaited	Total Awaiting Compensation or Legal Cost Payment
	Open	Reopened	Sub-total		
Outstanding claims as at 31 March 2017					
Personal claims	167,768	4,571	171,339	39,057	211,396
Direct claims	40,335	271	40,606	4,073	44,679
Represented claims	127,433	4,300	131,733	34,984	166,717
Post-Amendment Act	157,950	1,138	159,088	25,295	184,383
Pre-Amendment Act	9,818	3,433	13,251	13,762	27,013
Supplier claims	1,356	45	1,401	1,080	2,481
Direct claims	1,197	6	1,203	848	2,051
Represented claims	159	39	198	232	430
Post-Amendment Act	1,340	2	1,342	967	2,309
Pre-Amendment Act	16	43	59	113	172
Total	169,124	4,616	173,740	40,137	213,877
Movement during the year					
Personal claims	20,755	(1,117)	19,638	3,538	23,176
Direct claims	7,017	(83)	6,934	5,460	12,394
Represented claims	13,738	(1,034)	12,704	(1,922)	10,782
Post-Amendment Act	29,232	737	29,969	8,345	38,314
Pre-Amendment Act	(8,477)	(1,854)	(10,331)	(4,807)	(15,138)
Supplier claims	4,917	(10)	4,907	3,966	8,873
Direct claims	3,528	0	3,528	2,499	6,027
Represented claims	1,389	(10)	1,379	1,467	2,846
Post-Amendment Act	4,931	5	4,936	3,993	8,829
Pre-Amendment Act	(14)	(15)	(29)	(27)	(56)
Total	25,672	(1,127)	24,545	7,504	32,049
Outstanding claims as at 31 March 2018					
Personal claims	188,523	3,454	191,977	42,595	234,572
Direct claims	47,352	188	47,540	9,533	57,073
Represented claims	141,171	3,266	144,437	33,062	177,499
Post-Amendment Act	187,182	1,875	189,057	33,640	222,697
Pre-Amendment Act	1,341	1,579	2,920	8,955	11,875
Supplier claims	6,273	35	6,308	5,046	11,354
Direct claims	4,725	6	4,731	3,347	8,078
Represented claims	1,548	29	1,577	1,699	3,276
Post-Amendment Act	6,271	7	6,278	4,960	11,238
Pre-Amendment Act	2	28	30	86	116
Total	194,796	3,489	198,285	47,641	245,926

REPUDIATED CLAIMS

	OPENING BALANCE 1 APRIL 2017	MOVEMENT DURING THE YEAR	CLOSING BALANCE 31 MARCH 2018
Total	67,094	8,908	76,002
PERSONAL CLAIMS	55,762	5,275	61,037
SUPPLIER CLAIMS	11,332	3,633	14,965

Repudiated claims increased from 67,094 in 2016/17 to 76,002 in the current financial year.

The increase in repudiated claims as at 31 March 2018 was mainly influenced by the following:

- Substantial compliance – lodgement of claims that do not comply with the requirements of the Act and/or Regulations
- Prescription – claims lodged outside of the regulated time period or where the attorney issues no summons to interrupt prescription within the regulated time period
- Death – claims where the claimant dies before finalisation of the claim
- Fault – the claimant was solely at fault for causing the road crash
- Minor injuries – if the injuries sustained are so minor that no claim for damages arises
- Nexus – the injuries were not sustained in the road crash
- Fraud – claims that were lodged fraudulently or identified as such by the internal Forensic Investigation Department (FID)
- Duplicate claims – the claim has already been lodged
- Locus standi – the person who lodged the claim is not lawfully authorised to represent the injured or claimant
- Indigence – the claimant could not prove that they were reliant on the deceased in terms of loss of support

After following thorough processes about claims in these categories, these claims were repudiated.

CLAIMS CATEGORIES AND AVERAGES

Individual claims requested for payments/settlements per claims category:

Claim pay-/settlements	Ref	Units (Rounded)	March 31 2018	March 31 2017	March 31 2016	March 31 2015	March 31 2014
All claims	1	R'million	34,600	31,000	33,000	28,000	22,000
Average value per claim		Rand	111,072	117,059	143,127	114,969	104,091
Total individual claim pay-/settlements		Number	311,004	261,843	230,936	242,869	211,099
Personal claims	2	R'million	33,200	30,000	32,300	27,300	21,500
Average value per claim		Rand	235,716	219,047	271,793	211,090	194,696
Total individual claim pay-/settlements		Number	140,694	135,331	119,068	129,256	110,168
Supplier claims	3	R'million	1,400	1,000	700	700	500
Average value per claim		Rand	8,103	7,962	6,179	5,613	5,215
Total individual claim pay-/settlements		Number	170,310	126,512	111,868	113,613	100,931
Claim pay-/settlements per heads of damage							
General damages	4	R'million	8,500	7,600	8,700	8,000	5,900
Average value per claim		Rand	429,486	390,005	385,673	334,799	221,003
Total individual claim pay-/settlements		Number	19,705	19,541	22,494	23,828	26,511
Loss of earnings	5	R'million	12,300	10,800	13,300	10,300	7,700
Average value per claim		Rand	691,459	645,832	739,214	732,371	649,912
Total individual claim pay-/settlements		Number	17,787	16,663	17,926	14,072	11,865
Loss of support	6	R'million	3,000	2,700	3,100	2,900	2,700
Average value per claim		Rand	417,281	368,165	379,702	368,883	392,744
Total individual claim pay-/settlements		Number	7,235	7,367	8,077	7,923	6,760
Medical compensation	7	R'million	1,900	2,100	1,200	1,200	1,100
Average value per claim		Rand	10,621	15,030	10,447	9,799	9,740
Total individual claim pay-/settlements		Number	174,106	137,740	116,380	117,822	103,620
Funeral costs	8	R'million	140	130	120	100	90
Average value per claim		Rand	16,374	15,264	13,732	12,367	11,245
Total individual claim pay-/settlements		Number	8,635	8,795	8,626	9,769	7,630
RAF's legal and other costs	9	R'million	3,800	3,500	2,700	2,100	1,700
Average value per claim		Rand	32,613	30,995	28,476	21,564	20,645
Total individual claim pay-/settlements		Number	117,028	113,688	96,294	96,475	84,739
Claimants' legal and other costs	10	R'million	5,000	4,400	3,900	3,400	2,900
Average value per claim		Rand	139,282	133,313	120,385	90,563	63,734
Total individual claim pay-/settlements		Number	35,579	32,647	33,084	37,106	45,561

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

DEFINITIONS:

1. **All Claim Payments**
   All claims settled, requested and paid by the RAF.

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

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

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

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

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

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

8. **Funeral Costs**
   Funeral costs represent the cost of interment or cremation of the accident victim arising from a motor vehicle accident.

9. **RAF's Legal and Other Costs**
   The RAF's legal and other costs are expenses paid to experts and the RAF's panel attorneys to represent the RAF in legal cases against the organisation.

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

AGE ANALYSIS OF CLAIMS

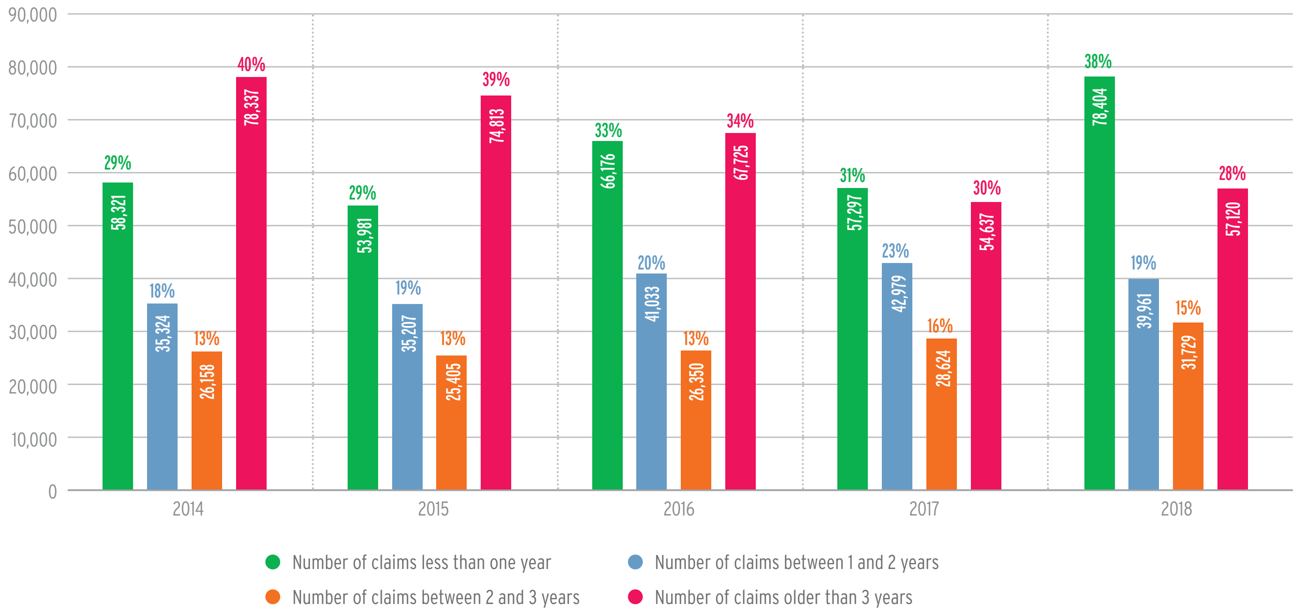
Claims younger than one year increased from 31% in 2017 to 38% in 2018. This was owing to increased registrations compared to the previous financial year. The age analysis of older claims can be ascribed to remaining cash constraints, together with complications faced when claims that require extensive expert opinion and time in court are litigated (Graph 4).

One reason for the increase in older claims can be ascribed to complications faced when claims are litigated

GRAPH 4: Age analysis of claims in number and percentage

Number of total outstanding claims and financial year

CLAIMS AGE ANALYSIS AS 31 MARCH 2018



STATEMENT OF FINANCIAL POSITION

FINANCIAL ANALYSIS

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

	31 March 2018	31 March 2017	31 March 2016	31 March 2015	31 March 2014
	R'million	R'million	R'million	R'million	R'million
ASSETS					
Current Assets					
Cash and cash equivalents	1,567	1,652	2,044	1,048	2,505
Receivables from non-exchange transactions	7,824	7,156	7,362	5,887	4,769
Receivables from exchange transactions	6	7	10	4	16
Other financial assets	160	161	147	141	133
Consumable stock	6	6	6	5	3
	9,563	**8,982**	**9,569**	**7,085**	**7,426**
Non-current Assets					
Property, plant and equipment	192	178	201	252	247
Intangible assets	51	38	26	30	21
	243	216	227	282	268
TOTAL ASSETS	**9,806**	**9,198**	**9,796**	**7,367**	**7,694**
LIABILITIES					
Current Liabilities					
Payables from exchange transactions	250	229	194	178	139
Other financial liabilities	208	41	47	78	83
Claims liabilities	38,268	34,180	46,506	34,395	24,460
Other provision	314	849	739	935	849
	39,040	**35,299**	**47,486**	**35,586**	**25,531**
Non-current Liabilities					
Claims liabilities	177,034	153,826	107,501	81,973	72,917
Employee benefit obligation	66	58	54	51	43
Operating lease liability	7	8	7	4	1
	177,107	153,892	107,562	82,028	72,961
TOTAL LIABILITIES	**216,147**	**189,191**	**155,048**	**117,614**	**98,492**
NET ASSETS	**(206,341)**	**(179,993)**	**(145,252)**	**(110,247)**	**(90,798)**
Reserves					
Revaluation reserve	88	84	83	130	128
Accumulated deficit	(206,429)	(180,077)	(145,335)	(110,377)	(90,926)
TOTAL NET ASSETS	**(206,341)**	**(179,993)**	**(145,252)**	**(110,247)**	**(90,798)**

STATEMENT OF FINANCIAL PERFORMANCE

	31 March 2018	31 March 2017	31 March 2016	31 March 2015	31 March 2014
	R'million	R'million	R'million	R'million	R'million
REVENUE					
Revenue from Exchange Transactions					
- Investment revenue and other income	90	112	93	66	238
Revenue from Non-exchange Transactions					
- Net fuel levies	37,251	33,230	33,113	22,614	20,278
TOTAL REVENUE	**37,341**	**33,342**	**33,206**	**22,680**	**20,516**
EXPENDITURE					
- Claims expenditure (excluding increase in claims provision)	(34,595)	(29,836)	(32,324)	(28,027)	(22,280)
- Depreciation and amortisation	(41)	(43)	(47)	(45)	(38)
- Employee costs	(1,605)	(1,435)	(1,280)	(1,164)	(907)
- Finance costs	(224)	(209)	(151)	(67)	(29)
- Reinsurance premiums	(21)	(22)	(22)	(23)	(23)
- Loss on disposal of assets and liabilities	(1)	-	-	(2)	(1)
- General expenses	(454)	(420)	(398)	(375)	(376)
TOTAL EXPENDITURE	**(36,941)**	**(31,965)**	**(34,222)**	**(29,703)**	**(23,654)**
Surplus/(Deficit) before Provision for Outstanding Claims	400	1,377	(1,016)	(7,023)	(3,138)
Net increase in claims provision	(26,751)	(36,119)	(33,942)	(12,429)	(14,162)
DEFICIT FOR THE YEAR	**(26,351)**	**(34,742)**	**(34,958)**	**(19,452)**	**(17,300)**

CASH FLOW STATEMENT

	31 March 2018	31 March 2017	31 March 2016	31 March 2015	31 March 2014
	R'million	R'million	R'million	R'million	R'million
Net Cash Flows from Operating Activities	(19)	(362)	1,034	(1,399)	(3,589)
Cash Flows from Investing Activities	(66)	(30)	(38)	(58)	(50)
(Decrease)/Increase in Cash and Cash Equivalents	**(85)**	**(392)**	**996**	**(1,457)**	**(3,639)**
Cash and cash equivalents at the beginning of the year	1,652	2,044	1,048	2,505	6,144
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**1,567**	**1,652**	**2,044**	**1,048**	**2,505**

FINANCIAL RATIOS

	Ref.	Units	31 March 2018	31 March 2017	31 March 2016	31 March 2015	31 March 2014
PROFITABILITY							
(Deficit)/surplus to revenue	1	%	(71%)	(104%)	(105%)	(86%)	(84%)
Operating (deficit)/surplus to revenue	2	%	(1%)	(4%)	(3%)	(31%)	(15%)
Return on average equity	3	%	(14%)	(21%)	(27%)	(19%)	(21%)
Return on average total assets	4	%	(277%)	(366%)	(407%)	(258%)	(188%)
Cost-to-income ratio	5	%	28%	29%	23%	27%	29%
LIQUIDITY							
Cash-to-claims-cover ratio	6	Months	0.54	0.66	0.76	0.45	1.35
Current ratio	7	Ratio	0.24	0.25	0.20	0.20	0.29
Net working capital	8	R'm	(29,478)	(26,316)	(37,917)	(28,501)	(18,105)
Net working capital, excluding claims provision	9	R'm	8,790	7,864	8,589	5,894	6,356
SOLVENCY							
Total assets to total liabilities	10	%	5%	5%	6%	6%	8%

DEFINITIONS:

1. (Deficit)/surplus to revenue
Total deficit or surplus as a percentage of revenue.

2. Operating (deficit)/surplus to revenue
Total deficit or surplus before provision for outstanding claims as a percentage of revenue.

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

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

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

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

7. Current ratio
Total current assets divided by total current liabilities.

8. Net working capital
Current assets minus current liabilities.

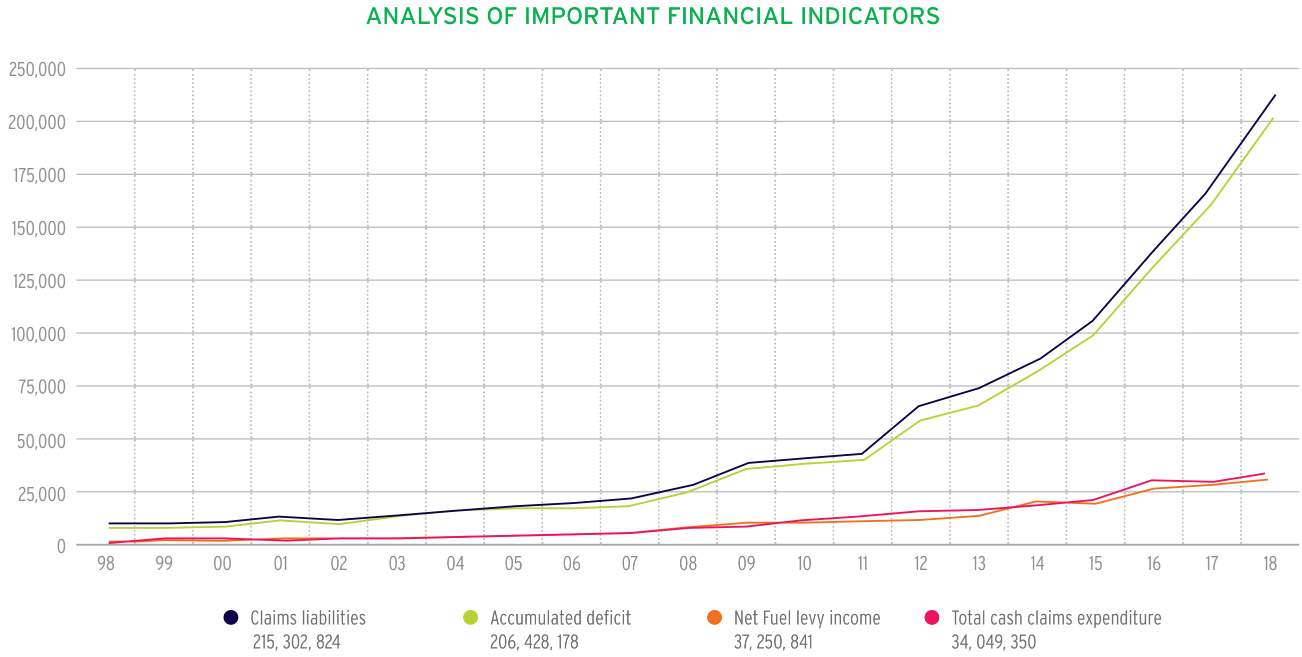
9. Net working capital, excluding claims provision
Current assets minus current liabilities, excluding provision for outstanding claims.

10. Total assets to total liabilities
Total assets as a percentage of total liabilities.

FINANCIAL POSITION

GRAPH 5: The widening gap between income and deficit

R'million and indicators



FINANCIAL HEALTH

PROFITABILITY

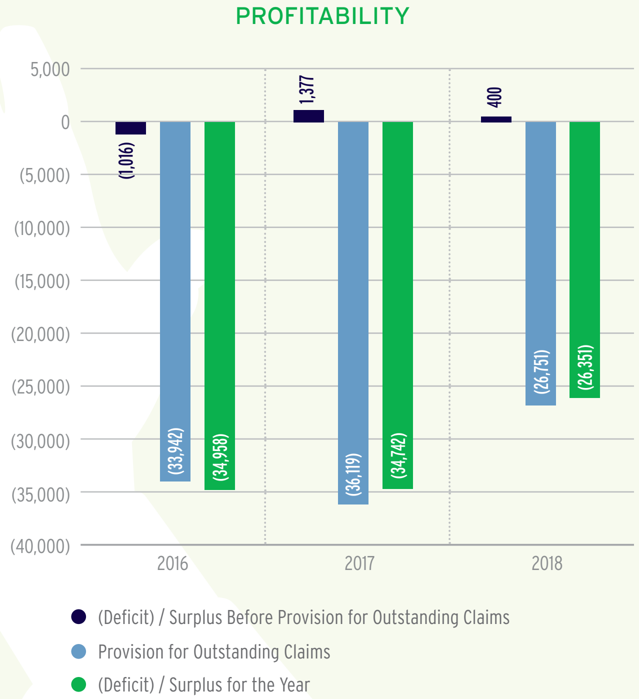
The RAF recorded a net deficit for the 2017/18 financial year of R26.35 billion (2016/17: R34.74 billion) (Graph 6). This was largely due to an increase in the claims provision of R26.8 billion (2016/17: R36.1 billion).

Higher claims expenditure (cash portion) as a result of continuous efforts to reduce the number of outstanding claims, together with an increase in the accrual for claims requested but not yet paid at the time of reporting because of cash constraints, and an increase in the claims provision totalled R61.34 billion (2016/17: R65.95 billion) and far exceeded the revenue received from fuel levies of R37.25 billion (2016/17: R33.23 billion).

Cash and cash equivalents decreased to R1.57 billion from R1.65 billion at the end of the previous financial year, mainly due to a high level of claims pay-outs towards the financial year-end, taking into consideration that the actual fuel levy is received approximately one week before the end of the month.

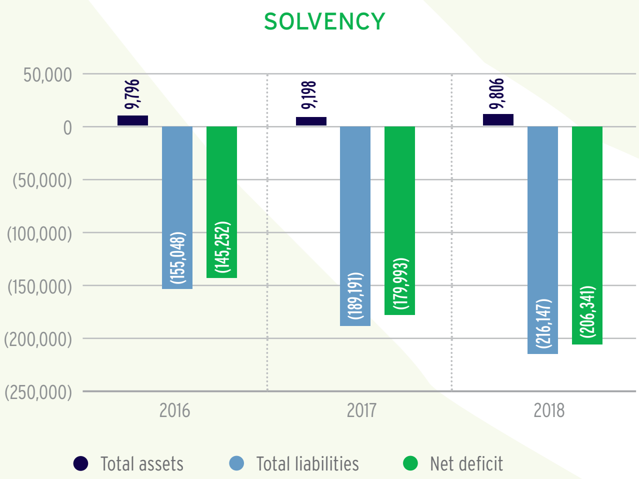
GRAPH 6: Profitability of the RAF

R'million and financial year



GRAPH 7: Solvency of the RAF

R'million and financial year



SOLVENCY AND CAPITALISATION

The RAF remains severely under-capitalised, with liabilities exceeding assets by R206.3 billion (2016/17: R180 billion) (Graph 7). The liquidity ratio of the RAF is 0.05:1 (current ratio: 0.24:1). This, in sharp perspective, explains how unsustainable the current compensation system is in that the RAF has only 5 cents (current ratio: 24 cents) worth of assets for every R1 of its liabilities. Hence, the RAF does not have sufficient cash or near cash assets to cover its short-term liabilities. Organisations similar to the RAF elsewhere in the world have, as part of their major assets, investments that cover in excess of 100% of their full outstanding liability.

The RAF Fuel Levy increased by 9 c/l to 163 cents per litre in the 2017/18 financial year but was fixed at 154 c/l for both the 2016/17 and 2015/16 financial years. In view of an unchanged fuel levy running over two consecutive financial years, the RAF had to implement cash management measures to address existing cash demands through the implementation of a well-founded Cash Management Strategy which aimed to sustain payments to all creditors, as well as attempt to reduce the cost of claims and administrative expenditure lines. Similarly, as during the previous financial year, claims creditors had to wait for payments in accordance with payment schedules strictly enforced and adhered to by the RAF.

Continued efforts to secure additional funding for the RAF are on-going. The RAF's liquidity challenges are known and discussed at high level between the RAF and all relevant stakeholders, i.e. the Portfolio Committee on Transport (PCOT), the Department of Transport (DoT), the National Treasury (NT), the Department of Health (DoH), the Department of Justice (DoJ), the Financial Services Board (FSB) and the Auditor-General of South Africa (AGSA). Other stakeholders were informed of the RAF's financial position through meetings, communication, media releases and the Call Centre.

The current compensation system, with a R206 billion unfunded liability, is completely unsustainable.

The establishment of RABS in the foreseeable future will provide legislation and affordable and equitable support for those injured in road accidents. Once in place, the RAF Fuel Levy will be assigned to the new scheme.

As indicated in Graph 7, it is evident that the net deficit of the RAF has continued to climb sharply during the 2017/18 financial year. Regardless of the increase of 9 c/l (5.8%) in the RAF Fuel Levy during the year under review, the income required by the RAF for sustained settlement of claims and the RAF Fuel Levy determined by the NT inclusive of annual inflationary adjustments, are clearly not feasible.

Total assets are higher, mainly because of cash and cash equivalents and receivables from non-exchange transactions (RAF Fuel Levy). Total liabilities were higher, attributable to a combination of the increase in the claims provision and an increase in claims requested but not yet paid (RNYP). Overall, the net deficit has increased substantially compared to the previous reporting period.

However, the RAF achieved an operational surplus of R400 million for 2017/18 (2016/17: R1.4 billion surplus) prior to the increase in the claims provision being considered. The above-mentioned is due to a combination of a R4 billion increase in the RAF's net revenue from fuel levies contributed by lower diesel refund recoupments from gross fuel levies. A slight increase in petrol and diesel fuel volumes consumed during the financial year, compared to the previous year, was also noticed.

Claims expenditure (excl. increase in claims provision) increased. It was driven by the cash component of claims, as well as an increase in the RNYP component of the claims expenditure for the year and aligned to consistent productivity in the claims operational environment during the year under review.

LIQUIDITY AND CASH HOLDINGS

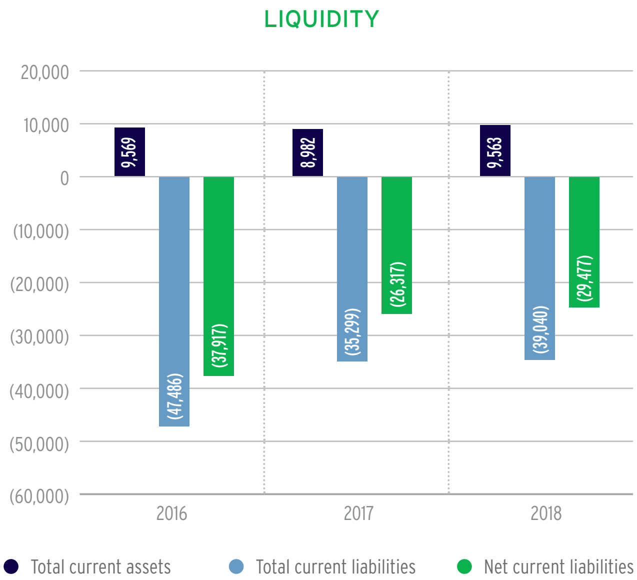
As at 31 March 2018, current liabilities of the RAF exceeded current assets by R29.5 billion (2016/17: R26.3 billion) (Graph 8).

Liquidity is closely managed daily in line with available cash reserves in accordance with the approved Cash Management Strategy. Compliance is strictly adhered to and communicated to stakeholders. The NT has granted the RAF multi-year approval for the retention of cash and cash equivalents at financial year end for the purpose of payment of claims.

From the graphs below, it is evident that the RAF's liquidity position is unsustainable. For the period ended 31 March 2018, the cash balance stood at R1.57 billion as all available resources were utilised to pay claims. (The ideal scenario would be to keep cash holdings sufficient to pay claims for at least two months in advance at any given point in time). The balance partially reflects the RAF Fuel Levy that was received on 27 March 2018. The cash balance, short-term in nature, would therefore be applied to fund RAF operations in the first month of the following financial year, i.e. April 2018 (Graph 9).

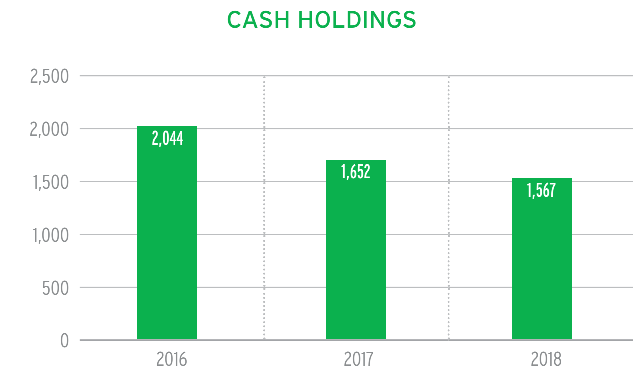
GRAPH 8: Liquidity of the RAF

R'million and financial year



GRAPH 9: Cash holdings of the RAF

R'million and financial year



COST OF SERVICE DELIVERY

The cost-to-income ratio for the financial year decreased to 28% (2016/17: 29% due to no increase in revenue). Administration costs remained at 6% (2016/17: 6%); RAF legal and expert costs decreased to 9% (2016/17: 11%); and claimants' legal and expert costs increased to 13% from 12% in the 2016/17 financial year (Graph 10). Costs of administering the RAF are contained in line with the RAF's focus on cost-reduction measures to improve efficiencies. However, the current liquidity constraints have seen legal and finance costs spiralling, thus limiting the availability of more cash for the payment of compensation.

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

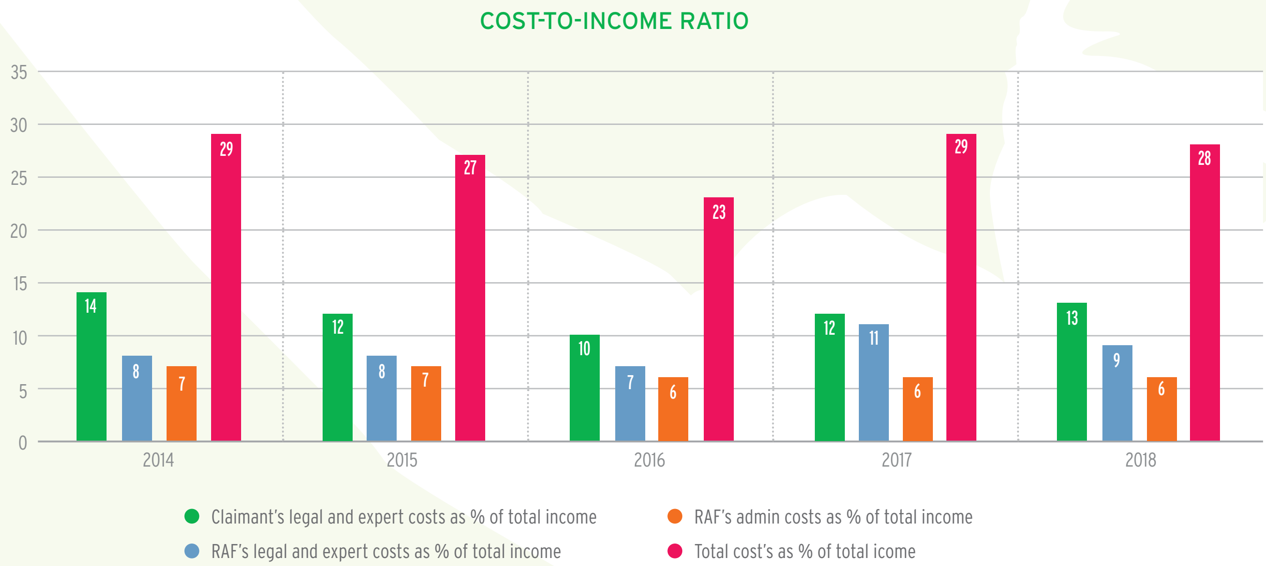
A zero tolerance approach to fraud both in and outside of the institution was further designed to expose, curtail and deter activities that would result in waste and mismanagement of resources.

The necessity of implementing the RABS cannot be overemphasised though, as this is anticipated to ultimately reduce the financial burden of the RAF and introduce the comprehensive social security system as envisaged by government.

Internal measures, such as enhancements to operational claims systems and processes, as well as the successful 'RAF on the Road' campaigns to deal with claimants directly rather than through third parties, have already yielded cost reductions.

GRAPH 10: Cost-to-income ratio

Percentage and financial year



REVENUE COLLECTION

The RAF obtains its funding from several sources, namely:

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

	2017/18			2016/17		
Sources of revenue	Estimate	Actual amount collected	(Over)/ under collection	Estimate	Actual amount collected	(Over)/ under collection
	R'000	R'000	R'000	R'000	R'000	R'000
Net RAF Fuel Levy	37,097,618	37,250,841	(153,223)	34,194,791	33,229,532	965,259
Investment revenue	82,278	90,046	(7,768)	90,173	109,330	(19,157)
Other income	-	407	(407)	-	1,974	(1,974)
(Loss) / Gains on disposal of assets and liabilities	-	(870)	870	-	1,023	(1,023)
Total	**37,179,896**	**37,340,424**	**160,528**	**34,284,964**	**33,341,859**	**943,105**

The total revenue of the RAF has increased over the years. For the period ending 31 March 2018, an increase of R4 billion (12%) in total revenue was recorded, compared to only R136 million in the corresponding period in the previous year.

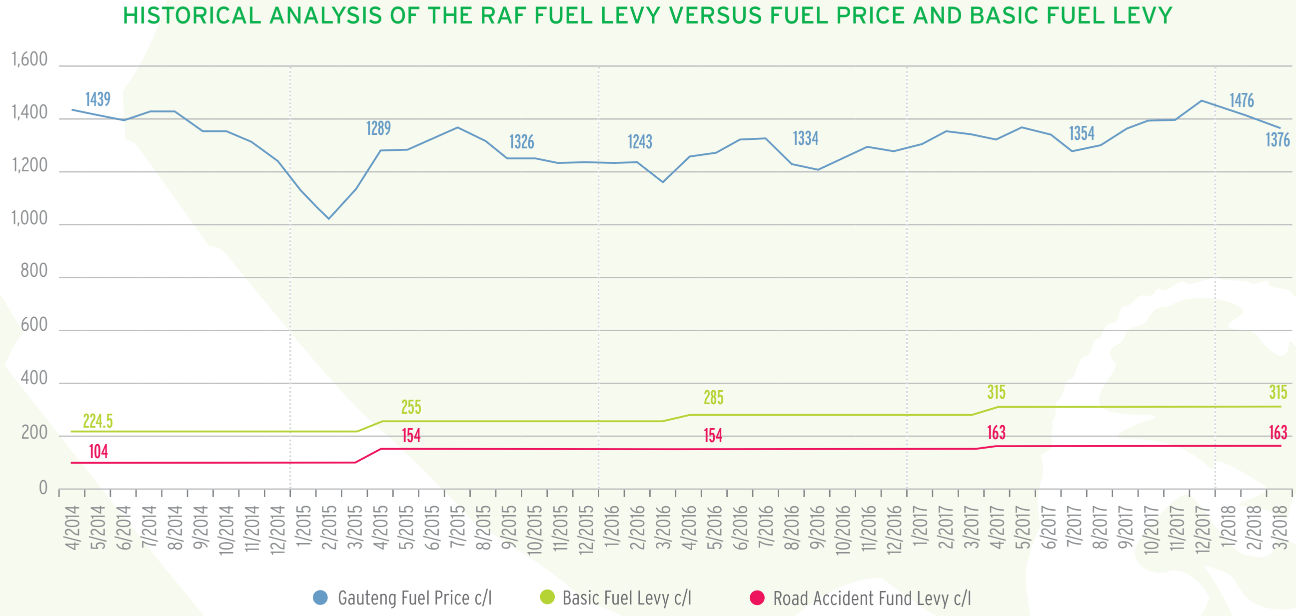
FUEL LEVY

The positive variance in the fuel levy income for 2017/18 arose mainly from a combination of a R4 billion increase in the RAF's net revenue from fuel levies resulting from a 9 c/l (5.8%) increase in the value of the RAF Fuel Levy during the current financial year and influenced by lower diesel refund recoupments from gross fuel levies. Fuel volumes in respect of petrol and diesel consumption increased slightly by only 1.7% to 21.9 mega litres for the period April 2017 to March 2018 (2016/17: 21.6 mega litres).

At recent fuel price levels, the RAF Fuel Levy (currently at 163 c/l) represents almost 12% of the total pump price, which averaged more than 1 378 cents per litre in Gauteng alone for the year under review (Graph 11).

GRAPH 11: Historical analysis of the RAF Fuel Levy versus fuel price and basic fuel levy

Cents and financial year

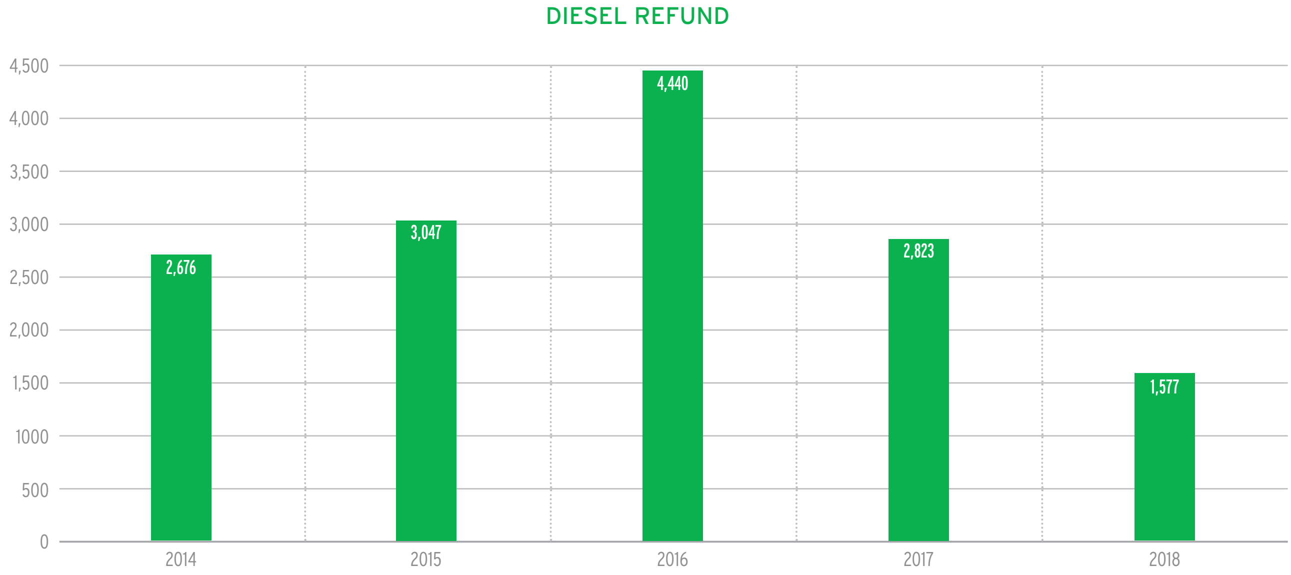


DIESEL REFUND

The refund on diesel provided to certain industrial sectors of the economy, i.e. agriculture and forestry, electricity generation, offshore and rail and harbour services, decreased by 44% to R1.58 billion (2016/17: R2.82 billion). The refund, which represents 4.1% (2016/17: 7.8%) of the RAF Fuel Levy income, is a major concession on income due to the RAF. The refund has grown steadily over past years in line with increases in the RAF Fuel Levy but has shown an observable increase over the 2015/16 financial year due to increased claims for volumes of diesel consumed, particularly in the electricity generating sector. It gradually decreased in 2016/17 due to stabilisation in the country's electricity supply. Although the value of the RAF Fuel Levy increased to 163 c/l in 2017/18, the consumption of diesel fuel in specific industrial sectors (mainly electricity generation) has stabilised. (Graph 12).

GRAPH 12: Refund on diesel

R'million and financial year



INVESTMENT REVENUE

Investment revenue decreased by 17% to R90 million (2016/17: R109 million). A downward adjustment of 25 basis points in the repo rate during the year under review (average yield on cash investments decreased to 6.57% from 6.69% in 2016/17), as well as rapid depletion of short-term cash holdings with relatively low levels of cash holdings (averaging R100 million prior to receipt of the monthly fuel levy at around the fourth week of each month), that were maintained during the financial year are the main contributors to the decline in investment income for the financial year. The payment of claims and operational expenditure are strictly managed to align expenditure with net fuel levies received in accordance with the Cash Management Strategy. Cash holdings at 31 March 2018 was R1.57 billion compared to R1.65 billion at the end of the previous financial year.

REINSURANCE INCOME

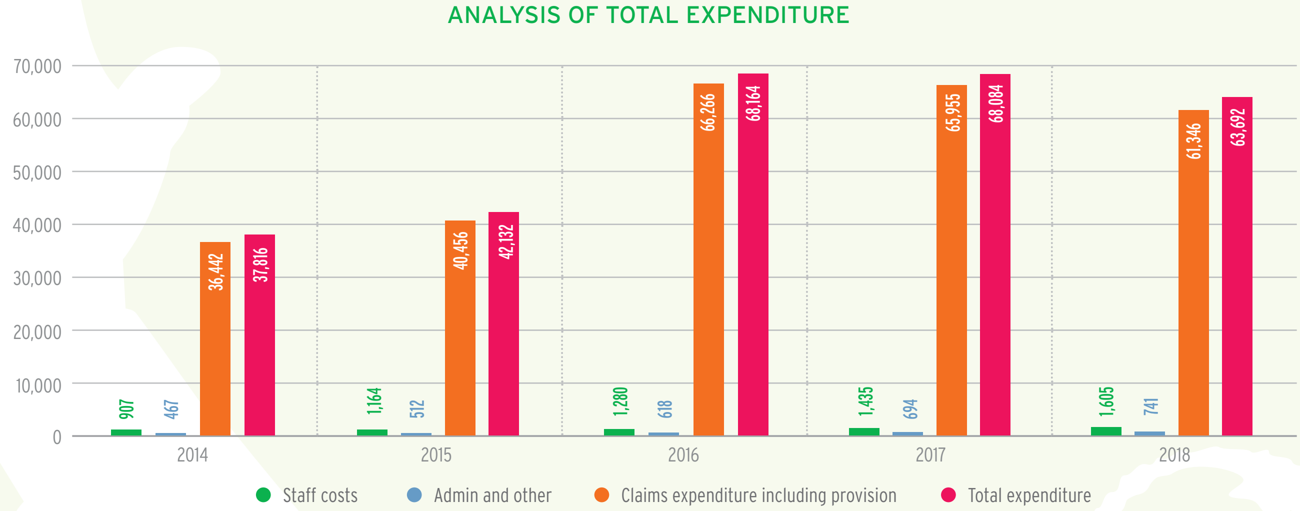
To cover catastrophic accidents, the RAF entered into reinsurance treaties with major international reinsurance companies. There were no reinsurance claims recovered from these companies during the year under review (2016/17: R Nil). The RAF's reinsurance recoveries derive from a portion of the total claims per incident that is more than the retention limit. In view of the latter, reinsurance recoveries are expected to continue to reflect a general decrease.

TOTAL EXPENDITURE

Total RAF expenditure (including the increase in claims provision) decreased by 6.4% to R63.70 billion (2016/17: R68.08 billion) (Graph 13).

GRAPH 13: Expenditure

R'million and financial year



EMPLOYEE COSTS

Employee costs at 31 March 2018 were 12% higher at R1.6 billion compared to the previous reporting period (2016/17: R1.44 billion). The increase was informed by annual salary increases and pay progression in accordance to the Pay Progression Policy that was introduced in the 2016/17 financial year for employees at various levels, as well as inflationary increases in other employee-related costs. The permanent staff complement also increased by 3% to 2,754 from 2,676 in the previous financial year.

ADMINISTRATION AND OTHER COSTS

Total administration and other costs (including finance costs) at R741 million increased by 6.8% compared to R694 million over the corresponding period in the 2016/17 financial year. The variance was mainly due to an increase in administration costs related to staff numbers and the high value of claims-related finance costs of R224 million included in the above. When finance costs are excluded, the picture appears different. Claims-related finance costs increased significantly over the 2016/17 and 2017/18 financial years due to interest charged by service providers on delayed payment of claims resulting from RAF liquidity constraints during the financial years. Therefore, administration costs (exclusive of finance costs) were R517 million and 6.6% more compared to the R485 million in the 2016/17 financial year.

TOTAL CLAIMS EXPENDITURE AND GROWTH IN THE CLAIMS PROVISION

At R61.34 billion, total claims expenditure (inclusive of the increase in claims provision) for the reporting period, was 7% less compared to the corresponding period in the previous year (2016/17: R65.95 billion).

Though there was an increase in claims expenditure of 16%, R34.6 billion over the R29.8 billion of the previous financial year (excluding the increase in the claims provision), the increase was supported by a higher net fuel levy of R37.15 billion received during the financial year.

This, together with a 26% reduction in the increase of the claims provision over the previous financial year is elaborated on further on the next page.

HIGHER CLAIMS PROCESSING AND PAYMENT AMOUNTS

Claims expenditure (excluding the increase in the claims provision) for the year was 16% more than in the 2016/17 financial year. The upward trend was due to an increase in claims paid in conjunction with increased settlement volumes and a net increase in claims finalised and requested for payment (RNYP) at financial year-end. At 31 March 2018, R9 billion worth of claims were processed but were awaiting payment compared to R8.5 billion in the 2016/17 financial year.

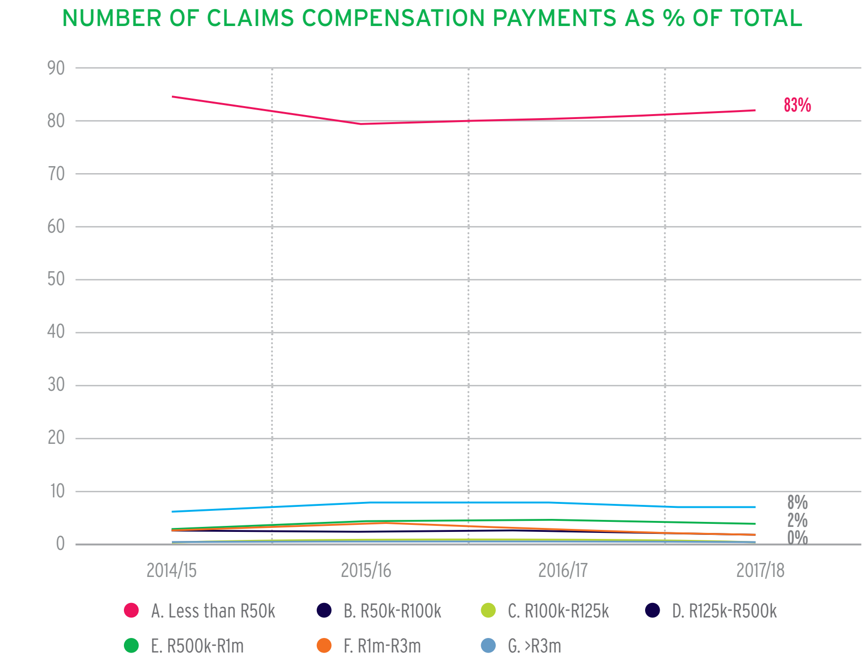
CHANGE IN THE COMPOSITION OF THE CLAIMS EXPENDITURE

The increase in the claims provision during the 2017/18 financial year was mainly driven by a 16% increase in the outstanding claims liability for personal claims and a 12% increase in the provision for incurred but not reported (IBNR) claims liability when compared to the provisions made for outstanding claims in the 2016/17 financial year. The increase in the outstanding claims liability was due to a shift in the mix of claims, with a higher proportion of claims settled in respect of compensation for loss of earnings and general damages. The increase in claims IBNR was driven by the increasing trend in the number of claims reported each quarter. The total value of the provision for outstanding claims arising from the statutory actuarial valuation performed for the 2017/18 financial year increased to R206.2 billion from R179.5 billion at the end of the previous financial year. (The provision for outstanding claims is further elaborated on in Note 12 – Claims Liabilities in the Annual Financial Statements.)

At an individual claim level, over 80% of the total number of capital payments was for claims of less than R50,000 in value, but this represented only 3% of the overall spend (Graphs 14 and 15).

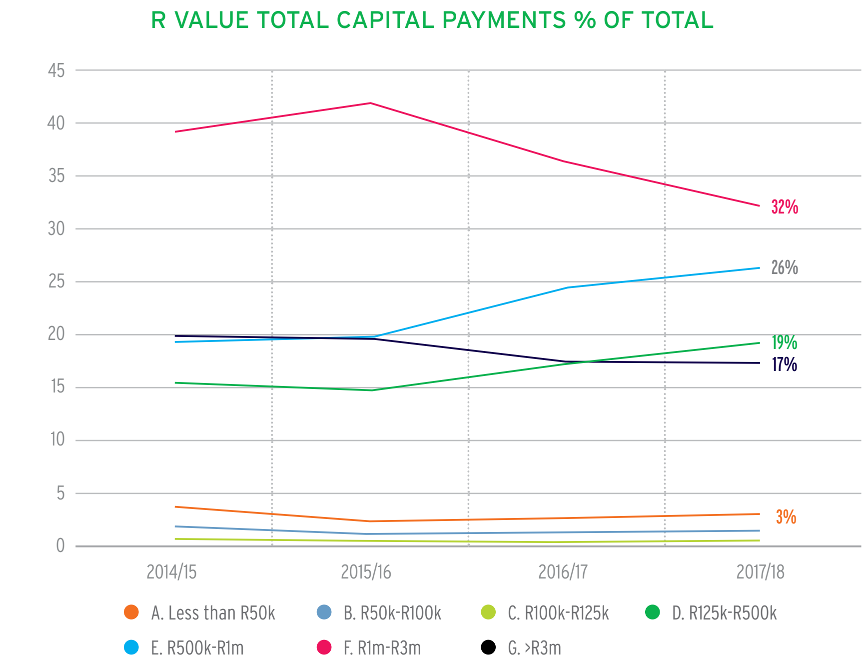
GRAPH 14: Number of capital claims as a % of compensation payments

Percentage and financial year



GRAPH 15: Rand value of capital claims payments as a % of total

Percentage and financial year



Notwithstanding the increase of 16% in claims expenditure (excluding the increase in the claims provision), higher- as well as lower-average claims values were experienced in some categories of claims due to increased movement towards higher-cost claims, together with higher-than-inflation increases in tariffs, costs and compensation. These factors also influenced the R26.75 billion increase in the claims provision at financial year-end, (2016/17: R36.11 billion) (Graph 16).

CONTINGENCY FEES

It is estimated that as much as 26% (28% incl. VAT) of all claims disbursements (excluding direct claims) processed by the RAF are paid to attorneys as opposed to claimants; that, while the percentage of contingency fees should not exceed 25%.

The RAF remains convinced that the current legislative model is wasteful, with the cost of service delivery being disproportionately high in relation to the compensation paid and the RAF Fuel Levy received (Graph 17).

COMPOSITION OF CLAIM PAYMENTS PAID IN CASH

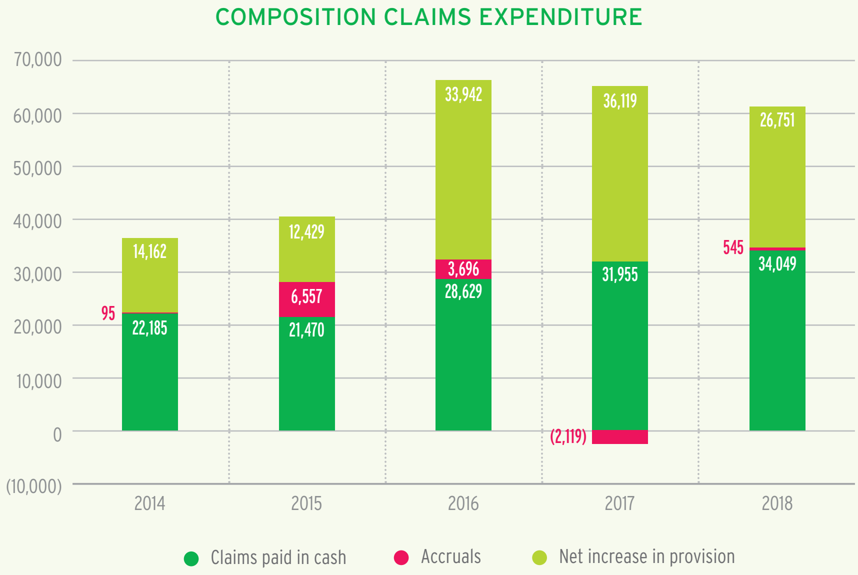
For accidents that occurred after 1 August 2008, general damages are only paid if a serious injury has been sustained, which is in line with the RAF Amendment Act. The composition of the compensation portion of claims (Graph 18), however, indicates that a major component of claims that the RAF pays out (in cash) is in respect of general damages and loss of amenities of life, as opposed to medical and funeral costs.

During the 2017/18 financial year, R8.4 billion (2016/17: R7.9 billion) was paid out towards general damages. This represents 33% (2016/17: 32%) of total compensation paid in cash. In proportion to total pay-outs, general damages claims have started stabilising.

Medical payments (including undertaking payments) at a total of R2.5 billion (2016/17: R2.1 billion) represented 10% (2016/17: 9%) of total compensation paid. Loss-of-earnings and loss-of-support payments of R14.7 billion (2016/17: R14.3 billion) represented 57% (2016/17: 59%) of total compensation paid, and funeral costs, at R144 million (2016/17: R137 million) represented 0.6% (2016/17: 0.6%) of total compensation paid in cash by the RAF.

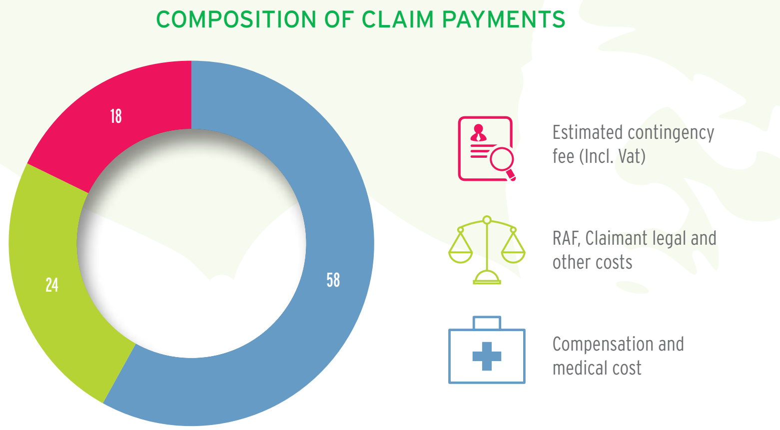
GRAPH 16: Composition of claims expenditure

R'million and financial year



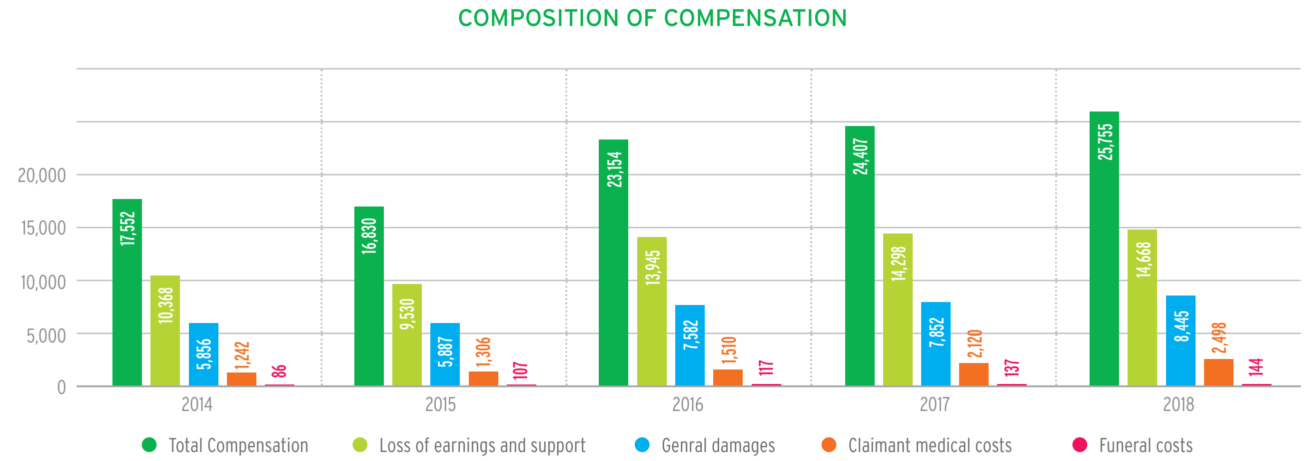
GRAPH 17: Composition of claim payments including estimated contingency fees

Percentage



GRAPH 18: Composition of compensation

R'million and financial year



UNDERTAKINGS

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

(4) Where a claim for compensation under subsection (I) –

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

Included in medical cost payments is the cost pertaining to certificates issued to claimants by the RAF to cover future medical treatments, known as 'undertakings'. As such, the RAF compensates claimants for caregiving services rendered by caregivers monthly. An undertaking is regarded as active if a claim is made against it during the year. The total number of undertaking certificates issued is reflected in the table below.

	2018	2017	2016	2015	2014
Total number of undertaking certificates issued	191,392	182,563	167,582	144,509	137,925
Number of active undertakings	6,853	7,192	5,476	5,028	4,467
% active undertakings of total undertakings	3.6%	3.9%	3.3%	3.5%	3.2%
Amount Paid (R'000)	**R637,330**	**R528,507**	**R375,830**	**R283,178**	**R234,035**

The number of active undertakings in respect of which payments were made averaged at ±3.5% of all undertakings issued over a period of five financial years. This is in line with the nature of the instrument issued, since most injuries arising from motor vehicle accidents heal and do not represent chronic illnesses. In keeping with the need to provide support to road crash victims, the number of total active undertakings is seen in a positive light.

Payments in respect of all undertakings issued for the 2017/18 financial year amounted to R637 million.

FOREIGN CLAIMS

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

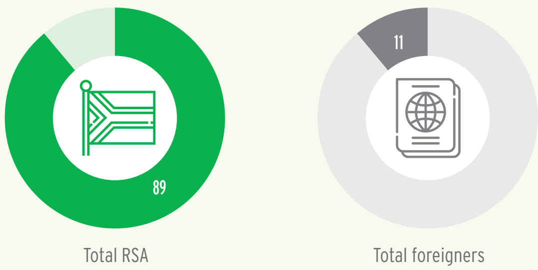
With the promulgation of the RAF Amendment Act, loss-of-earnings and loss-of-support payments to foreigners have been capped at R160,000 per annum, adjusted for inflation on a quarterly basis since August 2008. As a result, the cap at financial year-end was R266,200 as of 31 January 2018.

As at 31 March 2018, 11% (2016/17: 16%) of the value of the estimated liability of claims in excess of R5 million comprised claims by foreign nationals (Graph 19). It is important to note, however, that the actual claimed amounts can exceed the estimated value of the claim.

GRAPH 19: Estimated outstanding liability for claims >R5 million

Percentage

ESTIMATED OUTSTANDING LIABILITY AS AT 31 MARCH 2018 FOR CLAIMS IN EXCESS OF R5 MILLION



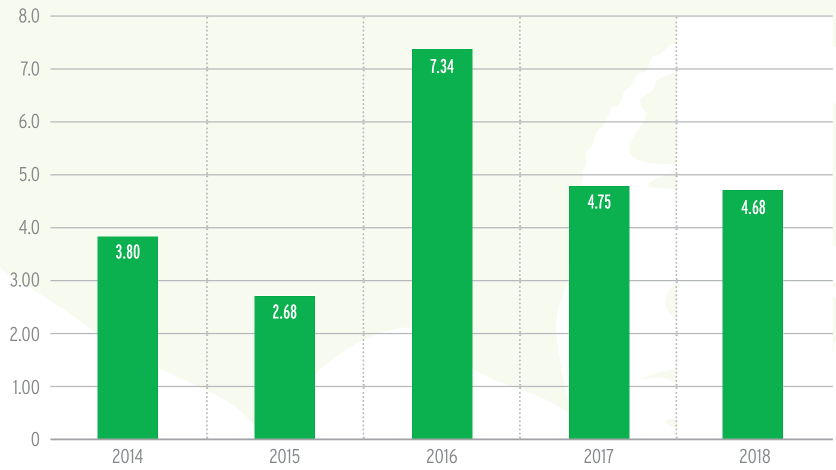
HIGH-VALUE CLAIMS

Although the number of high-value claims (claims where compensation paid is greater than R500,000) as a percentage of the total claims finalised, increased during the year, these claims represent a relatively small proportion of total claims finalised, i.e. 4.68% of the total number finalised (2016/17: 4.75%) (Graph 20).

GRAPH 20: Number of claims compensated >R500,000 as a % of total claims finalised

Percentage and financial year

FINALISED NUMBER OF CLAIMS WHERE COMPENSATION PAID IS GREATER THAN R500 000 (IN REAL TERMS) AS PERCENTAGE OF TOTAL FINALISED CLAIMS



KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

- The enactment of the Protection of Personal Information Act, 2013 (Act No. 4 of 2013) (POPI) has resulted in major changes to many RAF policies and will greatly affect the way in which the RAF processes personal information.
- The Use of Official Languages Act, 2012 (Act No.12 of 2012) continues to affect operations in terms of rendering service to stakeholders in their preferred official languages. This has resulted in the RAF developing a Language Policy and establishing a fully functional Language Unit to achieve the legislative requirements of the Act.
- The RAF does a periodic review of its compliance in respect of any Act, standard or best practice. To keep abreast of all developments, the organisation continually updates its legislative universe. It tracks legislative developments and monitors any regulatory changes to note, comply and/or effect the necessary changes to its day-to-day operations on an on-going basis. The legislative changes affecting the RAF operations are monitored and necessary changes are effected continuously.

STRATEGIC OUTCOME-ORIENTED GOALS

The approved 2015-2020 Strategic Plan is anchored on seven strategic outcomes aimed at addressing the numerous challenges faced by the RAF due to the nature of its business.

STRATEGIC GOAL 1: EFFICIENT CLAIMS PROCESSING

STRATEGIC GOAL DESCRIPTION

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

OUTCOME INDICATORS

- Manage the number of outstanding claims
- Manage efficiency of claims processing
- Improve direct claims management
- Improve claims litigation
- Improve post-crash care management

STRATEGIC GOAL 2: ACCESSIBLE SERVICES

STRATEGIC GOAL DESCRIPTION

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

OUTCOME INDICATORS

- Number of claimants serviced at RAF events
- Improved Call Centre responsiveness

STRATEGIC GOAL 3: EFFECTIVE FINANCIAL MANAGEMENT/HEALTH

STRATEGIC GOAL DESCRIPTION

Increasing revenue, reducing costs and implementing other means to re-capitalise the RAF

OUTCOME INDICATORS

- Effective cash flow management
- Provision for claims incurred assessed quarterly and an annual assessment conducted by an independent actuary
- Improve procurement outcomes
- Improve B-BBEE-rating

STRATEGIC GOAL 4: OPTIMAL ICT SERVICES

STRATEGIC GOAL DESCRIPTION

To create a solid foundation through developing and deploying IT solutions to increase the efficiency and effectiveness of our systems and processes, as well as Enterprise Risk Management capabilities

OUTCOME INDICATORS

- Ensure optimal ICT service availability
- Implement and assess benefits of the Five-Year ICT e-Enablement Strategy and Plan

STRATEGIC GOAL 5: IMPROVE PEOPLE MANAGEMENT

STRATEGIC GOAL DESCRIPTION

Build an institution that is performance-driven, values the customer and improves the awareness of the RAF brand

OUTCOME INDICATORS

- Manage organisational performance
- RAF contribution towards government's social and economic agenda
- Contribute to government's youth employment and road safety through the Youth Driver Development Programme (YDDP)
- Manage absenteeism

STRATEGIC GOAL 6: INITIATIVES ALIGNED TO THE RAF TRANSFORMATION

STRATEGIC GOAL DESCRIPTION

To improve business capability by optimising processes and technology

OUTCOME INDICATORS

Transform the RAF

STRATEGIC GOAL 7: INITIATIVES ALIGNED TO ASSURED CONTROL ENVIRONMENT

STRATEGIC GOAL DESCRIPTION

Ensure compliance to standards and improve governance and accountability

OUTCOME INDICATORS

- Raise ethical standards
- Increase percentage of fraud detected before undue payments are made

3. Performance Information by Objective

STRATEGIC OBJECTIVE GOAL 1:

EFFICIENT CLAIMS PROCESSING

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

CONTRIBUTION TO THE ORGANISATION'S KEY STRATEGIC OUTCOMES

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

COMMENT ON ALL DEVIATIONS

Out of 13 planned targets, one was not achieved, namely 'Maintain percentage of claims verified by objecting or accepting in 60 days'.

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE

The target was not met due to the increase in the number of new registrations in the last two years. The RAF Transformation Plan comprises projects to introduce process optimisation in the origination process.

CHANGES TO PLANNED TARGETS

No changes to planned targets.

EFFICIENT CLAIMS PROCESSING

Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from Planned Target to Actual Achievement 2017/2018	Comment on Deviations
1. Effectively manage the number of open claims	173,740 net balance of open claims as at 31 March 2017 Target achieved by 1,127	Manage the number of open claims to 207,461	198,285 net balance of open claims at the end of March 2018	Target exceeded by 9,176	
2.		Increase the number of claims finalised to 171,167	The number of claims finalised increased to 203,493	Target exceeded by 32,326 files	
3.		Reduce % of open claims older than 3 years by 28%	Claims older than three years reduced by 39.58% from set baseline of 52,223 The set baseline, i.e. number of open claims as at 31 March 2017, was 52,223 reduced to 31,555	Target exceeded by 11.58%	
4. Increase efficiency of claims processing	89.99% claims verified within 60 days Target exceeded by 9.99%	Maintain percentage of claims verified by objecting or accepting in 60 days	VV and VO within 60 Days: 182,677 Total Number of VV and VO: 258,818 Therefore 70.58% were verified within 60 days at 31 March 2018	Target not met by 19.42%	The growth in the number of newly reported claims has an impact on the achievement of this target The impact of the increase in the number of newly reported claims is reflected in the growth in number of claims verified and validated in more than 60 days The number of claims verified and validated in more than 60 days grew from 45,927 in Quarter 2 of 2017/18, to 53,063 in Quarter 3 of 2017/18 to 182,677 in Quarter 4 of 2017/18

EFFICIENT CLAIMS PROCESSING

Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from Planned Target to Actual Achievement 2017/2018	Comment on Deviations
5.		Increase % of claims with merits finalised within 120 days	Merits finalised within 120 days: 210,288 Total merits finalised: 252,199 Ratio: 83.38%	Target exceeded by 3.38%	
6. % increase in direct claims originated	38.60% ratio of direct claims originated as a % of total personal claims settled Target exceeded by 1.15%	% increase in direct personal claims originated	**Performance against annual target:** Direct personal claims originated for period ending 31 March 2018: 32,622 versus the annual target of 30,956 Year-on-year increase of 26.46%	Target exceeded by 1,666 files	
7.	Capital payment - direct claims: 15,507 Total capital payment -personal claims: 45,059 Therefore, there was an increase of 34.41% Target exceeded by 2.14%	% increase in direct personal claims settled	**Performance against annual target:** Direct claims settled for period ending 31 March 2018: 20,399 versus annual target of 20,159 Year-on-year increase of 31.55%	Target exceeded by 240 files	
8. Improve claims litigation	Increase % of offers made before trials 2017/18 annual target is therefore 34.09% (verified 2016/17 baseline) +10% = 37.50%	Increase % of offers made before trials	Number of offers made: 7,784 Number of trials: 17,093 Actual performance was 45.54%	Annual target exceeded by 8.04%	

EFFICIENT CLAIMS PROCESSING

Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from Planned Target to Actual Achievement 2017/2018	Comment on Deviations
9.	Increase % of matters settled before trial 2017/18 annual target is therefore 5.27% (verified 2016/17 baseline) +10% = 5.80%	Increase % of matters settled before trial	Matters settled before trial: 1,555 Number of trials: 17,093 Actual annual % performance was 9.10%	Annual target exceeded by 3.25%	
10.	Increase % variance (value) between claimed amount and settlement amount Annual target is therefore 34% + 10% = 37.4%	Increase % variance (value) between claimed amount and settlement amount	Amount claimed: R6,728,862,606 Amount settled: R4,225,958,963 Variance: R2,502,903,643 Therefore, % variance between claimed amount and settlement amount was 59.23%	Annual target exceeded by 21.83%	
11. Improve Post-Crash Care Management (Pillar 6))	Treatment plans introduced for all serious injuries undertakings There was a total of 3,517 undertakings 2,605 were for serious injuries and all 2,605 had treatment plans 100% undertakings for serious injuries had treatment plans Target of 100% achieved	Treatment plans introduced for all undertakings	3,044 serious injuries undertakings issued and 3,044 have treatment plans Ratio: 100% 7,552 undertakings issued for non-serious injuries and 7,534 have treatment plans Ratio: 99.76%	All serious injuries issued have treatment plans and 99.76% against 80% target for non-serious undertakings have treatment plans	

EFFICIENT CLAIMS PROCESSING

Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviations
	2016/2017	2017/2018	2017/2018	2017/2018	
12.		Manage caregiver payments within 30 days	Annual payments of caregivers were done within 11 days	Target exceeded by 19 days	
13.		Increase % of active undertakings	5,885 number of undertakings activated for the period ending 31 March 2018	Baseline of active undertakings set at 5,885 Target achieved	

STRATEGIC OBJECTIVE GOAL 2:

PROVIDE ACCESSIBLE SERVICES

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

CONTRIBUTION TO THE ORGANISATION'S KEY STRATEGIC OUTCOMES

Increase accessibility to RAF services for claims origination and to provide timely responses to questions, queries and information requests.

COMMENT ON ALL DEVIATIONS

There were no deviations.

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE

There were no areas of under-performance.

CHANGES TO PLANNED TARGETS

No changes to planned targets.

PROVIDE ACCESSIBLE SERVICES

Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from Planned Target to Actual Achievement 2017/2018	Comment on Deviations
14. Increase the number of claimants engaged at RAF events, e.g. 'RAF on the Road'	54,148 claimants engaged at RAF events Target exceeded by 21,048 claimants	Increase by 15% to 38,100	Total number of claimants serviced at RAF events: 66,819 engagements year-to-date	Target exceeded by 28,819	
15. Improve Call Centre responsiveness	Received calls: 385,073 Abandoned calls: 8,858 2.3% abandoned calls Target exceeded by 1.4%	3% abandoned calls	Number of abandoned calls: 8,797 Number of calls received: 395,841 % of abandoned calls: 2.22%	Target exceeded by 0.78%	

STRATEGIC OBJECTIVE GOAL 3:

EFFECTIVE FINANCIAL MANAGEMENT

Increasing revenue, reducing costs and implementing other means to re-capitalise the RAF.

CONTRIBUTION TO THE ORGANISATION'S KEY STRATEGIC OUTCOMES

The strategic objective is intended to manage cash flow (claims-related payments) in accordance with approved cash management procedures, monitor claims liability and enhance overall effectiveness of the SCM systems.

COMMENT ON ALL DEVIATIONS

There were no deviations.

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE

There were no areas of under-performance.

CHANGES TO PLANNED TARGETS

No changes to planned targets.

EFFECTIVE FINANCIAL MANAGEMENT

Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from Planned Target to Actual Achievement 2017/2018	Comment on Deviations
16. Effective cash flow management	70% compliance to the approved Cash Management Strategy 89% as at 31 March 2017 Target achieved	Manage creditors in accordance with approved cash management procedures	Currently 100% as at 31 March 2018 Cash on hand as at 31 March 2018 was R1.567 billion	100% achievement in the cash management procedure compliance indicators	
17. Provision for claims incurred assessed quarterly and an annual assessment conducted by an independent actuary	Internal model for claims incurred assessment established and an annual assessment conducted by an independent actuary Provision for claims incurred was assessed quarterly by an internal actuary and an annual assessment conducted by an independent actuary Provision for claims liability was R179.463 billion Target achieved	Provision for claims incurred assessed quarterly and an annual assessment conducted by an independent actuary	Quarterly actuarial valuation reports for the 1st, 2nd ,3rd and 4th quarter assessments have been finalised Provision for claims liability grew to R206.2 billion as at 31 March 2018	Provision for claims incurred for the 12 months ending 31 March 2018 was completed	

EFFECTIVE FINANCIAL MANAGEMENT

Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from Planned Target to Actual Achievement 2017/2018	Comment on Deviations
18. Improve procurement outcomes	Procurement turnaround times reduced to 110 days Current average: 82 days Target exceeded by 28 days	Unsuccessful bids as a percentage of issued bids reduced by 5%	0% of unsuccessful bids against issued bids All 22 cancelled tenders against the approved 2017/18 DMP were not within SCM's control	Internal Audit and Strategy and Reporting currently verifying supporting documentation and reasons for the 22 cancelled tenders	
19. Increase number of B-BBEE rated suppliers	Increase B-BBEE-rated suppliers to 115%. B-BBEE rated suppliers were 118% Target exceeded by 3%	Improve to level 4 rating	B-BBEE rating at level 2	Annual target achieved, RAF B-BBEE improved from previous financial year levels	

STRATEGIC OBJECTIVE GOAL 4:

OPTIMISING ICT FUNCTIONALITY

To create a solid foundation through developing and deploying IT solutions to increase the efficiency and effectiveness of our systems and processes, as well as Enterprise Risk Management capabilities.

CONTRIBUTION TO THE ORGANISATION'S KEY STRATEGIC OUTCOMES

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

ICT plays an integral role in ensuring the achievement of the RAF strategy. A number of initiatives that the RAF is planning to undertake in the next three years are dependent on the transformation of the ICT environment to function optimally and gain competitive advantage.

COMMENT ON ALL DEVIATIONS

Out of four targets, one target was not achieved, namely '100% roll-out of ECM'.

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE

The development of the ECM solution was not completed and resulted in failure to deploy the system to production. All the deliverables relating to 2017/18 initiatives within the ECM initiative will be re-integrated into the 2018/19 deliverables, which will be monitored at Board Committee level.

CHANGES TO PLANNED TARGETS

There were no changes to planned targets.

OPTIMISING ICT FUNCTIONALITY

Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from Planned Target to Actual Achievement 2017/2018	Comment on Deviations
20. Ensure optimal ICT availability	Annual average was 99.56% Target exceeded by 1.56%	98% availability on critical services	99.84% service availability on all services	Target exceeded by 1.84%	
21.	New target	Conduct User Satisfaction Survey	Conducted the ICT Customer Satisfaction Survey and represented to Board for noting	Annual target achieved Report submitted to Board for noting	
22. Implement and assess benefits of the Five-Year ICT e-Enablement Strategy and Plan	Year Two initiatives met Functional e-forms and repositories in place 88% of Year Two initiatives were achieved: 15 initiatives were achieved and two not achieved The ICT RAF e-Enablement Plan has five main objectives, with a total of 17 initiatives having been delivered in the 2016/17 financial year Four of the five objectives were successfully completed, with one initiative not achieved, relating to 100% implementation of the Information Security Strategy	100% roll-out of ECM	100% roll-out of ECM, as well as East London pilot roll-out were not completed	Annual target of baseline setting from the User Satisfaction Survey conducted was achieved 41.73% employees participated in the survey	Two planned annual targets were not achieved; however, the following key deliverables were successfully completed: - e-Forms and repositories were tested and implemented successfully All remaining initiatives not completed will be re-integrated in the 2018/19 financial year and delivery thereof will be monitored at Board Committee level
23.	The report on benefit and value realisation assessment was completed and approved	Benefit and Value Realisation Assessment on deliverables completed	The Benefit and Value Realisation Assessment Report was approved by the Chairperson of the OPSIT Committee on 22 January 2018	Annual target achieved	

STRATEGIC OBJECTIVE GOAL 5

IMPROVING PEOPLE MANAGEMENT

Build an institution that is performance-driven, values the customer and improves the awareness of the RAF brand.

CONTRIBUTION TO THE ORGANISATION'S KEY STRATEGIC OUTCOMES

The strategic objective is intended to capacitate the organisation and promote accountability and a performance-driven culture with the intention to improve the efficiency and transparency of its internal processes.

COMMENT ON ALL DEVIATIONS

There were no deviations to planned targets.

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE

There were no areas of under-performance.

CHANGES TO PLANNED TARGETS

No changes to planned targets.

IMPROVING PEOPLE MANAGEMENT					
Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviations
	2016/2017	2017/2018	2017/2018	2017/2018	
24. Optimise organisational performance	Vacancy rate at 5.41%	Maintain vacancy rate at 6%	Number of filled positions: 2,754 Number of budgeted positions: 2,881 Vacancy rate as at 31 March 2018: 4.40% Annual achievement averaged as: 6.40 + 6.43 + 6.24 + 4.40 = 23.47 / 4 = 5.86%	Annual target exceeded by 0.14%	
25.	The first 360-degree round of assessments by all Executive members and all participants were conducted during Q4 of the 2016/17 financial year Target achieved	Performance Improvement Plans (PIP) for poor performing employees	Quarter 4 results: PIPs were developed for a total of 11 employees that scored below 2.5 based on the Q3 reviews	PIPs were developed for a total of 45 employees that scored below 2.5 during the 2017/18 financial year	
26. RAF's contribution towards government's social and economic agenda	Maintain gender equity within 10% variance Female representatives in Management: 203 Total employees at Management level: 420 Target is 50% and ratio 48% Target achieved	Maintain gender equity within 10% variance	Number of females in Management: 214 Total number of employees in Management: 433 % of female representation at Management level: 49.42%	Achievement is above 40% and below 60% threshold	

IMPROVING PEOPLE MANAGEMENT

Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from Planned Target to Actual Achievement 2017/2018	Comment on Deviations
27.	Organisation meets the minimum 1% target for the representation of persons with disabilities	Maintain disability ratio at 1%	Number of employees living with disability: 35 Total number of employees (incl. termination for the month): 2,975 Percentage of persons living with disability as at 31 March 2018: 1.18%	Target exceeded by 0.18%	
28. Contribute to government youth employment and road safety through the Youth Driver Development Programme	Intake of Youth Driver Development Programme	Maintain at 150	Recruitment of 200 candidates to participate in the Youth Driver Development Programme completed at the end of January 2018	Target exceeded by 50 candidates	
29.	90 candidates	Increase % of candidates whom have successfully completed the programme by 80%	76 learners successfully completed the Youth Driver Development Programme against 90 planned initial intake 84% of the candidates successfully completed the programme	Target exceeded by 4%	
30. Manage absenteeism	Number of sick leave days taken at year-end: 2,442.85 Number of employees at year-end: 2,862. (2,801 + 61 movement) Number of working days at year-end: 1.43. Therefore, lost man-days at 31 March 2017 were 1.74 days per 100 employees Target achieved	Maintain lost man days at 2.5 days	Quarter 4 Total number of sick leave days taken: 4,193.06 Average number of employees: 2,914 Absenteeism man days lost: 1.43 1.64 + 1.93 + 1.18 + 1.43 = 6.19 / 4 quarters Averaged annual lost man days: 1.55	Annual target exceeded by 0.95 days	

STRATEGIC OBJECTIVE GOAL 6:

INITIATIVES ALIGNED TO THE RAF TRANSFORMATION

CONTRIBUTION TO THE ORGANISATION'S KEY STRATEGIC OUTCOMES

To improve business capability by optimising processes and technology.

COMMENT ON ALL DEVIATIONS

The target under the strategic objective was not achieved, namely 'Transform the RAF'.

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE

Initiatives that were not delivered in the 2017/18 financial year will be re-integrated in the 2018/19 Transformation Plan and progress will be monitored at Board Committee level.

CHANGES TO PLANNED TARGETS

The target replaced the old target which was named "Implement Year 1 RABS Transitional Plan Initiatives". The new target was approved by the Minister of Transport and letter dated 29/09/2017 was submitted to the PCOT.

INITIATIVES ALIGNED TO RAF TRANSFORMATION

Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviations
	2016/2017	2017/2018	2017/2018	2017/2018	
31. Transform RAF	RABS Transition Plan was approved	Implement RAF Transformation Plan Year 1 initiatives	Out of the 13 approved 2017/18 RAF Transformation Plan initiatives and deliverables three were not achieved, i.e.: - Technology work stream only 57% of planned deliverables were not completed Initiatives not completed: ICMS, Enterprise Architecture, Information Security, PMO, and ICT RABS Strategy - Target Operating Model work stream - One of the planned deliverables was not completed, i.e. development of business architecture - Medical work stream - The appointment of the service provider to provide treatment protocol was not successful	Only 75% of planned initiatives were successfully completed	There are 13 initiatives/ deliverables contained in the RAF Transformation Plan One (1) of the deliverables, i.e. Finance work stream was not scheduled for the 2017/18 financial year Out of the 12 approved 2017/18 RAF Transformation Plan initiatives and deliverables three were not achieved, i.e.: - Technology work stream - Only 57% of planned deliverables were not completed Initiatives not completed: ICMS, Enterprise Architecture, Information Security, PMO, ICT RABS Strategy - Target Operating Model work stream - One of the planned deliverables was not completed, i.e. development of business architecture - Medical work stream - The appointment of the service provider to provide treatment protocol was not successful

STRATEGIC OBJECTIVE GOAL 7:

ASSURED CONTROL ENVIRONMENT

Ensure compliance to standards and improve governance and accountability.

CONTRIBUTION TO THE ORGANISATION'S KEY STRATEGIC OUTCOMES

The strategic objective is intended to raise ethical standards and improve fraud detection.

COMMENT ON ALL DEVIATIONS

There were no deviations to planned targets.

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE

There were no areas of under-performance.

CHANGES TO PLANNED TARGETS

No changes to planned targets.

ASSURED CONTROL ENVIRONMENT

Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from Planned Target to Actual Achievement 2017/2018	Comment on Deviations
32. Raise ethical standards	Report on adequacy and effectiveness of the Ethics Programme Statement of the adequacy and effectiveness of the Ethics Programme appeared in the 2016/17 Annual Report • 80% attendance of the Ethics and Value Awareness sessions • 99% of Annual Declarations submitted • 100% of RAF Code of Ethics signed by new employees Target achieved	Report on adequacy and effectiveness of the Ethics Programme	The 2017/18 Ethics Business Plan was approved in January 2017 for implementation in the 2017/18 financial year Progress on ethics initiatives conducted each quarter against planned initiatives (as per the above-mentioned business plan) is reported to the Risk and Management Committee on a quarterly basis KPMG conducted an Ethics Risk Assessment Survey in August 2017, and the results were shared with EXCO Internal Audit further conducted a Conflict of Interest and Gift Distribution Process Review in September 2017	The Ethics Programme contained ten (10) activities as per the 2017/18 financial year consolidated Ethics Strategy and eight (8) out of ten (10) activities (80%) were completed An Ethics Risk Assessment was conducted by way of a survey and a report was submitted Internal Audit conducted a review on the adequacy and effectiveness of the controls within the Conflict of Interest and Gifts Distribution Process The target was achieved as the above constitutes a report on the adequacy and effectiveness of the Ethics Programme	Internal Audit is currently verifying - on a sample basis - achievement of Ethics initiatives Also awaiting a report of the Ethics Survey conducted by an external service provider
33. Increase percentage of fraud detected before undue payments are made	15% increase in the level of fraud detected before undue payments are made; therefore, target was R487,287,021 R901,557,475 claims repudiated at year-end Target exceeded by R414,270,454 (85%)	20% increase in the level of fraud detected before undue payments are made	Value of fraudulent claims detected before undue payments were made for the period ending 31 March 2018: R1,450,496,207 versus annual target of R1,081,868,970 34.07% increase against annual target of R1,081,868,970	Target exceeded by 14.07%	

4. Revenue Collection

Revenue collection is discussed in detail under 'Operating Environment' on page 52 of this report.

5. Capital Investment

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

Progress made on implementing the Asset Management Plan	The implementation of the plan is complete, and the Fixed Asset Register has been updated with the results of the asset verification procedures	
Infrastructure projects completed in the current year and progress in comparison with what was planned at the beginning of the year	Tygerberg Hospital	Renovation of RAF office and supply of materials as per the minimum requirement checklist pertaining to HSCs, as the hospital couldn't provide bulbs, plugs, switch covers, etc.
	Victoria Hospital	Erection of a new RAF office as per the agreed plans with the hospital management to accommodate the needs of the RAF.
Infrastructure projects in progress and expected completion date	Khayelitsha Hospital	RAF office is under construction and to be completed by April 2018.
	Stellenbosch Hospital	Under Phase 1 renovation. RAF office space was identified by the hospital with an estimated completion date of June 2018.
	Vredenburg Hospital	Under Phase 2 renovation. RAF office space plan to be integrated into the hospital plans with the estimated completion date being November 2018.
Plans to close down or downgrade any current facilities	Robertson Hospital	RAF office was closed in November 2017.
Progress made on infrastructure maintenance	Tygerberg Hospital	Renovation of RAF office.
Developments relating to the above expected to impact on the RAF's current expenditure	None	
Details as to how asset holdings have changed over the period under review, including disposals, scrapping and loss due to theft	During the 2017/18 financial year, assets with a carrying value of R869,000 were disposed of and written off. Total acquisition for the year (2018): Fixed Assets - R39,417,000; Intangible Assets - R26,673,000 Prior year acquisition (2017): Fixed Assets – R8,407,000; Intangible Assets – R24,547,000 Current year disposal (2018): Fixed Assets - R3,287,000; Intangible Assets - R Nil Prior year disposal (2017): Fixed Assets - R20,437,000; Intangible Assets - R Nil	

Measures taken to ensure that the RAF's Fixed Asset Registers remain up-to-date during the year under review	The following procedures, processes and mechanisms existed to ensure the integrity of the RAF's Fixed Asset Register (FAR): • The RAF's Fixed Asset Management Policy; • The RAF's Fixed Asset Management SOP; • Management Directives were issued where necessary; • Audits were performed by the Internal Audit Department; • Annual audits were performed by the Auditor-General; • Bi-annual verification exercises were performed during the months of September and March of the financial year; • The RAF implemented segregated asset management functions for recording and maintaining the FAR; • Clearly defined asset management roles were established for the Facilities Management and ICT Departments; • Dedicated resources were employed to ensure fixed assets are recorded accurately and completely; and • A reconciliation of the FAR to Financial Records was performed monthly.	
Major maintenance projects undertaken during the year under review	Projects	
	Tygerberg Hospital	RAF office renovations
	Victoria Hospital	Erection of the new RAF office
	Durban Region	Reconstruction of pause areas in the main office
	Northdale Hospital	RAF office upgrades
	Ingwelezane Hospital	RAF office – wheelchair ramp and burglar guards
	Addington Hospital	RAF office – burglar bars and window blinds
	Mthatha HSC	Soundproofing
	Livingstone HSC (PE)	Construction
	East London Region	Additional office for Business Analyst
	East London Region	Replacement of CAF's shelving - CAPEX
	Menlyn Region	Carports
	Menlyn Region	Additional water tanks
	Menlyn Region	Renovations
	Menlyn Region	Waterproofing
	Menlyn Region	Replace ceilings and lights
	Menlyn Region	Additional CAF storage
	Menlyn Region	Replace gutters and downpipes
	Eco Glades Head Office	Replace carpets
Progress made in addressing the maintenance backlog during the year under review	There was no existing backlog on maintenance during the year under review.	

	2017/18			2016/17		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Property, plant and equipment	86,959	39,417	47,542	82,818	8,407	74,411
Intangibles	13,378	26,673	(13,295)	12,742	24,547	(11,805)
Total	**100,337**	**66,090**	**34,247**	**95,560**	**32,954**	**62,606**

** The RAF has no major infrastructure projects*

Nelson Mandela Centenary 2018 Be the Legacy

Governance

PART C

1. Introduction

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

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

FIGURE 2: Executive Authority reporting structure

2. Portfolio Committee

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

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

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

3. Executive Authority

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

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

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

Oversight by the Executive Authority rests by and large on the prescripts of the PFMA, which governs/provides authority to the Executive Authority for oversight powers.

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

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

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

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

4. Accounting Authority / The Board

INTRODUCTION

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

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

THE ROLE OF THE BOARD

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

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

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

- It attends the annual meetings;
- It ensures that the Annual Financial Statements are prepared;
- It appraises the performance of the Board collectively and individually;
- It ensures effective Board induction; and
- It maintains integrity, responsibility and accountability.

The Board is responsible for determining the overall direction of the RAF. The RAF is guided by a Five-year Strategic Plan and APP, both of which were submitted to the Executive Authority, the Minister of Transport, by the end of January 2018, as prescribed in terms of NT Instruction Note No. 33.

The Board annually revises the Delegation of Authority Framework, which defines the delegation of powers, duties and functions of Management.

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

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

BOARD CHARTER

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

COMPOSITION OF THE BOARD

The RAF is headed and controlled by an effective and efficient Board, comprising independent, non-executive Board members representing the necessary skills to strategically guide the RAF. The Board consists of 11 non-executive Board members, including the Director-General's (DG's) representative. The RAF Board is diverse in respect of origin, gender, race and education. Together, the members bring a wealth of experience and expertise to the RAF and reflect the nature of its business. 45% of the Board members are women, while 90% are from historically disadvantaged communities.

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

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

BOARD MEMBERS

DR NM BHENGU

Non-executive Board member
(Chairperson of the Board)

DATE APPOINTED:
21/10/2016

AREA OF EXPERTISE:
Medical and Corporate Governance

QUALIFICATIONS:
MBChB (University of Natal), Diploma in Anaesthetics (College of Medicine of South Africa), MBA (Wales University, Cardiff), Master of Public Health, Healthcare Management (Harvard University), Chartered Director (SA)

BOARD DIRECTORSHIPS:
None

BOARD COMMITTEES:
Chairpersons' Committee (Chairperson)

***NO. OF MEETINGS ATTENDED:**
9 of 9

MR D COOVADIA

Non-executive Board member
(Vice-Chairperson of the Board)

DATE APPOINTED:
21/10/2016

AREA OF EXPERTISE:
Finance

QUALIFICATIONS:
BCompt, BCompt (Hons) (Unisa), CA (SA), RA, FIMC, CMC, FIAC, FCIS, FSAIM, BA (SA), FIIASA, PIA (SA), FInstD, JP

BOARD DIRECTORSHIPS:
Rand Water,
ERWAT

BOARD COMMITTEES:
Audit Committee (Acting Chairperson)
Chairperson's Committee

***NO. OF MEETINGS ATTENDED:**
7 of 9

DR KLN LINDA

Non-executive Board member

DATE APPOINTED:
21/10/2016

AREA OF EXPERTISE:
Medical

QUALIFICATIONS:
MBChB (University of Natal), Healthcare Service Management Certificate, Advanced Management Programme (Manchester Business School, UK), Post-graduate Diploma in Healthcare Information (Winchester University)

BOARD DIRECTORSHIPS:
Medical and Dental Professions Board (HPCSA)
South African Dental Association (SADA),
HOPE Africa (NGO)

BOARD COMMITTEES:
Remuneration and Human Resources Committee (Acting Chairperson)
Operations and Information Technology Committee
Chairperson's Committee

***NO. OF MEETINGS ATTENDED:**
7 of 9

BOARD MEMBERS

MR TP MASOBE

Non-executive Board member

DATE APPOINTED:

21/10/2016

AREA OF EXPERTISE:

Health Insurance, Finance, Business Law

QUALIFICATIONS:

LLM, International Business Law (candidate), (University of Cumbria, UK), MSc (University of London), BA (Grinnell College, USA), International Executive Development (Wits Business School and London Business School), Advanced Health Leadership (University of California at Berkeley)

BOARD DIRECTORSHIPS:

Agility Health
Health Edge Group
Raamgoolam (Pty) Ltd

BOARD COMMITTEES:

Audit Committee
Operations and Information Technology Committee

***NO. OF MEETINGS ATTENDED:**

8 of 9

MS R MOKOENA

Non-executive Board member

DATE APPOINTED:

21/10/2016

AREA OF EXPERTISE:

Law

QUALIFICATIONS:

B Iuris (University of Zululand), LLB (University of KwaZulu-Natal), Various certificates

BOARD DIRECTORSHIPS:

None

BOARD COMMITTEES:

Risk Management and Ethics Committee (Acting Chairperson)
Remuneration and Human Resources Committee
Chairperson's Committee

***NO. OF MEETINGS ATTENDED:**

1 of 9

MR AM PANDOR

Non-executive Board member

DATE APPOINTED:

21/10/2016

AREA OF EXPERTISE:

Governance

QUALIFICATIONS:

CA (SA), MBA (Henley Management College, UK), CISA, GGEIT, Chartered Director (SA)

BOARD DIRECTORSHIPS:

None

BOARD COMMITTEES:

Operations and Information Technology Committee (Acting Chairperson)
Audit Committee
Risk Management and Ethics Committee
Chairperson's Committee

***NO. OF MEETINGS ATTENDED:**

9 of 9

BOARD MEMBERS

DR TO KOMMAL

Non-executive Board member

DATE APPOINTED:

21/10/2016

AREA OF EXPERTISE:

Medical, Health Law, Corporate Governance, Operations

QUALIFICATIONS:

MBChB (University of Pretoria), Master of Surgery in Orthopaedics and Trauma (candidate) (Univ. Edinburgh and Royal College of Surgeons of Edinburgh), Diploma in Anaesthetics (College of Medicine of South Africa), Certified Independent Medical Examiner (ABIME-USA), PG. Cert. Medicine and Law (Unisa and University of Pretoria), PG. Diploma Health Systems Management (Executive Leadership) (Pret.), Advanced Health Management Programme (Yale/FPD), Diploma Management Sciences (Man. Dev), SAC Dip.H (UK), CES (Wits), Cert. Social Entrepreneurship (Wharton School, USA), Cert. Forensic Accounting and Fraud Examination (Univ. West Virginia), Cert. Intellectual Property (WIPO, Geneva), International Executive Development: YPO (London Business School), Master of Science (Medicine) (Bioethics and Health Law) (candidate) (Wits University), Albertina Sisulu Executive Leadership Fellow (ASELPH) (Harvard School of Public Health/UP), M.Inst.D, MRSSAF, Chartered Director (SA)

BOARD DIRECTORSHIPS:

None

BOARD COMMITTEES:

Risk Management and Ethics Committee
Remuneration and Human Resources Committee
Operations and Information Technology Committee

***NO. OF MEETINGS ATTENDED:**

8 of 9

DR MC PEENZE

Non-executive Board member

DATE APPOINTED:

21/10/2016

AREA OF EXPERTISE:

Legal and Corporate Governance

QUALIFICATIONS:

B.Iuris, LLB, LLM (University of Free State), D.Tech (Central University of Technology: Free State), Chartered Director (SA)

BOARD DIRECTORSHIPS:

Member of the Council of the Central Johannesburg College
Managing Director of Aviva Business Consulting (Pty) Ltd.

BOARD COMMITTEES:

Audit Committee
Risk Management and Ethics Committee

***NO. OF MEETINGS ATTENDED:**

6 of 9

BOARD MEMBERS

MR KM MOTHOBI

Non-executive Board member

DATE APPOINTED:

21/10/2016

AREA OF EXPERTISE:

Life/Health Insurance and Retirement Funds

QUALIFICATIONS:

BSc.H, BSc (Med), MBA, PDM-BA (Wits)

BOARD DIRECTORSHIPS:

Former CEO of Union Lifes
Independent Board Member of Momentum Retail Funds
Independent Board Member of Contract Cleaning National Provident Fund

BOARD COMMITTEES:

Risk Management and Ethics Committee
Operations and Information Technology Committee
Audit Committee

***NO. OF MEETINGS ATTENDED:**

9 of 9

MS LUZ RATAEMANE

Non-executive Board member

DATE APPOINTED:

21/10/2016

AREA OF EXPERTISE:

Medical (Mental Health)

QUALIFICATIONS:

BA, BA (Hons) (Fort Hare), MSc, M Phil (University of Surrey), Chartered Director (SA)

BOARD DIRECTORSHIPS:

None

BOARD COMMITTEES:

Remuneration and Human Resources Committee
Operations and Information Technology Committee

***NO. OF MEETINGS ATTENDED:**

8 of 9

MS M SOMARU

Director-General (DG) representative

DATE APPOINTED:

21/10/2016

AREA OF EXPERTISE:

Legal, Transport

QUALIFICATIONS:

B Proc (Unisa), MBA (Mancosa), Chartered Director (SA)

BOARD DIRECTORSHIPS:

Railway Safety Regulator

BOARD COMMITTEES:

Audit Committee
Risk Management and Ethics Committee
Remuneration and Human Resources Committee
Operations and Information Technology Committee

***NO. OF MEETINGS ATTENDED:**

6 of 9

**A total of 9 Board meetings, including the AGM, took place during the financial year. The Annual General Meeting between the Shareholder and the Accounting Authority took place on 18 September 2017.*

BOARD AND COMMITTEES 1 APRIL 2017 TO 31 MARCH 2018

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

FIGURE 4: Board and Committees' Structure

AUDIT COMMITTEE

The committee oversees all financial and SCM matters of the RAF and focuses particularly on the Funding and Claims Liability Models in order for the RAF to remain a going concern.

NUMBER OF MEETINGS: 6

MEMBERS: Mr AM Pandor *(Chairperson)*, Mr D Coovadia, Mr TP Masobe, Dr MC Peenze, Ms M Somaru, Mr KM Mothobi

CHAIRPERSONS COMMITTEE

The committee is representative of all Chairpersons of other sub-committees of the Board and meets twice a year.

NUMBER OF MEETINGS: 2

MEMBERS: Dr NM Bhengu *(Chairperson)*, Mr D Coovadia, Mr AM Pandor, Dr MC Peenze, Ms LUZ Rataemane, Mr TP Masobe

REMUNERATION AND HUMAN RESOURCES COMMITTEE

The committees' main focus is on performance, equitable remuneration for the Board and all RAF employees, as well as other HR and union matters.

NUMBER OF MEETINGS: 6

MEMBERS: Ms LUZ Rataemane *(Chairperson)*, Dr KLN Linda, Dr TO Kommal, Ms R Mokoena

RAF BOARD

The Board is the Accounting Authority of the RAF and reports to the Executive Authority, the South African Parliament and relevant stakeholders.

NUMBER OF MEETINGS: 9

MEMBERS: Dr NM Bhengu (Chairperson), Mr D Coovadia (Vice Chairperson), Dr TO Kommal, Dr KLN Linda, Mr TP Masobe, Ms R Mokoena, Mr KM Mothobi, Mr AM Pandor, Dr MC Peenze, Ms LUZ Rataemane, Ms M Somaru

OPERATIONS, INFORMATION AND TECHNOLOGY COMMITTEE

The committee focuses on the core operations (claims handling) or the RAF, as well as information, communication technology.

NUMBER OF MEETINGS: 4

MEMBERS: Mr TP Masobe *(Chairperson)*, Mr AM Pandor, Dr TO Kommal, Dr KLN Linda, Mr KM Mothobi, Ms LUZ Rataemane

RISK MANGEMENT AND ETHICS COMMITTEE

The committee focuses on high-level risk management of the RAF and monitors the ethical behaviour in all workstreams in and out of the Fund.

NUMBER OF MEETINGS: 4

MEMBERS: Dr MC Peenze *(Chairperson)*, Ms R Mokoena *(resigned 06/02/2018)*, Dr TO Kommal, Mr KM Mothobi, Ms M Somaru

AUDIT COMMITTEE

The Board of the RAF, as the Accounting Authority, has established an Audit Committee in compliance with the PFMA, as well as the Treasury Regulations issued in terms of the PFMA. The committee consists of six non-executive Board members. The Chairperson is appointed by the Board and is an independent non-executive member of the Board. The majority of current Audit Committee members are deemed to be independent. The Chairperson of the Board is not eligible to be a member of the Audit Committee. The Audit Committee meets at least four times a year but may meet more frequently when necessary. The committee may invite the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Audit Executive (CAE) and external auditors, or any other person to attend meetings. The committee meets with Internal Audit and representatives of the Auditor-General of South Africa at least quarterly to ensure that there are no unresolved issues of concern.

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

The overall objective of the Audit Committee is to provide independent oversight of, among others:

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

Although the governance of risk has been delegated to the Risk Management and Ethics Committee, the Audit Committee is required to oversee the management of financial and other risks that affect the integrity of external reports issued by the organisation.

The committee satisfies itself of the level of expertise, resources and expertise of the Finance Department. The Chairperson and members of the Audit Committee formed part of the interview panel for the position of CFO.

The Report of the Audit Committee, on page 164 of the Annual Financial Statements provides a full description of its remit. The report includes commentary on internal financial controls, external audit, going concern, risk management, internal audit, sustainability reporting and the expertise of the CFO and the Finance function.

In terms of the RAF Act 56 of 1996, as amended, section 14:

(1) The Fund shall keep proper records of all its financial transactions and its assets and liabilities.

Audit Committee Members

Meetings attended from six

6
Mr AM Pandor
Chairperson as from 26 January 2018

3
Mr D Coovadia
Member

6
Mr TP Masobe
Member (joined 29/05/2017)

5
Mr KM Mothobi
Member

5
Dr MC Peenze
Member

5
Ms M Somaru
DG's Representative

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

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

The AGSA is independent from the RAF and does not perform any non-audit services. The designated audit partner was rotated after the conclusion of the 2016/17 financial year audit. Generally, the external audit team composition changes every five years, but has changed three times during the last five years.

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

REMUNERATION AND HUMAN RESOURCES COMMITTEE

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

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

The functions of REMCO include, but are not limited to:

- Overseeing the setting and administration of remuneration at all levels in the RAF;
- Ensuring that there is a Remuneration Policy in place which promotes the achievement of the RAF's strategic objectives, encourages individual performance, promotes an ethical culture and responsible corporate citizenship;
- Reviewing the outcome of the implementation of the Remuneration Policy to ensure that the set objectives are being achieved;
- Ensuring that a mix of fixed and variable pay meets the RAF's needs and strategic objectives;
- Satisfying itself as to the accuracy of recorded performance measures that govern the vesting of incentives;
- Ensuring that all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued;
- Recommending executive scorecards to the Board for approval annually;

REMCO Members

Meetings attended from six

6
Ms LUZ Rataemane
Chairperson as from 26 January 2018

4
Dr TO Kommal
Member

6
Dr KLN Linda
Member

4
Ms R Mokoena
Member

- Considering the results of the performance evaluation of the CEO and Executives in determining remuneration;
- Selecting an appropriate comparative group when comparing remuneration levels;
- Developing appropriate Human Capital policies for the RAF;
- Monitoring the implementation of the RAF's HR Strategy, Employment Equity (EE) Policy and Skills Development Plan; and
- Overseeing the preparation and recommending to the Board the Remuneration Report, with specific reference to accuracy, completeness and transparency.

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

RISK MANAGEMENT AND ETHICS COMMITTEE

The Board of the RAF has an established Risk Management and Ethics Committee in compliance with the PFMA, as well as the Treasury Regulations issued in terms of the PFMA.

The establishment of a Social and Ethics Committee is not a statutory requirement for the RAF. In support of ethical leadership, the Board has allocated oversight of, and reporting on, organisational ethics, responsible corporate citizenship, sustainable development, stakeholder relationships and the Forensic Investigation Department, as is appropriate for the organisation.

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

Risk management remains an integral part of RAF operations. The Risk Management Committee of the Board is satisfied that during the 2017/18 financial year, the risks were managed within the risk appetite set by the Board and that sufficient monitoring, reporting and controls exist to ensure that risks are effectively managed.

The roles and responsibilities of the Risk Management and Ethics Committee include:

- Ensuring that the RAF has implemented an effective policy and plan for risk management that will enhance the RAF's ability to achieve its strategic objectives;
- Ensuring that disclosure regarding risk is comprehensive, timely and relevant;
- Overseeing the development and annual review of a policy and plan for risk management to recommend to the Board for approval;
- Monitoring implementation of the Risk Management Policy and Plan by means of risk management systems and processes;

Risk Management and Ethics Committee Members

Meetings attended from four

4
Dr MC Peenzee
Chairperson as from 26 January 2018

4
Dr TO Kommal
Member

2
Ms R Mokoena
Member (Resigned on 6 February 2018

4
Mr KM Mothobi
Member

3
Ms M Somaru
DG's representative

- Ensuring that the Risk Management Plan is widely disseminated throughout the organisation and integrated in the day-to-day activities of the RAF;
- Monitoring the quality, integrity and reliability of the organisation's Risk Management Framework;
- Reviewing and assessing the established integrity of risk control systems and strategies and ensuring that these are in place and are effectively managed;
- Making recommendations to the Board concerning the levels of tolerance and appetite, as approved by the Board;
- Ensuring that risk management assessments are performed on a continuous basis;
- Ensuring that methodologies are implemented to increase the possibility of anticipating unpredictable risks;
- Ensuring that Management considers and implements appropriate risk responses;
- Ensuring that continuous risk monitoring takes place by Management;
- Monitoring external developments relating to the practice of corporate risk accountability and the reporting of specifically associated risks, including emerging external risk trends and their impact on the RAF;
- Monitoring that the RAF's ethics is managed effectively through activities including:
  - Leadership demonstrating support for ethics throughout the RAF;
  - A strategy for managing ethics that is informed by the negative and positive risks the RAF faces;
  - Ethical standards are articulated in ethics policies and SOPs;
  - Structures, systems and processes are in place to ensure that the Board, employees and supply chain management are familiar with and adhere to the RAF's ethical values and standards; and
  - Ethics is embedded in the corporate culture of the RAF.

The committee ensures that its processes assist Management to consider all risk areas in decisions and/or recommendations made to the Board and ensures that subsequent risks that may arise from time to time are considered and reviewed. In addition, the committee:

- Together with the RAF's Legal, Compliance and Regulation Department, reviews any legal matters that could have a significant impact on the organisation's business and monitors the decision-making processes within the RAF;
- Ensures that all decisions support and promote the RAF's Risk Management Strategy;
- Liaises closely with the Audit Committee to exchange information relevant to risk;
- Reviews reporting pertaining to risk management to be included in the Annual Report with regard to relevance, comprehensiveness and timeliness;
- Takes note of the Risk Management Policy and Plan, which have been approved and are supported by strong risk management methodologies overseen by the Risk Management Committee. (The Chief Strategy Officer oversees the operational aspects of risk management within the RAF.)

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

OPERATIONS, INFORMATION AND TECHNOLOGY COMMITTEE

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

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

- The establishment of appropriate policies and procedures relating to all aspects of claims administration;
- Approving strategies relating to the streamlining of activities in the claims operations environment and improvement of service delivery;
- Monitoring the performance of the claims operations of the RAF;
- Monitoring settlement of claims in excess of R20 million;
- Monitoring the performance of the panels of experts utilised by Operations;
- Recommending the valuation of the outstanding claims liability to the Board for approval;
- Overseeing legislative support pertaining to the RAF Act;
- Exercising on-going oversight of technology and information management and, in particular, overseeing that it results in the following:
    - Integration of people, technologies, information and processes across the RAF;
    - Integration of technology and information risks into organisation-wide risk management;
    - Arrangements to provide for business resilience;
    - Proactive monitoring of intelligence to identify and respond to incidents, including cyber-attacks and adverse social media events;
    - Management of the performance of, and the risks pertaining to third-party and outsourced service providers. The assessment of value delivered to the organisation through significant investments in technology and information, including the evaluation of projects throughout their life cycles and of significant operational expenditure;
    - The responsible disposal of obsolete technology and information in a way that has regard to environmental impact and information security;
    - Ethical and responsible use of technology and information;
    - Compliance with relevant laws.
- Exercise on-going oversight of the management of information and, in particular, oversee that it results in the following:
    - The leveraging of information to sustain and enhance the organisation's intellectual capital;
    - An information architecture that supports confidentiality, integrity and availability of information;
    - The protection of privacy of personal information;
    - The continual monitoring of security of information.
- Exercise on-going oversight of the management of technology and, in particular, oversee that it results in the following:
    - A technology architecture that enables the achievement of strategic and operational objectives;

Operations, Information and Technology Committee Members

Meetings attended from four

4 — **Mr TP Masobe**, *Chairperson*

4 — **Dr TO Kommal**, *Member*

4 — **Dr KLN Linda**, *Member*

3 — **Mr KM Mothobi**, *Member*

4 — **Mr AM Pandor**, *Member*

4 — **Ms LUZ Rataemane**, *Member*

- The management of the risks pertaining to the sourcing of technology;
- Monitoring and appropriate responses to developments in technology, including the capturing of potential opportunities and the management of disruptive effects on the organisation and its business model; and

• Consider the need to receive periodic independent assurance on the effectiveness of the RAF's technology and information arrangements, including outsourced services.

CHAIRPERSONS' COMMITTEE

The Board of the RAF has also established a Chairpersons' Committee. This committee consists of six non-executive Board members, i.e. a Chairperson, Vice Chairperson and Chairpersons of committees. The committee meets twice a year, or as often as necessary. The committee has an independent role, operating in an oversight capacity and as a maker of recommendations to the Board for its consideration and final approval. The committee does not assume the functions of Management, which remains the responsibility of the Executives and other members of Senior Management.

The role and responsibilities of the committee include:

- Ensuring that the Board as a collective provides effective corporate governance oversight that involves the monitoring of relationships between the Board and Management and between the RAF and its stakeholders;
- Acting as the ethics champion of the Board;
- Ensuring that conflicts of interest or potential conflicts of interest are managed appropriately;
- Assuming responsibility for the resolution of internal and external disputes utilising alternative dispute resolution;
- Assuming responsibility for engagement with the DoT on a strategic level;
- Monitoring the overall performance of the RAF;
- Co-ordinating, monitoring and evaluating committee activities;
- Considering all key resolutions taken by committees of the Board;
- Ensuring that a Board and Board Committee appraisal is performed annually, including for this committee;
- Monitoring the progress in terms of action plans agreed on to address weaknesses identified during the annual Board appraisal;
- Advising the Minister on the skills required by the Board;
- Monitoring Board expenditure;
- Informing the Board about matters dealt with in terms of the above-mentioned powers and functions;
- Providing feedback to the Board after every meeting;
- Exercising and performing such other powers and functions as may be delegated or assigned to it by the Board; and
- If deemed necessary, the committee shall make recommendations to the Board for final decision on the above matters.

Chairpersons' Committee Members

Meetings attended from two

1

Dr NM Bhengu
Chairperson

2

Mr D Coovadia
Vice Chairperson

1

Mr TP Masobe
Operations, Information and Technology Committee Chairperson

2

Mr AM Pandor
Audit Committee Chairperson

1

Dr MC Peenze
Risk Management and Ethics Committee Chairperson

2

Ms LUZ Rataemane
Remuneration and Human Resources Committee Chairperson

Each committee has an approved annual work plan based on the roles and responsibilities as contained in its respective terms of reference, King IV, applicable provisions of the PFMA, and various Institute of Directors in Southern Africa (IoDSA) position papers. Quarterly progress reports pertaining to the annual work plans are considered by the respective committees. Assurance on compliance with annual work plans is performed by Internal Audit.

BOARD MEMBER REMUNERATION

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

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

Name	Remuneration	Other allowance	Other re-imbursements	Total
	R'000	R'000	R'000	R'000
Dr NM Bhengu (Chairperson)	921	-	33	954
Mr D Coovadia (Vice-Chairperson)	706	-	11	717
Dr KLN Linda	614	-	8	622
Mr TP Masobe	676	-	2	678
Ms R Mokoena	614	-	2	616
Mr AM Pandor	676	-	12	688
Dr TO Kommal	614	-	3	617
Dr MC Peenze	675	-	4	679
Mr KM Mothobi	614	-	11	625
Ms LUZ Rataemane	676	-	10	686
Ms M Somaru (DG representative)	-	-	-	-
Total	6,786	-	96	6,882

5. Risk Management

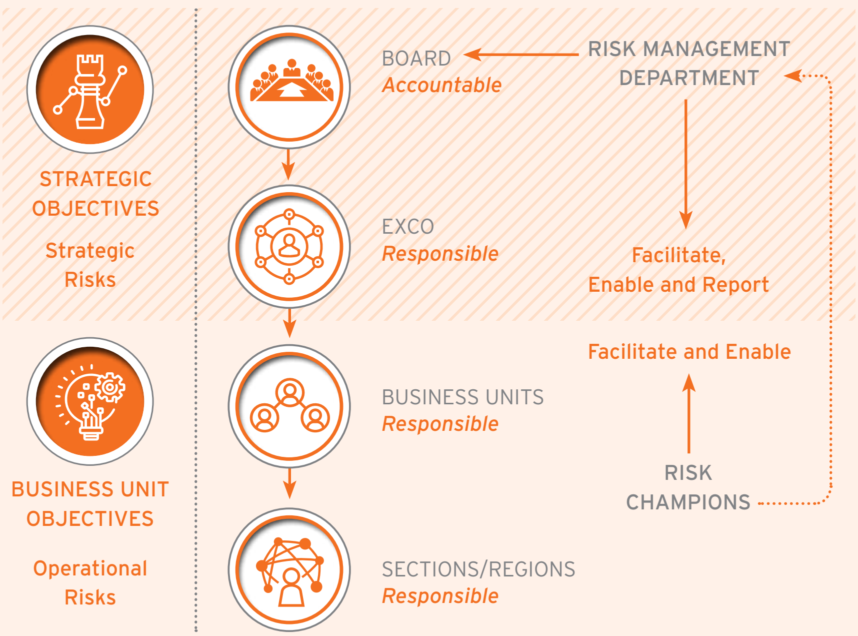
Risk Management is an integral part and an essential element of good corporate governance. It is part of the RAF's business strategy to ensure that the organisation can identify and manage risks that impact on business performance and achievement of objectives. Risks are viewed and assessed holistically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

RISK GOVERNANCE

The RAF Board has promoted a 'risk-matured or risk-intelligent' culture. The Board's Risk Management and Ethics Committee (RMEC) oversees the implementation and monitoring of the Risk Management, Business Continuity and IT Continuity Policy and SOPs.

Below is a high-level view of Risk Management governance at the RAF:

FIGURE 5: Risk management at the RAF



The RAF BOARD is accountable for risk management.

The EXCO and Management are responsible for risk management.

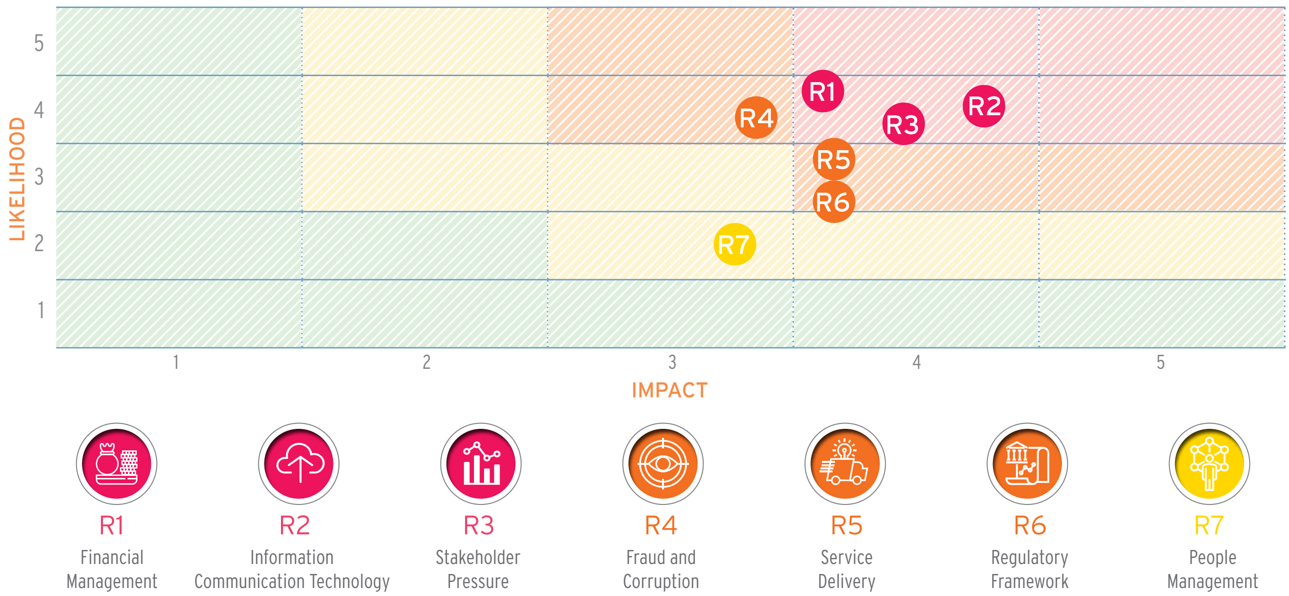
The RISK MANAGEMENT DEPARTMENT facilitates risk management processes in the RAF.

BUSINESS UNIT RISK CHAMPIONS facilitate risk identification and are enablers of the risk management process.

STAFF are responsible for identifying risks and implementing treatment strategies to deal with these risks.

The Board identified seven (7) strategic risks which might threaten the achievement of the RAF's strategic goals and performance targets for the 2017/18 financial year. The risks are depicted below according to their risk ratings:

FIGURE 6: RAF Strategic Risks – Impact and Likelihood



The strategic risk profile has not improved much over the past three years, due to the continued cash constraints and/or undercapitalisation of the Fund, which have subsequently impacted on other strategic risks such as service delivery, fraud and corruption, regulatory framework, people management and stakeholder pressure.

An annual risk assessment is conducted to identify, assess, analyse, manage and monitor the strategic, tactical, operational and project risks. The Risk Management process is integrated and aligned to the strategic planning and performance monitoring processes of the RAF. The risks and related mitigation plans are managed, maintained and monitored through the risk management software on an on-going basis.

The table below provides an overview of the risk mitigation measures implemented during the current financial year in respect of the RAF's strategic risks:

RISK 1:
Financial Management

Impacted strategic objectives	Risk	Key mitigation plans implemented in 2017/2018
• Efficient Claims Processing • Effective Financial Management • Transform RAF • Assured Control Environment	The RAF levy is determined with little regard for the main drivers of the RAF's claims expenditure, i.e. the number of accidents on the roads, number of vehicles driven, the volume and quantum of the benefits payable by the RAF, and various other economic factors like the inherent inflation of the benefit levels. The prevailing disconnects between the fuel levy awarded by government and the RAF's operational cash requirements are the primary cause of the poor cash constraints currently being experienced by the RAF. Due to the unsustainable financial model, the RAF runs at a substantial deficit each year (claims incurred exceed revenue). Consequently, a backlog of finalised but not yet paid (RNYP) claims has accumulated over time, representing a liability to the RAF	• Considered and continuously explored other income-generating initiatives as medium- to long-term solutions to sustain the RAF. • Communicated RAF needs using various and relevant platforms, including writing letters to stakeholders, quarterly reporting to Shareholder and communicating through responses to media queries. • The NT, DoH, PCOT and the Social Security Cluster are engaged on the appropriate funding model. • Encouraged staff to share innovative ideas and reward workable solutions in collaboration with the Knowledge Management function. A total of 32 knowledge-sharing sessions were held across all regions. Performed daily cash management activities to assess and optimise cash management to respond to cash constraints, with forecasts developed and monitored on a weekly and monthly basis. • Conducted awareness sessions to improve compliance with relevant regulations. • Conducted awareness to improve road safety. • 18 projects were allocated to the Bid Administration service provider to reduce the workload on the Tender Administration team and to fast-track certain processes and deliverables.

RISK 2:
Information Communication Technology

Impacted strategic objectives	Risk	Key mitigation plans implemented in 2017/2018
• Efficient Claims Processing • Accessible Services • Optimal ICT Services • Transform RAF	ICT evolved from simply being a business enabler to being an essential component in implementing the RAF strategy and ensuring an easy, automated and engaging client experience. RAF business relies heavily on IT systems to deliver on its mandate effectively and efficiently. ICT systems are also utilised to process, store and protect the massive amount of claims transactions and data. Other key functions and initiatives such as the Direct Claims Strategy, Hospital Service Centres, expansion of RAF regional offices and integration with other government departments depend on ICT to function optimally and to gain competitive advantage. The successful implementation of the RABS also depends on other ICT outcomes, i.e. improvement of claims processing and efficiency, optimisation of content and information management, strengthening of ICT governance and risk management, as well as the stabilisation and adequacy of ICT infrastructure. Automation of processes and the ever-evolving nature of ICT pose new risks to the RAF that require pro-active identification and management.	• The ICT Department implemented Year 3 of the RAF e-Enablement Plan initiatives. Not all targets were met by financial year-end. • The Integrated Claims Management System (ICMS) tender was cancelled, thus resulting in the ICMS not being developed and tested during the reporting period as per the plan. • Electronic Content Management (ECM) was piloted in the East London Region and will be rolled out in the next financial year. • ICT services stability attained at an average of 99.84%. • The recruitment processes to address additional Enterprise Architecture (EA) positions, as well as the recently vacated EA position commenced. • The procurement of five (5) information security solutions commenced during the reporting period. • Collaborated with the RAF Forensics team and other law enforcement forums to keep abreast of cyber fraud. • Developed a resourcing framework for ICT to ensure an adequately resourced ICT function. • Revised and created awareness on the revised ICT Project Management Framework. • Implemented the Service Desk monitoring solution. • Performed an annual review of the ICT regulatory universe to ensure compliance. • Implemented the Risk Management and Business Continuity Management SOP.

RISK 3:
Stakeholder Pressure

Impacted strategic objectives	Risk	Key mitigation plans implemented in 2017/2018
• Efficient Claims Processing • Accessible Services • Effective Financial Management • Improved People Management • Transform RAF	The current scheme is complex and subjective in that it often requires time-consuming and expensive legal procedures to establish fault and the quantum of damages suffered. The persistent cash constraints and resistance to accept the RABS Bill have resulted in pressure for the organisation from various angles.	• Proactively and continuously engaged with relevant stakeholders and provided strategic intervention. • Engaged relevant stakeholders on the appropriate funding model for the RAF. • Over 200 engagements were held to educate stakeholders on the RAF mandate. • Conducted RAF customer surveys and implemented corrective measures. • Developed a Stakeholder Engagement and Implementation Plan with Organised Labour. • Implemented the Media and Reputation Strategy. • Optimised the functioning of the social media tool. • Communicated the Social Media Guidelines to employees during inductions.

RISK 4:
Fraud and Corruption

Impacted strategic objectives	Risk	Key mitigation plans implemented in 2017/2018
• Efficient Claims Processing • Effective Financial Management • Optimal ICT Services • Improved People Management • Assured Control Environment	The RAF operates in an environment that is targeted by internal and external fraudsters. It therefore must continuously deal with professional syndicates and individual fraudsters. Considering the state of the organisation and claims value or claims payout, there is a higher propensity for fraud and corruption.	• Conducted fraud awareness training for all employees on the pertinent fraud risks/ incidents that could lead to pressure and opportunities to commit fraud. • Conducted fraud and ethics risk assessments of business units to assist in identifying areas of vulnerability to fraud. • Conducted trend analysis, intelligence gathering, quantification of losses/risks (benchmarking against industry players and law enforcement agencies). • Undertook an exercise to verify the validity and accuracy of Declaration of Interests (DOIs). • Benchmarked with other financial-/insurance-related institutions on their fraud prevention strategies. • Collaborated with other entities, such as FAIS.

RISK 5:
Service Delivery

Impacted strategic objectives	Risk	Key mitigation plans implemented in 2017/2018
• Efficient Claims Processing • Accessible Services • Effective Financial Management	The mandate of the Fund is to (a) cover, (b) compensate, and (c) rehabilitate victims of road crashes and their dependants. However, the RAF has a lot of outstanding claims and is unable to pay claims at the rate it receives them because of the legislative requirements to finalise a claim and the cash resources required to effect payment. Notwithstanding, the organisation's focus on processing claims effectively and efficiently to reduce the backlog, the average cost-of-claim settlements, and improving turnaround times, service delivery is impacted upon by a variety of factors including financial constraints that result in the delays in payment of claims. Furthermore, there are also interdependencies between the claims pillars, and inefficiencies in one pillar can affect the rest of the value chain and subsequently impact the turnaround time and quality of the service delivery.	• Introduced the General Managers' Forum to improve business operations. • Analysed claim pillars to identify inefficiencies and bottlenecks. • Conducted scenario analysis on productivity. • Monitored the implementation of findings and recommendations made from risk assessment by various assurance providers. • Optimised pre-trial conference to reduce matters going on trial. • Engaged the NT to utilise the Health Professions Council of South Africa (HPCSA) database as a single source to target medical experts' interns. • Key stakeholders were engaged to increase access to Road Safety Information Collection Agents impacting on settlement turnaround times. • Conducted gap analysis on Document Management Services and Registration to identify the root cause for the increase in summons and writs received on unregistered claims.

RISK 6:
Regulatory Framework

Impacted strategic objectives	Risk	Key mitigation plans implemented in 2017/2018
• Efficient Claims Processing • Effective Financial Management • Transform the RAF • Assured Control Environment	The current scheme is complex and subjective in that it often requires time-consuming and expensive legal procedures to establish fault and the quantum of damages suffered. The implementation of RABS may take longer than expected due to possible constitutional challenges. This risk also concerns itself with compliance with laws and regulations governing the business of the RAF.	• Year 1 of the Transformation Plan was reviewed to take into account the full scope and impact of the transformation journey on the RAF and its stakeholders. • Continuous collaboration and cross-ministerial engagements between the DoT, Departments of Health and Social Development. • Analysed the RAF Act for areas of improvement. • Established the Claim Assurance function with the Legal Department. • Developed the Compliance Risk Management Plans and continuous monitoring of compliance to regulatory provisions. • Conducted Compliance Awareness sessions.

RISK 7:
People Management

Impacted strategic objectives	Risk	Key mitigation plans implemented in 2017/2018
• Efficient Claims Processing • Accessible Services • Optimal ICT Services • Improved People Management • Assured Control Environment	The RAF is a labour-intensive service organisation that relies heavily on people to effectively deliver on its mandate. The attraction and retention of leadership and a workforce that is appropriately skilled, motivated, performance-driven, customer-centric and committed to providing excellent service is therefore crucial.	• Introduced business coaching for selected category of employees. • Rolled out various Employee Wellness (EWS) interventions to ensure the wellbeing of all staff, e.g. health checks, financial management training, etc. • Optimised the Performance Management processes and IT system. • Improved the Leave Management System to effectively manage absenteeism. • Regular Leadership Forums held to address business and people issues. • Revised the Knowledge Management Strategy. • Reviewed the induction programme and introduced processes to ensure adequate induction of new employees.

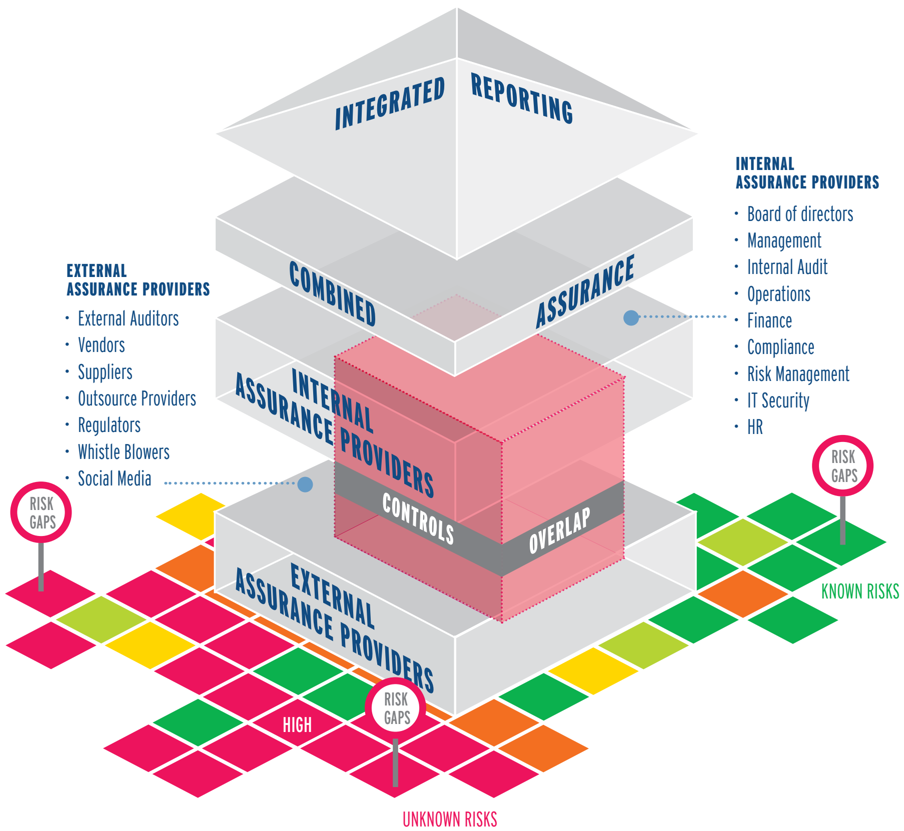
RISK MATURITY

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

- Fully operationalised risk governance structures, namely the RMEC, EXCO (where risk management is a standing agenda item), and a Risk Champion Forum (where Risk Champions from all business units throughout the RAF discuss risk-related issues affecting the organisation).
- Risk Advisors for all business units, as well as Regional Risk and Compliance Specialists at regional offices who monitor and report on key and significant risks facing the relevant business units. Emerging risks are also discussed with the CEO and the EXCO on a monthly basis and quarterly with the RMEC.
- Risk assessments are performed at a strategic, tactical, operational, process and project level as part of inculcating a matured risk culture within and across the RAF. In addition, a Risk Appetite Framework was cascaded to the regional offices to align with the overall organisation risk appetite limits.
- The data analytics tool was extended to the Risk Management Department to assist with future verifications, and determination of the cost of risk to assist in gauging risks/business decisions against the risk appetite limits, including quantification of loss of events.
- A scenario analysis was used to manage the organisation's future uncertainties and risks, and to identify emerging risks.
- 90% of the Implementation Plan activities were completed.

COMBINED ASSURANCE

FIGURE 7: Combined Assurance at a strategic level



Combined Assurance contributes to the overall strategy by ensuring:

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

AT A STRATEGIC LEVEL:

- During the year under review, an independent Combined Assurance Maturity Assessment was undertaken, and the organisation was found to be at an upper Level of Maturity 4.7.
- All the planned assurance reviews by the Assurance Providers are risk-based and aligned to the strategic risks focusing on their root causes, which ultimately highlight those strategic risks and business processes that have limited assurance/no assurance/extensive assurance.
- Assurance work performed by different Assurance Providers is analysed to determine the overall opinion on the control environment around the management of strategic risks, as well as the impact on the organisational performance.
- Combined Assurance is also used as a completeness check of the root causes/exposures for strategic risks, in the sense that it identifies additional root causes/exposures that are identified during the reviews.
- The Combined Assurance methodology was updated to ensure alignment with King IV.

AT AN OPERATIONAL LEVEL

- Developed and reviewed the Combined Assurance governance documents (Combined Assurance Methodology, Combined Assurance Forum Terms of Reference, and Joint Assurance Guidelines).
- Aligned and created collaborations with other Assurance Providers, namely: Management, Quality Assurance, Risk Management, Compliance, Ethics, Business Continuity Management, Forensics and Internal Audit. Four (4) Joint Assurance Reviews were identified and implemented.
- Combined Assurance enabled the provision of a holistic view and overall opinion on the risk and control environment from a multifunctional and multidimensional perspective based on the assurance work performed by each Assurance Provider using the Combined Assurance methodology. In addition, the work performed was assessed to determine the impact on the strategic risks and overall organisational performance.
- As part of the recommendation of the Maturity Assessment, Combined Assurance Maturity Assessments were performed for the following Assurance Providers to determine the level of reliance that can be placed on the Assurance Providers in the performance of assurance work: Monitoring and Assurance, Forensic Investigation Department, Ethics Management, PMO and Strategy and Reporting.
- Developed the common risk language in line with relevant professional standards to ensure consistency and reduce confusion, and to provide a single view of the risks and issues facing the RAF.
- Developed a Combined Assurance Integrated Plan which has consolidated all the annual coverage plans of the Assurance Providers to link the business process reviews to the strategic root causes.
- Introduced common reporting and alignment of templates.
- Developed the Combined Assurance database/assurance map and analysis of findings to provide a consolidated view of all issues to be addressed by Management.

6. Internal Audit

KEY ACTIVITIES AND OBJECTIVES OF INTERNAL AUDIT

The RAF's Internal Audit function forms an integral part of the organisation's corporate governance system. Its purpose is to evaluate whether the RAF's internal controls are effective and to adequately mitigate business risks. Ultimately, the assurance provided by Internal Audit serves to assist the Board in fulfilling its disclosure obligations under its corporate governance codes and to report annually to the Minister of Transport and the PCOT on the effectiveness of the RAF's internal controls.

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

The risk-based Internal Audit Plan (Internal Audit Plan for 2017/18) was developed and implemented after considering the major risks identified by the Board, Management and Internal Audit. A risk-based approach was followed in developing this plan. The plan provides coverage across all major processes of the RAF.

The Internal Audit function underwent an external Quality Assurance Review, as required by the International Standards for the Professional Practice of Internal Auditing (ISPPIA) of the Institute of Internal Auditors in March 2015. The review was conducted by external, qualified and independent assessors and resulted in a favourable rating of "Generally Conforms".

7. Compliance with Laws and Regulations

The RAF has established an effective Compliance function with approved Compliance frameworks. The Compliance function exists for a purpose, as it has a set of objectives and activities to be achieved on behalf of the Fund. It further exists to assist the RAF in discharging its responsibility to comply with all applicable regulatory requirements through the provision of compliance risk management services. The management of compliance risks and the conduct of compliance-driven activities are in line with legislative requirements and best practice guiding frameworks.

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

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

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

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

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

COMPLIANCE FUNCTION

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

Key functions of Compliance are to:

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

Policies are also reviewed on a regular basis to ensure harmony with the legislative and regulatory prescripts.

8. Fraud and Corruption

FRAUD PREVENTION POLICY

The Fraud Prevention Policy was approved by the Board and will assist with the detection and prevention of fraud. The strategy was developed to include detection, prevention, investigation and resolution of fraudulent matters.

MECHANISMS IN PLACE TO REPORT FRAUD AND CORRUPTION

The RAF has a Whistle-blowing Policy in place as well as the Fraud Tip-off Line, through which fraud and corruption can be confidentially reported. A duty is placed on employees, in several policies, to report suspicious activities to the FID, or anonymously through the Fraud Tip-off Line.

FID statistics for the period 1 April 2017 to 31 March 2018, depicted in the table below, indicates the extent to which fraud is experienced and managed by the organisation, as well as the RAF's commitment to combat fraud and corruption.

FRAUD TIP-OFF LINE

The Fraud Tip-off Line is the RAF's confidential and independent reporting hotline, which enables employees, customers, suppliers, Managers and other stakeholders to raise concerns about conduct that is contrary to the RAF's values on a confidential basis.

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

The RMEC holds the oversight responsibility for ensuring the adequacy of the hotline procedures.

POLITICAL DONATIONS, GIFTS AND BRIBES

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

FRAUD CASES REPORTED AND ACTIONS TAKEN

The table below outlines activities within the RAF's FID for the period ending 31 March 2018.

External Investigations	
Files carried over	2,170
Files received	3,524
Files closed	3,774
No. of arrests (people)	10
No. of arrests (charges)	5
No. of convictions (people)	11
No. of convictions (charges)	81
Repudiations	1,203
Repudiations: Claimed amount	R820,815,580
Repudiations: Estimated amount	R47,408,869
Repudiations: Summons amount	R582,271,758
Cases referred to SAPS*	248
Cases registered by SAPS*	197

Internal Investigations	
Investigations carried over	126
Investigations received	469
Investigations finalised	437
Investigations where misconduct/fraud was identified	92
Cases where disciplinary action was recommended	62
Investigations where disciplinary action was instituted	24
Resignations due to or during investigations	6
Suspensions	1
Convictions (people)	6
Convictions (charges)	24
Cases referred to SAPS*	36
Cases registered by SAPS*	33

*Total cases refered to SAPS = 514

9. Ethics

The RAF is committed to discharge its legislative mandate in an ethical organisational climate that ensures that its business is run fairly and justly. To this end, the Ethics Office has been established to raise ethical standards in the RAF through the implementation of an Ethics Management Programme. At the core of the RAF Ethics Management Framework is the Ethics Policy and SOPs, which are informed by principles set out in the Constitution, the PFMA, King IV and international best practices.

The overall aim of the Ethics Policy and SOPs is threefold: (i) to provide standards of conduct expected of all officials in the course of the RAF business; (ii) to manage conflicts of interest, particularly in selection, recruitment and Supply Chain Management processes, in the conduct of everyday RAF business; and (iii) to provide a framework for governance of ethics and for reporting of unethical conduct in the course of the RAF business. Acceptance of any gifts, hospitality or benefits is prohibited to further manage conflicts of interest in the RAF. Non-compliance with the Ethics Policy and SOPs is a disciplinary offence, which is dealt with in line with the RAF's disciplinary procedures.

TRAINING AND AWARENESS

Continuous training and awareness on organisational ethics and values are core activities of the Ethics Office in the RAF. Ethics and Values training is compulsory for all RAF employees, and conducted countrywide for management and staff on an annual basis. For the 2017/18 financial year ended 31 March 2018, 86% of RAF employees attended Values training countrywide, and 85% of Executives, General Managers and Senior Managers attended Ethics training. New and promoted employees are also inducted on the RAF organisational ethics and values, as well as the Ethics Policy and SOPs. 77% of new and promoted employees attended Ethics induction.

REPORTING WRONGDOING

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

ETHICS RISK ASSESSMENT

An Ethics Risk Assessment was conducted during June – July 2017 to assess employees' perceptions of the organisation's ethical culture. The assessment was outsourced to an external service provider who determined that (i) the vast majority of employees (82%) believe the RAF's values reflect their own, and (ii) the vast majority (86%) believe reporting misconduct is the right thing to do. The average score for the RAF across all dimensions of an ethical organisational culture is 62% in comparison to the South African average of 66%. This is a positive signal that overall ethics management within the RAF is maturing and yielding positive results.

Both the Board and Management are committed to improving the organisational ethics management performance of the Fund.

> An anonymous and confidential Ethics Hotline provides an avenue for RAF employees to report ethics violations

10. Health, Safety and Environmental Issues

In the 2017/18 financial year, the RAF sourced a service provider to conduct an annual Occupational Health and Safety (OHS) Compliance Audit at its Head Office, regional offices and CSCs to measure the level of compliance to the Occupational Health and Safety Act, Act No. 85 of 1993, as amended. The results are outlined in the tables below:

Region	2016/17	2017/18	Change in %
Eco Glades	99%	98%	(1%)
Menlyn	98%	97%	(1%)
Johannesburg	99%	91%	(8%)
Durban	97%	97%	0%
East London	91%	93%	2%
Cape Town	100%	96%	(4%)

Customer Service Centres	2016/17	2017/18	Change in %
Bloemfontein	99%	98%	(1%)
Kimberley	99%	98%	(1%)
Nelspruit	99%	98%	(1%)
Polokwane	99%	98%	(1%)
PE Forensic	69%	67%	(2%)
Mahikeng	98%	97%	(1%)

Overall, the level of compliance achieved was well above the norm of 85%; an indication that the RAF provides and maintains, as far as reasonably possible, a working environment that is safe and without risk to the health of its employees and stakeholders.

11. Company Secretary

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

- Providing a central source of guidance and support to the Board on matters of good governance;
- Assisting with the Board induction and training programmes;
- Ensuring that Board and Committee Charters are kept up to date;
- Preparing and circulating Board documents;
- Eliciting responses for Board and Board Committee meetings;
- Drafting annual work plans;
- Ensuring preparation and circulation of minutes of Board and Board Committee meetings; and
- Assisting with the evaluation of the Board, Committees and individual Board members.

12. Support Functions

STAKEHOLDER RELATIONS MANAGEMENT

The Board of the RAF effectively retains oversight of stakeholder management.

During the year under review, Stakeholder Relations Management (SRM) enhanced participation and involvement of core business as the benefactor of key partnerships. These engagements were aligned to items as per the Risk Register and, among others, included reputation management, adversarial relationships, and RAF's solvency and liquidity challenges, as well as support to the DoT on the RABS Bill process.

In addition, the relationships were geared to benefit the RAF in addressing existing challenges, as well as positioning the DoT and the RABS Bill as the scheme of the future. This saw a number of workshops with stakeholders across the country, among others, the Department of Education (DOE), the Department of Home Affairs (DHA), the Department of Health (DoH), the Compensation Fund, the South African Revenue Service (SARS), the South African Social Security Agency (SASSA), the Unemployment Insurance Fund (UIF), South African Local Government Association (SALGA), SAPS, Judge Presidents, Magistrates; Society of Advocates, provincial departments, municipalities, taxi associations, bus associations, freight associations, civic movements, community-based organisations (CBOs), funeral parlours, disability associations, etc. During the year under review, a total of 91 RABS engagement workshops were held in all provinces and across all sectors.

Some relationships were formalised through the signing of MoUs, which resulted in the RAF benefiting from partnerships and collaboration with stakeholders to find solutions to identified challenges and concerns and working together to address issues of common interest. To date, the RAF has signed 9 new MoUs and operationalised 28 Information Collection Agents (ICAs) and general MoUs to the benefit of the business.

The table below outlines some of the stakeholder engagements that took place during the year under review:

Stakeholder	APP Targets	Nature of Engagement
Health and Social Services Clusters	Efficient Claims Processing	Stakeholder Relations Management (SRM) facilitated a total of 281 engagements with the Health sector (Hospitals and EMS), government departments, SAPS, traffic officers, municipalities, Transport sector (bus operators and taxi operators/ SANTACO/NT), traditional authorities and youth in all provinces.
Justice and Security Clusters	Litigation Management	As part of improved case management and litigation, SRM facilitated engagements with Magistrates, Court Registrars, SAPS, Traffic and Provincial Efficiency Enhancement Committees (PEECs). The interventions were intended for the following: (1) to improve case-flow management and to create partnerships to combat fraud and corruption; (2) to address issues relating to the clogging of court rolls and reduction of legal costs; and (3) to address challenges regarding the attachment of RAF furniture and computers by the Sheriffs, which are a hindrance to efficient claims processing and access to RAF services. Furthermore, intervention engagements were held in order to improve access to accident reports at police stations as per request from Operations. This resulted in improved access to SAPS records in 12 police stations which improved efficiency in claims processing. Parallel to the private health MoUs, two MoUs were signed with the North West DoH and Northern Cape DoH which resulted in improved access to public hospitals, access to wards for claims originations, awareness and education on RAF services, and improved completion of Statutory Medical Reports.
Provinces and Transport Clusters	Providing Accessible Services	As part of improved case management and litigation, SRM facilitated the following interventions in conjunction with the respective Regional Managers: **Originations** – A total of 92 engagements with various stakeholders at local government level in support of 'RAF on the Road' campaigns, which resulted in support and buy-in by key local stakeholders and broader participation in the RAF flagship programme. A MoU was signed with the Northern Cape Cooperative Governance, Human Settlements and Traditional Affairs (COGHSTA) as part of improving access to RAF services. A MoU was also signed with the South African Post Office (SAPO). The RAF is collaborating with the Department of Basic Education for the inclusion of road safety as part of the school curriculum through the development of an information and educational awareness booklet. To this end, the Fund has provided information on its mandate, products and services and the claims process in order to increase access to RAF services and awareness. **Health** – Intervened in a number of stakeholder challenges within different hospitals around the country. In the main, challenges included access to hospital wards by RAF Hospital Service Consultants, fraud and corruption, records management, as well as poor completion of Statutory Medical Reports. Engagements were held with 22 private hospitals and 111 public hospitals. As part of support to the Post Settlement Pillar, a total of 4 MoUs were signed with Busamed, Nature Care, Life Group Hospitals and Emalahleni Private Hospitals.

Stakeholder	APP Targets	Nature of Engagement
Provinces and Transport Clusters (continued)	Providing Accessible Services (continued)	This has been beneficial to Operations for access to private healthcare specialists who are in short supply in the public sector, and as a result there are delays in accessing treatment by RAF patients. Relations with Life Group hospitals started to yield results with referrals in support of RAF business. Engagements via workshops and meetings took place in the Eastern Cape, Western Cape, Northern Cape, Free State, Gauteng, KwaZulu- Natal, Limpopo, Mpumalanga and North West. Two meetings were held with the National Department of Health (NDoH) as part of the operationalisation of the Non-Disclosure Agreement with the Department. This was meant to enhance access to RAF services and sharing of information with the NDoH.
Regulation and Policy Clusters	RAF Transformation	In support of the DoT in mobilising support for the RABS Bill, the SRM was instrumental in facilitating 91 RABS Bill engagements with the following fraternities: Health (Hospitals and EMS), SAPS, traffic officers, municipalities, transport (bus operators and SANTACO), traditional authorities and youth in: Eastern Cape, Limpopo, Free State, Gauteng; Mpumalanga; North West; Northern Cape; Western Cape; and KwaZulu-Natal.
Fraud awareness	All	A total of 78 fraud awareness sessions were held around the country in conjunction with the FID.
Internal Stakeholder Management	All	As part of integrated stakeholder management throughout the entire business, SRM facilitated a total of 13 internal engagements for alignment purposes and to avoid duplication of efforts and messaging.
Protocol and International Relations	None	Joint Road Safety Operations – The RAF coordinated and participated in six Joint Road Safety Operations with other neighbouring countries to educate road users and raise awareness on the safe use of roads. • Mozambique/South Africa Joint Road Safety Operation was held from 18–19 April 2017 in Mozambique. • Swaziland/South Africa Joint Road Safety Operation was held from 12–15 December 2017 in Swaziland. • Mozambique/South Africa Joint Road Safety Campaign was held from 28–29 March 2018 in Mozambique. The three Trans-Kalahari Corridor Joint Law Enforcement and Road Safety Operations were held as follows: • 24–28 May 2017 at Jwaneng, Botswana. • 24–30July 2017 in Swakopmund, Namibia. • 19–26 November in Rustenburg, South Africa.

ROAD SAFETY

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

Giving impetus to the Road Safety Policy is an Integrated Road Safety Strategy, which was also approved by the RAF Board during the 2014/15 financial year. The five pillars of the Decade of Action for Road Safety, the National Road Safety Strategy, the RAF Act, and the RAF's Strategic Plan 2015-2020 form the basis of the RAF's Road Safety Strategy 2014-2017. Pillar Five of the United Nations' Decade of Action for Road Safety, as well as South Africa's commitment to contributing to a reduction in road crashes of at least 50% by 2020, also guides the RAF's strategic focus on road safety.

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

The road safety focus for 2017/18 focused on the following programmes:

Implementation of Crash Verification System CVS (APP 2016/17 target)

The RAF is managing a Crash Verification System (CVS), a data repository used to verify and validate claims data, as well as to inform road safety initiatives. During the year under review, the RAF received road-crash-related data from 23 Information Collection Agents (ICAs). A total of 689 crashes were referred to Operations for claims originations and verification. This comprised 7,649 fatalities and 1,133 serious injuries.

Defensive Driver Training

To promote road safety, the RAF conducted 18 defensive driving workshops and trained 1,603 truck, bus and taxi drivers from a variety of companies, organisations and associations such as Eskom, Putco, Autopax and SANTACO.

Practical Safety Training for Motorcyclists

In response to increasing crashes and fatalities involving motorcyclists, the RAF conducted practical safety training for 229 lifestyle and delivery motorcyclists in Gauteng. The training will also be conducted in the provinces of Mpumalanga, Western Cape, KwaZulu-Natal and Limpopo.

Promotion of Child Restraints

In support of the amendment to the National Road Traffic Act, the RAF raised awareness on the importance of child restraints and the prevention of fatalities and serious injuries involving minor children by promoting the use of child restraint car seats and providing same. A total of 616 child restraint car seats were distributed to parents of new-born babies in hospitals where the RAF has offices and at road safety road blocks in all nine provinces. Car seats were also distributed through radio competitions held on Jozi FM, Sekgosese FM, Qwaqwa FM, Unitra FM, and Tygerberg FM. This initiative reached over 10 million listeners during October Transport Month. The distribution of car seats was as follows: hospitals 479 (78%), road blocks 48 (8%) and radio competitions 80 (13%).

Youth Driver Development Programme (APP 2018/19-2020/21)

The RAF implemented a Youth Driver Development Programme that seeks to promote youth road safety while contributing to the reduction of youth unemployment. Of the target to train 90 youth to obtain their heavy vehicle drivers' licenses and Public Drivers Permits. A total of 76 (84%) successfully completed the programme. A total of 150 young people were selected from Gauteng, Eastern Cape, Northern Cape, Free State and KwaZulu- Natal. For the 2018/19 financial year, 150 leaners were recruited from the Northern Cape, Western Cape, Limpopo, North West and Mpumalanga.

Low-Cost Infrastructure Project

The Low-Cost Infrastructure Interventions Programme seeks to reduce pedestrian- related deaths through the installation of speed-calming measures, such as speed humps, rubble strips, road studs, lane restrictions and improving road signage and road marks. This programme was initiated by identifying hazardous pedestrian locations, in association with relevant departments within municipalities and provinces. Road safety infrastructure interventions were completed in Gauteng, North West and Mbizana. It has also been reported by Gauteng that since the RAF intervened on the Golden Highway, there has been a 36% reduction in pedestrian fatalities on that particular stretch (65 pedestrian fatalities in 2014 and 41 in 2017).

Road Safety Joint Operations

As part of the implementation of the resolutions of the SADC MVA Summit held at the RAF from 21–22 June 2016, the RAF facilitated Road Safety Joint Operations with Swaziland, Botswana, Namibia and Mozambique as follows: Mozambique/South Africa Joint Road Safety Operation, 18–19 April 2017 in Mozambique; three Trans-Kalahari Corridor Joint Law Enforcement and Road Safety Operations: 24–28 May 2017 at Jwaneng, Botswana, 24-30 July 2017 in Swakopmund, Namibia, and 19–26 November in South Africa, Rustenburg; and Swaziland/South Africa Joint Road Safety Operation which was held from 12-15 December 2017 in Swaziland. The events were supported by traffic law enforcement agencies (SAPS and RTMC), Cross-Border Road Transport Agency (C-BRTA), SARS, Home Affairs and DoT. During these Joint Operations, the Police and traffic departments controlled the movement of cars, while other stakeholders conducted responsibilities related to their mandates. The RAF promoted road safety and provided information about its mandate and service offering and how it can be accessed.

Road Safety Partnerships

The RAF supported the following organisations financially to conduct road safety awareness drives:

Ama-Wheelies: Encourages society to always buckle up and adhere to road safety rules to alleviate road accidents and prevent spinal cord injuries.

Kamohau Community Services: This programme focuses on driver education, as well as workshops on road safety and RAF services in schools and communities.

Pedal Power Association: This association distributed 66,000 reflective bibs to cyclists who use bicycles to travel to and from work.

National Road Safety Programmes

The RAF hosted and/or participated in the following events in support of the DoT nationally and provincially:

October Transport Month - Participated in the 2017 October Transport Month activities, including financial contributions for the opening and closing events.

UN World Day of Remembrance - The RAF was the lead entity hosting the 2017 UN World Day of Remembrance in Qwaqwa on 19 November 2017.

2017 Festive Season Road Safety Campaign - The RAF participated in the national and provincial launches, as well as road safety activations as follows:

- National Launch, N12 in Bela Bela, 5 December 2017
- Road-block in Bronkhorstspruit, 8 December 2017
- Joint Law Enforcement and Road Safety Operation, Kranskop, 15 December 2017
- Joint Law Enforcement and Road Safety Operation, Musina, 15-23 December 2017
- Joint Law Enforcement and Road Safety Operation, Harrismith, 20 December 2017
- Joint Law Enforcement and Road Safety Operation, Lebombo Border Post, 22 December 2017

CORPORATE SOCIAL RESPONSIBILITY

The RAF's Corporate Social Responsibility (CSR) programmes are an integration of social, environmental and economic contributions towards our society. The Fund's CSR Strategy is aligned to the organisation's core business objectives and the South African government's socio-economic and development priorities. CSR subscribes to the broader solution, i.e. the triple bottom-line of profit, people and planet. CSR has an added dimension as it is measured by the Broad-Based Black Economic Empowerment Act, Act No. 53 of 2003. It falls under socio-economic development in the Codes of Good Practice, which are derived from the B-BBEE Act.

The Fund's CSR focus areas are:

- Health (Post-crash Care);
- Education and skills development; and
- Strategic interventions.

During the reporting period, the RAF supported 15 projects in support of the Fund's Rehabilitation Strategy with a special focus on schools with special needs and rehabilitation programmes. Strengthening CSR's partnerships with strategic government departments was also key for high social impact.

During the 2017/18 financial year, CSR expenditure was R7,971,192. Projects funded during the year are listed below:

Project Name	Expenditure	Project description	Type
1. Health Systems Trust	R1,652,366	Contribution towards records management project in King Edward and Kimberley Hospitals	Health/Post-crash Care
2. The South African HealthCare Foundation	R1,456,821	Contributions towards purchasing of Emergency and Casualty equipment at Lebowakgomo; Ventersdorp, JS Tabane and KwaMhlanga Hospitals.	Health/Post-crash Care
3. Eastern Cape Education Trust	R1,000,000	Contribution towards building of two fully furnished classrooms at the O R Tambo Technical High School as part of the centenary	Strategic intervention
4. Phelang Special School	R600,000	Contribution towards purchasing of two prefab structures for autistic learners	Skills development
5. Rivoni School for the Blind	R500,000	Contribution towards building and purchasing of special devices for blind learners	Skills development
6. Thuso ke Botho and Quadriplegic Association of South Africa	R300,000 & R200,000	Contribution towards training RAF caregivers	Health/Post-crash Care
7. Mayisha High School	R253,000	Contribution towards school renovations in Moloto, KwaMhlanga	Strategic intervention
8. George Mukhari Hospital	R220,000	Contribution towards the refurbishment of an MVA files room	Health/Post-crash Care
9. Zwelebango Primary School	R150,000	Further contribution towards the completion of an inclusive Grade R classroom (two additional ablution facilities were constructed)	Skills development
10. Ntataise Association for the Blind	R150,000	Contribution towards the renovations and purchasing of equipment at the Centre	Strategic intervention
11. Studie Trust	R150,000	Contribution towards the top three matric learners from the 'Special Needs' category during the National Senior Certificate results announcement	Strategic intervention
12. Trialogue	R422,773	Contribution towards conducting impact assessment of CSR Funded Projects in nine provinces	Strategic intervention
13. Tembaletu Special School	R463,000	Contribution towards renovations and rehabilitation equipment for the Occupational Therapy Park	Health/Post-crash Care
14. RAF on the Road – Leaving Something Behind project	R270,000	Contribution towards the 'Leaving Something Behind' CSR Flagship project at R30 000 per community	Strategic interventions
15. Mandela Day Activities	R183,232	Contribution towards different initiatives in support of Employee Volunteerism programmes	Employee volunteerism

PROGRAMME MANAGEMENT OFFICE

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

PMO's value propositions are:

- Quantifying the impact of legislative and/or strategic change and enabling business to resource, upskill, train and implement change programmes;
- Minimising delays and wastage by optimising business processes to promote operational efficiencies;
- Continuous business improvement through provision of analysis and advisory services; and
- Assisting the business to visualise the change, understand the impact, prepare a response and to act decisively.

During the 2017/18 financial year, the PMO managed three key strategic projects for the organisation, namely the RABS Programme, the Integrated Claims Management System (ICMS) Project, and the RAF Transformation Plan.

The ICMS and RABS were subsequently closed and incorporated into the RAF Transformation Plan. The RAF Transformation Plan delivered the Appeals Model, Change Impact Assessment Plan, Medical Model Feasibility Study, Governance Model, Business Case, and Project Initiation Document.

The PMO's role was critical in the following short-term impactful projects and initiatives:

LITIGATION OPTIMISATION INITIATIVE

Produced a diagnostic report for the Pretoria Region with a view of improving litigation outcomes.

POST-CRASH CARE (PILLAR 6) INITIATIVE

Developed and implemented the SOP, Pillar 6 Capacitation Plan, business process blueprint and rehabilitation model.

COURT ORDER PROCESSING INITIATIVE

Developed and implemented the business process blueprint for the Court Order Processing function with a view of reducing writs and summonses.

SUPPLY CHAIN BENEFITS REALISATION DIAGNOSTIC

Developed the Supply Chain Management Benefits Realisation Diagnostic Report with recommendations for improving procurement outcomes.

BANK SWITCHING INITIATIVE

Developed the switching plan and business process blueprint to enable Finance and ICT to effectively manage the switching process.

13. Information and Communication Technology

During the year under review, the Information and Communication Technology (ICT) Department continued to effectively enable the organisation through the implementation of technology, using internal ICT resources to pursue its strategic objectives. The department continued to focus on providing effective ICT service availability and stability to internal and external stakeholders. Furthermore, the department ensured that all core ICT services maintained 98% availability over the course of the year.

ICT implemented Year Three initiatives of the RAF Five-year ICT Strategy (also known as the RAF e-Enablement Plan), which is aimed at introducing a new client experience that is simple, empowering, engaging and easily accessible, for both internal and external clients. In the process of implementing the RAF e-Enablement Plan, ICT ensured continuous engagement with business to maintain alignment and awareness.

16 initiatives were planned for the third-year implementation of the RAF e-Enablement Plan, out of which eight (8) were completed and eight (8) were not finalised. The following progress was recorded against the RAF e-Enablement Plan:

INTEGRATED CLAIMS MANAGEMENT SYSTEM (ICMS)

Approved the following:

- 2017/18 financial year Change Management Plan, including the following plans:
  - Communications and Stakeholder Engagement Plan; and
  - Training Plan (Manual Process Pilot).
- Manual Process Alignment Implementation Lessons Learned Report (Go or No- Go Guidelines); and
- User-specific Process Training Manuals, which include business rules.
- Completed the Manual Process Pilot for the Durban Regional Office, HSCs and Walk-In Centres, as well as for the Litigation Unit at the Cape Town Regional Office.

The ICMS tender was cancelled.

ICT PROJECTS

- Projects were implemented in line with the approved ICT PMO Framework. ICT PMO had 25 registered projects, of which 16 were initially planned to be completed within the 2017/2018 financial year. However, six (6) projects were deferred to the next financial year. Thus, 10 projects remained for the year. The following progress was recorded:

Eight (80%) projects were completed within time and budget, as well as in line with the approved framework, namely:

- Full Disk Encryption;
- HEAT;
- Nakisa Orgchart and Modeller;
- Performance Management;
- SAP Enhancement EHP6;
- e-Forms and Repositories – Close-out pending;
- Executive Summary (ES) Automation – Close-out pending; and
- Call Centre Enhancements – Close-out pending.

One (10%) project was completed late, i.e. Office 365; and one (10%) project is late, i.e. HSC connectivity.

ENTERPRISE ARCHITECTURE (EA)

The Business Architecture Framework was developed and socialised. However, a holistic Enterprise Architecture Framework inclusive of all the domains was not developed due to a lack of resources. The following progress was recorded:

- Presented the SAP As-Is Architecture to the Architecture Review Forum (ARF) for information;
- Completed and signed off the following:
  - Technical review on the RABS Target Operating Model (TOM); and
  - Completed the Business Architecture Roadmap.

The following architectures were approved:

- Lexis Nexis Internet Connectivity architecture;
- Automated Supplier Reconciliation specification and conceptual architecture;
- E-mail Monitoring specification and conceptual architecture;
- ABSA Banking Interface Connectivity architecture;
- Exclaim Compliance Tool Implementation architecture;
- Enterprise Architecture Tool specification and conceptual architecture;
- Success Factors (SAP e-recruitment) Cloud Solution conceptual architecture;
- SynaQ Email Spam Solution architecture; and
- MyPass password solution implementation.

ENTERPRISE CONTENT MANAGEMENT (ECM)

The following achievements were recorded:

- Approved the Change Request to extend the project delivery date for e-Forms and Repositories, as well as the Change Request to align the ECM project schedule with the approved ECM APP deliverables for the 2017/18 financial year.
- Deployed the following e-Forms and Repositories:
  - Complaint Form to the RAF internet site;
  - RAF 1 Form to production;
  - Consultation Form to production.
  - Concluded contracting for the ECM Solution; and
  - Provisioned infrastructure for ECM Solution development, Quality Assurance and production.

CUSTOMER SATISFACTION SURVEY

Conducted the ICT Customer Satisfaction Survey with a completion rate of 41% against a 30% completion target. The Customer Satisfaction Survey Executive Report was presented to the ICT OPSIT Committee for noting.

INFRASTRUCTURE CONSOLIDATION AND NETWORK OPTIMISATION

- **Additional Server Capacity (Data Centres):** System (OS) installation for the production site was completed and the hardware is ready for provisioning upon request;
- **Domain Controllers (Head Office/Regions):** Implementation of Domain Controllers was completed successfully in all Regions; and
- **Storage Capacity:** Storage upgrade for both Production and Disaster Recovery (DR) sites was completed.

INFORMATION SECURITY

The following progress was recorded:

- Completed the draft Server Security Configuration Baseline Review.
- The procurement of four Information Security Solutions was concluded and the procurement of the remaining Solution is still underway. The following progress was recorded:
  - **Sensitive Data Masking (SDM):** The recommendation for award for the SDM tender will be tabled at the BAC on 25 April 2018.
  - **Unstructured Data Management (UDM):** The initiative to implement UDM is underway. The first draft of the architecture was developed. However, the draft did not meet the requirements. As a result, a comprehensive architecture will be developed.
  - **Identity and Access Management (IAM):** The initiative to implement IAM is underway. My-Password self-help tool architecture was approved by the Architecture Review Forum.
  - **Database Activity Monitoring (DAM):** Contracting for DAM (included in the McAfee tender) was concluded.
  - **Data Leakage Prevention (DLP):** Contracting for DLP (included in the McAfee tender) was concluded.

ICT SECURITY AND RISK MANAGEMENT

The following progress was recorded:

- Implemented applicable patches across the Test, Quality Assurance (QA) and Production environments;
- Vulnerability Remediation is on-going. Vulnerabilities identified in the environment decreased by 34,583 (77%) from 45,080 in April 2017;
- Closed 31 Audit findings; and
- Closed four risks and 10 risk treatment plans.

DISASTER RECOVERING TEST

- Conducted a preliminary Disaster Recovering test for three out of four critical systems, i.e. Claims, Citrix and Exchange in October 2017. The DR Post-Test Report for the first DR test was completed for the Claims, Citrix and Exchange systems and is in circulation for approval; and
- Conducted a second annual DR test in March 2018 with Recovery Time Objective (RTO) of one day met for three systems (i.e. Claims, Citrix and Exchange). The SAP system could not be tested due to technical issues, which could not be resolved in time.

ICT GOVERNANCE MATURITY

- Completed the implementation of the HEAT solution, including the Configuration Management Database.

ELECTRONIC DOCUMENT AND RECORDS MANAGEMENT

- The revised Records Management Strategy was presented to the ICT Steering Committee for approval; and
- Implemented the Records Management Policy Action Plan.

ENHANCED BUSINESS APPLICATIONS

The following progress was recorded:

Deployed the following:

- Search functionality on PDF version of policy documents;
- New SharePoint 2013 RAF internet website;
- Caregiver System;
- Offer System version 86;
- Litigation Management System enhancements;
- Performance Management System; and
- Pathfinder Report upgrade on BW production.

The following was completed:

- Configuration of Caregiver Management System Reports on the BI solution;
- Competency database for the MVA courses;
- Induction Tracking System;
- Competency database for internal courses;
- MVA Foundation – Intermediate Course;
- Theoretical Assessment for Learning and Development Department;
- Motion Register System for Operations;
- Duplicate Claims Report based on status change from "D" to "O";
- Duplicate Claims Paid and Finalised Report;
- Development of the payment files and HASH (i.e. security format) calculations for the ABSA integration;
- The implementation of ClaimsView Voice Integration in the Call Centre; and
- BI Platform 4.2 upgrade on QA.

In addition, ICT:

- Successfully integrated the Legacy Claims System on the SAP Solution Manager;
- Enabled SAPGUI Scripting on SAP Solution Manager System;
- Configured EarlyWatch Alerts on SAP Solution Manager System;
- Implemented ORACLE Standards on all SAP Production Systems;
- Patched SAP Databases to latest ORACLE 12c Version;
- Configured and activated technical functionality (i.e. EarlyWatch Alerts, Central Monitoring, Scope and Effort Analyser and Custom Code Management and Test Management) on the new SAP Solution Manager V 7.2; and
- Implemented the SAP Support Packs on SAP ECC.

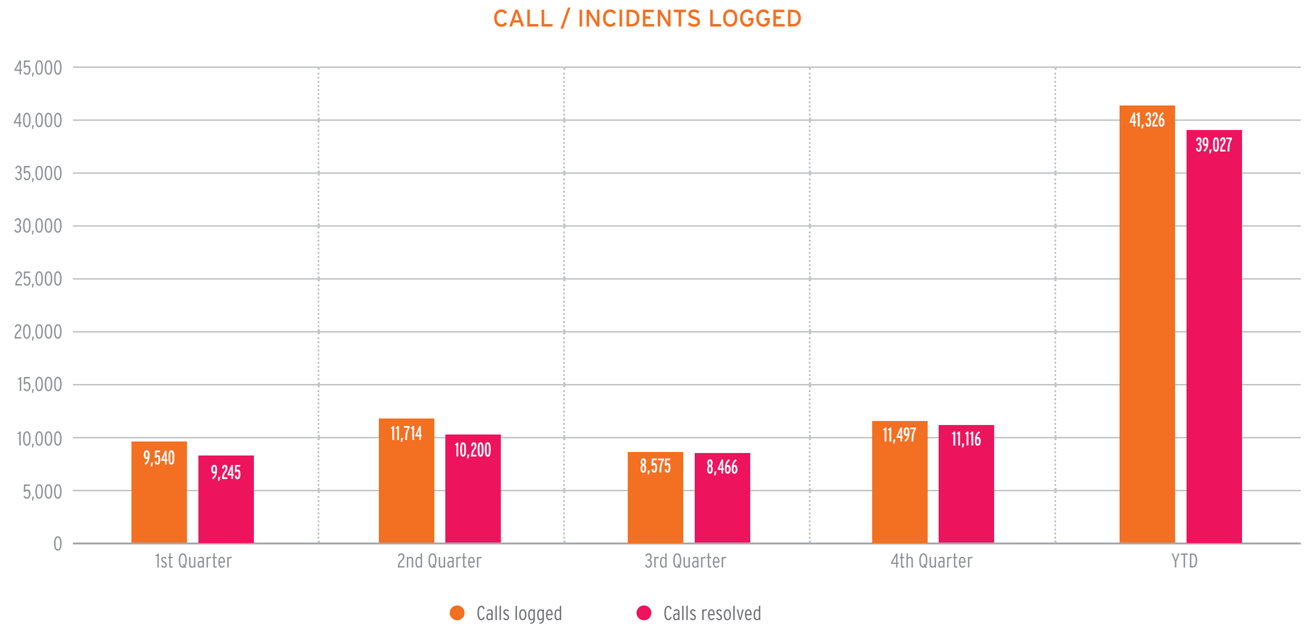
Furthermore, ICT completed the Benefits Realisation Report for RAF e-Enablement initiatives implemented in the 2016/17 financial year (the report was tabled to the Board for approval).

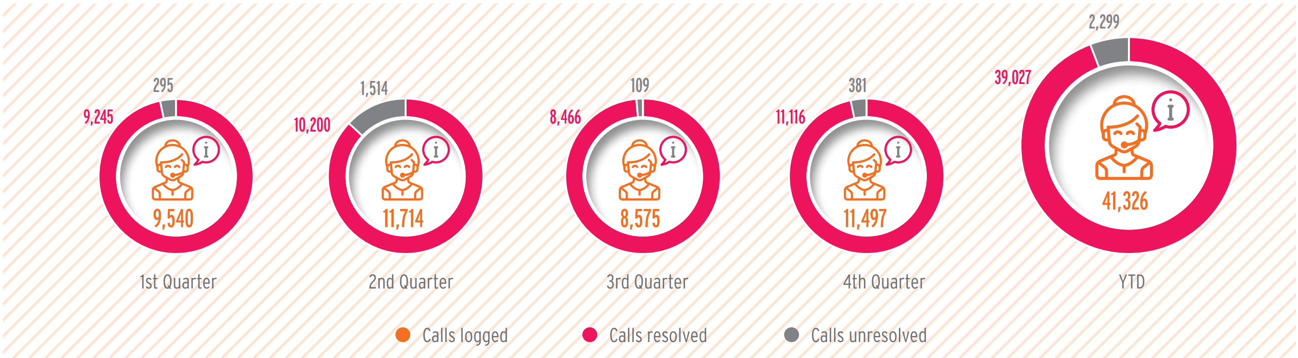
ICT SERVICES AVAILABILITY

The ICT Service Desk received 41,326 requests and incidents, of which 39,027 (94%) were resolved. The graph below outlines the performance of the ICT Service Desk during the 2017/18 financial year.

GRAPH 21: ICT Service Desk Call/ Incidents Log 2017/18

Number and Quarter of financial year



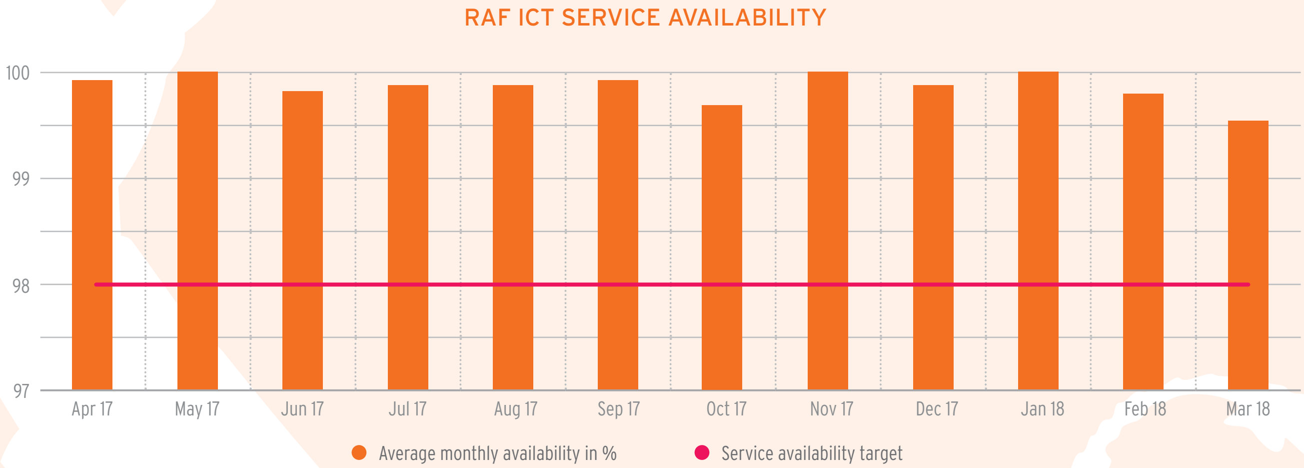


During the reporting period, ICT services were impacted by power failures in Johannesburg, Eco Glades, Cape Town and Menlyn; network interruptions in the inland Regions (i.e. Menlyn, Johannesburg and Eco Glades); Vodacom outage in the East London Region; as well as the network switch failure. Furthermore, user experience was impacted by the unavailability of the Claims System, SAP Employee Self-Service due to a server-related problem, slow response on all applications, Telkom cable theft in the Centurion area, firewall issue and service interruptions on messaging.

The graphs below indicate that the overall availability attained was 99.84% for all ICT core services:

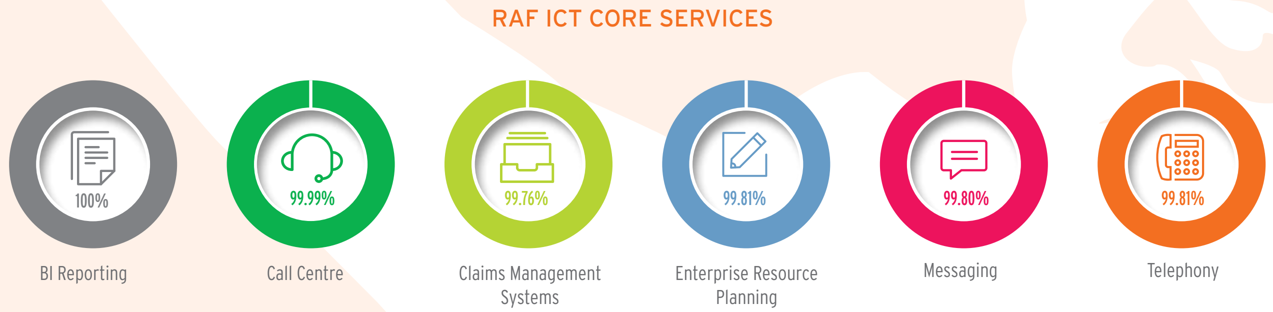
GRAPH 22: Monthly ICT core service availability – 2017/18

Percentage and month of financial year



GRAPH 23: ICT core service availability – 2017/18

Percentage and financial year



Furthermore, the ICT Department continued to enable the organisation to achieve its strategic and operational objectives by providing system connectivity to the Corporate Communications and Operations Departments. This enabled the RAF to take its services to the doorsteps of South African communities and promote direct claims through the 'RAF on the Road' community outreach programme and other events and promotions.

ICT TRAINING PROGRAMME

During the reporting period, ICT leadership continued to implement the ICT training programme for staff to ensure that they are fully capacitated and equipped to deliver an effective and efficient service to the business. The training programme included, among others, the following:

- ITIL;
- ITIL Service Strategy;
- COBIT;
- Archives and Records Management;
- Advanced Archives and Records Management;
- Agile Project Management;
- Prince 2;
- SAP; and
- SharePoint Development.

To ensure alignment of ICT with business, the department continues to implement the following:

- Information Security and Risk Management Strategy;
- RAF Records Management Strategy (including the approved File Plan and scanning of files); and
- Green IT Strategy.

14. Corporate Communications

INTRODUCTION

The term 'Corporate Communications' is used across the world to describe the dissemination of information to key stakeholders, the execution of corporate strategy, and the development of messages for a variety of purposes for inside and outside the organisation. It is also a set of activities involved in managing and orchestrating all internal and external communications aimed at creating a favourable point of view amongst stakeholders on which the organisation depends.

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

- Marketing;
- Media and Public Relations;
- Social and Digital Media;
- Internal Communication; and
- Call Centre.

RAF CORPORATE COMMUNICATIONS DIVISION

Statistics below provide a high-level overview of the division's performance during the year under review.

DIVISIONAL APP TARGETS

Strategic Objectives	Performance Indicator	Performance 2017/18	Status
Providing Access to RAF Services	Number of claimants engaged at RAF events	Increase by 15% to 38,100	66,819 engagements (audited figure) YTD
	Improved Call Centre responsiveness	3% abandoned calls	2.22% abandoned call rate

CORPORATE COMMUNICATIONS OBJECTIVES

PRIMARY OBJECTIVES:

- Create awareness of RAF's service offering
- Improve RAF's access points
- Increase the number of claimants engaged at RAF events
- Promote direct claims
- Increase the number of followers on RAF's social media platforms
- Increase positive media coverage on RAF and RABS
- Maintain Call Centre quality assurance
- Ensure improved staff morale

SECONDARY OBJECTIVE:

- Promote road safety

HIGH-LEVEL OVERVIEW

EARNED MEDIA

Description	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD
Advertising Value Equivalency Social and Digital Media (SOM)	R -	R -	R1,048,591	R390,857	R1,439,448
Advertising Value Equivalency Media and PR (M&PR)	R39,217,911	R33,467,528	R33,267,261	R66,119,455	R172,072,155
Added Value Media (Linked to Media Buying)	R759,090	R966,854	R1,367,932	R -	R3,093,876

MEDIA PLATFORMS AND FAVOURABILITY

Description		Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD
No. of Clips	Print Media	377	320	355	431	1,483
	Broadcast	246	230	300	239	1,015
	Online Media	361	250	240	537	1,388
Favourability Measure	Positive	392	287	514	296	1,489
	Neutral	503	381	320	888	2,092
	Negative	101	144	61	22	328

OWNED MEDIA

Description	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Overall YTD
Website visits	901,460	485,073	460,573	1,422,502	4,947,314
Instagram fans	221	166	804	469	5,055
Facebook fans	2,720	15,564	82,764	15,241	250,847
Twitter fans	685	4,530	9,845	8,177	45,454
YouTube views	N/A	121	2,044	32	2,244
LinkedIn connections	2,544	371	689	4,901	11,882
Calls answered	94,541	93,993	85,616	102,063	376,213
Walk-in visitors	-	-	266	525	791
SDM enquiries	N/A	424	1,568	1,102	3,094
Email CC enquiries	2,162	2,545	1,806	2,541	9,054
RAF website bounce rate	40.21%	40.97%	47.95%	43.26%	43.10%
Engagement rate	1,1%	1,1%	2,03%	5,82%	2,51%
Internal communiques	297	289	266	326	1,178

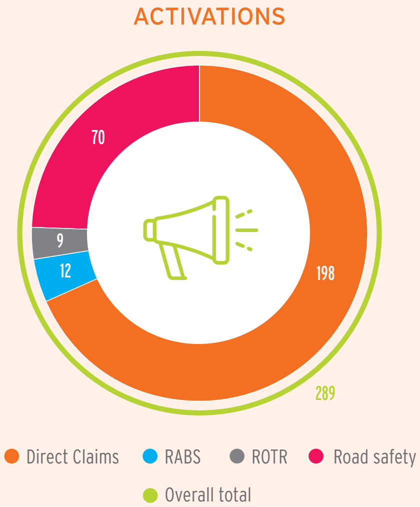
PAID MEDIA

Description	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD
Print	848,468	848,468	2,478,050	6,477,160	10,652,146
Television	68,755,000	68,755,000	33,570,000	38,259,000	209,339,000
Digital	-	-	56,165,078	69,494,000	125,659,078
Radio	63,820,00	63,820,00	41,714,000	76,740,000	246,094,000
OOH	15,266,243	15,266,243	20,638,600	2,500,000	53,671,086
Value added	R1,200,000	R2,800,000	R614,050	R1,292,806	R5,906,857

MARKETING

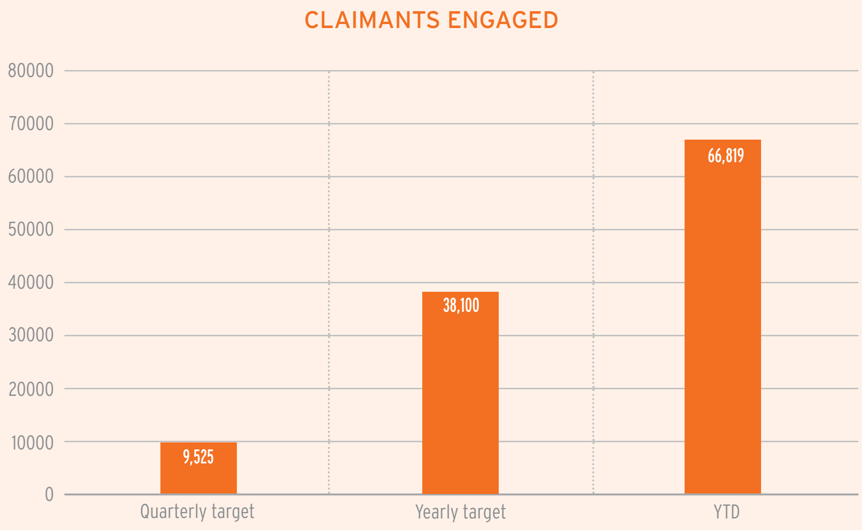
The Marketing Department is, inter alia, responsible for positioning the RAF positively in the minds of the general public, and subsequently also road users. 2017/18 was an exciting financial year as it saw the Marketing Department embarking on a variety of activities to enhance the RAF brand, with intensified efforts to promote direct claims, whilst educating the public on the RAF's service offering and improving ease of access to its services. Through various campaigns and initiatives, the RAF took its services to several communities with its 'RAF on the Road' customer outreach programme, MobiRAF (mobile truck) activations, and exhibitions. 'RAF on the Road', as the RAF's flagship community outreach programme, delivered a total of 9,564 face-to-face engagements on its own with 11 national events that took place. A total of 289 activations were rolled out during the course of the year and these ultimately delivered more than 66,000 face-to-face engagements. From that figure, 20,000 people were reached through our MobiRAF in the far-flung areas of the country.

GRAPH 24: RAF activations – 2017/18



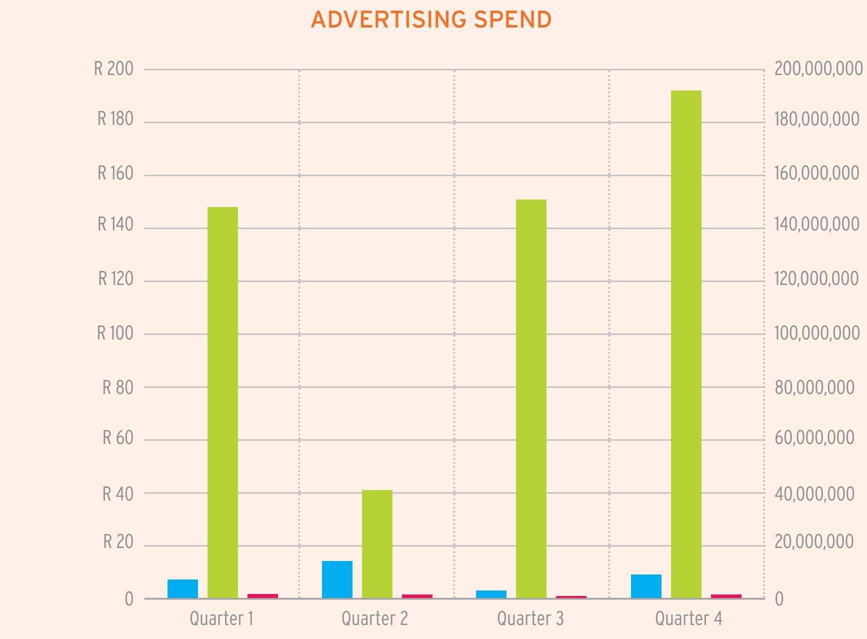
GRAPH 25: Claimants engaged – 2017/18

Number and target



GRAPH 26: Advertising spend per quarter – 2017/18

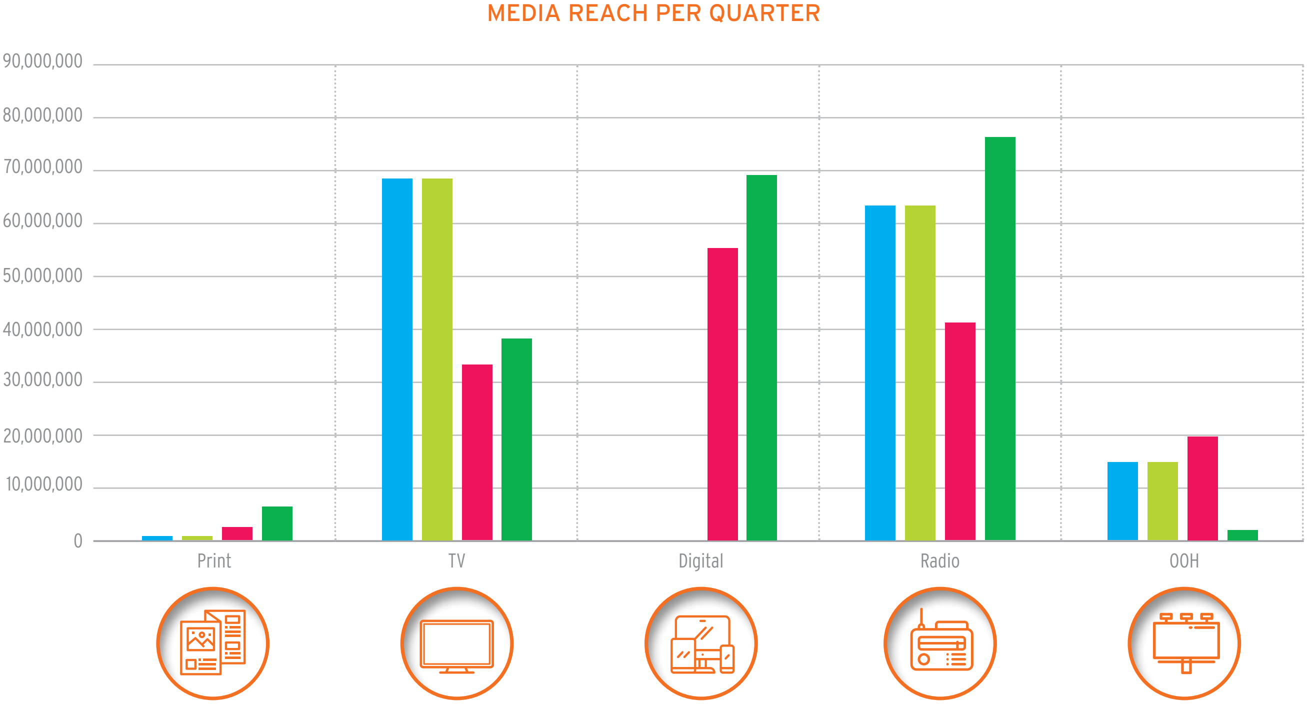
R'millions, number and quarter



Total spend	R7,392,207	R17,213,527	R3,077,648	R7,489,260
Numbers reached	148,689,711	40,349,612	154,565,728	193,470,160
Cost per contact	0.05	0.43	0.02	0.04

GRAPH 27: Media audience reach per quarter – 2017/18

Number and target



	Print	TV	Digital	Radio	OOH
Q1	848,468	68,755,000	-	63,820,000	15,266,243
Q2	848,468	68,755,000	-	63,820,000	15,266,243
Q3	2,478,050	33,570,000	56,165,078	41,714,000	20,638,600
Q4	6,477,160	38,259,000	69,494,000	79,740,000	2,500,000

Marketing kick-started the year with the Easter campaign, #MyRoadYourRoad, which was a 360-degree campaign that was flighted on 11 national radio stations plus one regional station (Thobela FM, Radio 2000, Phalaphala FM, Munghana Lonene FM, Ligwalagwala FM, Ikwekwezi FM, Motsweding FM, uKhozi FM, Lesedi FM, Umhlobo Wenene FM, RSG FM and Gagasi FM) and was seen at 11 bus terminal stations (i.e. Park Station, Bosman Station, Umtata Station, East London Station, Cape Town Station, Port Elizabeth Station, Belville Station, Durban Station, Bloemfontein Station and Nelspruit Station), as well as on television screens in long distance buses (Greyhound and InterCape).

A constant market presence through above-the-line (ATL) advertising was created to drive direct claims across the Out-of-Home (OOH) space (wall murals, street poles, building wraps), radio, television, digital media and print throughout the year. In June, the department encouraged the youth to claim directly through a Youth campaign that flighted on radio, television and in weekly magazines. Another first for the RAF, was the entrenched brand presence on the notorious Moloto Road for a period of six months in the form of bus advertising.

The RAF brand was taken to cinema for the first time with its message of direct claims. This message was augmented by print advertising, including advertising in the By the Way magazine, which is a publication owned by one of the sister entities within the Transport fraternity, SANRAL, as well as by several activations through our MobiRAF trucks across the country, exhibitions, 11 national 'RAF on the Road' events, as well as 'Mini RAF on the Road' campaigns, Open Days, etc.

A third MobiRAF was launched to cater for the coastal regions in our pursuit to improve access to the RAF's services. All three trucks are enhanced with state-of-the-art fixtures and support platform structures, which are user-friendly to the elderly and people who cannot stand for a long time without assistance.

To foster the message of road safety, the RAF launched an emotive campaign over the festive season titled #AlwaysRemember. The aim of the campaign was to caution road users to always be safe on our roads in remembrance of loved ones lost on South African roads. The campaign was flighted on radio and television and appeared on bathroom advertising and at activations. As a first, this campaign saw the RAF taking its brand onto the 'Please Call Me' digital platform which reached millions of South Africans during that period across the three major network carriers, i.e. MTN, Vodacom and Cell C. Due to the success of this drive, the campaign was rolled out again during the Easter period in March 2018. (Vodacom also partnered with the RAF on a campaign following suit in January 2018.)

Several research studies were conducted during the course of the year to derive insights which could aid the organisation. Research studies included, but were not limited to, the following: An annual Customer Satisfaction Survey; an internal RABS Perception Study (which was the first-time staff was given a platform to air their views and perceptions in respect of the RABS dispensation); an Internal Communication Survey and a Facilities Management Study. The Research Awareness Week was rolled out to staff, highlighting the various segments of the road user market that the RAF services. This was a drive to creatively share findings of the Market Segmentation Study.

In 2018, the RAF spent an amount of R35 million on advertising, which delivered a value-add of R6 million.

MEDIA AND PUBLIC RELATIONS

The RAF entrenched its media presence, generating a total Advertising Value Equivalency (AVE) of R172,072,155, of which R3,093,876 was as a result of bought media according to Newsclip media monitoring. This overall figure was due to targeted engagement with journalists, various innovative Public Relations (PR) campaigns, positive positioning of the entire business, and a growing vocal recognition of the RAF's importance in rehabilitating and compensating persons injured in car crashes.

Coverage across print, radio and online showed an average increase of 26,6%, while television contracted by 9%. Challenges within the community radio space continued, with this platform's low internet connectivity and budget limitations for live streaming thwarting efforts to gather all AVE data. The greatest challenge, however, remains the erratic non-compliance of several community stations on the South African government's Central Supplier Database, which precludes the RAF from buying advertising space on these platforms at crucial times.

Regional publicity intensified with 'RAF on the Road', 'Mini RAF on the Road' and MobiRAF outreach events receiving wide coverage as messaging about the organisation's products, services and accessibility resonated with community and regional media. A highlight was the combined launch of the Durban Customer Service Centre and Coastal MobiRAF; the Durban mayor and MEC for Transport were among the many dignitaries.

For Easter holidays, the spotlight was on RAF's case managers, with their dedication towards providing critical support to claimants featured in a series of advertorials. Meanwhile, in newspaper and radio interviews, RAF employee, Karabo Rantho, highlighted the consequences of reckless driving and need for road safety, speaking passionately about the vehicle accident that led to him being wheelchair-bound.

Whereas RAF's female Executives featured prominently in last year's Women's Month campaign, 2017/18 focused on women in other tiers of the workforce, i.e. a switchboard operator, Customer Service Manager, and Senior Manager. Female direct claimants also shared their positive experiences when engaging with the organisation. The RAF was positively positioned as an employee of choice by publicising the new CFO and CIO's appointments, while the RAF's stability despite financial constraints was unpacked in a RABS editorial piece. October Transport Month focused on the impact of car crashes on the economy.

Media and PR's first foray into Social and Digital PR was a success; the Festive Season campaign comprised of a media mailer containing a festive season message from the Acting CEO, and social media posts (five Facebook and four Twitter) with road safety messaging from celebrities and RAF staff. One post of staffer Rantho was retweeted 112 times, the most for the entire Social and Digital Corporate Communications

campaign. Overall, the Media and PR element generated 76,762 impressions and 5,207 engagements on Twitter, while on Facebook it reached 112,792 and had 3,965 reactions.

On occasion, the organisation's reputation was tarnished; the National Union of Metalworkers of SA made scurrilous accusations about the RAF's mistreatment of Johannesburg and Menlyn staff, while the National Funeral Practitioners Association of SA continued criticising the RAF for side-lining parlours through its panel system. These allegations were rebuffed and got little coverage in the wider media space. Other intermittent negative media comments by an anti-RABS lobbyist and attorney were dealt with similarly.

Articles about errant attorneys and doctors caught in fraudulent and corrupt activities continued to dominate the headlines. The financial year was rounded off by the roll-out of a road safety campaign leading up to and ending after the 2018 Easter holidays, during which school activations were held in 10 different schools (two per RAF region). An industrial theatre was used to convey the road safety message in an exciting, memorable way for the learners, while colour-in posters and crayons were supplied to schools countrywide to further entrench the message for them to #AlwaysRemember to take care when travelling on the roads.

SOCIAL AND DIGITAL MEDIA

The RAF's Social and Digital Media Strategy was implemented in 2016 with the objective of driving higher awareness of the RAF and its service offering. The strategy also introduced new online communication platforms, which ensured that the organisation reaches a broader audience. The RAF is now active on five key platforms (Facebook, Twitter, Instagram, YouTube and LinkedIn) with over 315,000 fans and followers across all platforms.

TOTAL FANS ACHIEVED: **315,482**

Facebook	IG	Twitter	LinkedIn	Youtube
250,847	5,055	45,454	11,882	2,244

As at 31/03/2018

In Quarter One, the Social and Digital Media (SDM) Unit relaunched the RAF YouTube channel with the Easter Campaign, which received over 57,000 video views in that month alone. SDM also showcased the Call Centre Unit on Facebook by using video content which received over 450 organic views. The key campaigns that ran in Quarter One were: #MyRoadYourRoad, focusing on road safety; an awareness drive on #RABS; celebrating the RAF's 20th anniversary; and the #RightToClaim campaign which focused on driving awareness in respect of claiming directly from the RAF.

Quarter Two kicked off with the relaunch of the RAF website, as well as an activation of a paid media campaign on YouTube. The video was focused on driving awareness of the RAF communication channels, which included highlighting the services offered by HSCs, CSCs, 'RAF on the Road', as well as the MobiRAF. The #RABS awareness drive continued in Quarter Two with Women's Month and Heritage Month campaigns highlighting RAF's services and celebrating the women of the RAF by profiling female Call Centre consultants, as well as the RAF culture over the past 20 years.

With the use of video content rising on social media platforms, the unit focused on developing video content in the third quarter by developing organic videos that were hosted on the RAF YouTube channel and Instagram. The videos received positive feedback and will be one of the key performance indicators to achieve in the next financial year. October Transport Month focused on highlighting direct claims, as well as celebrating 100 years of OR Tambo's birth. In November a #BeDirect campaign was launched to drive awareness of the services offered by the RAF and highlighting the benefits of claiming directly from the RAF. In December, the #AlwaysRemember Road Safety campaign was launched, which received one of the highest engagement rates and awareness since the launch of the RAF social media platforms. The campaign reached more than eight million people with an engagement rate of 3.89% and over 59,000 new fans across all RAF platforms.

All Platforms	Campaign Overview
Impressions	8,388,727
Engagements (Likes, Comments, Shares, Link Clicks and Video Views)	266,658
Acquisition (Follower and Page Likes)	59,451
Campaign Engagement Rate	3.89%
Total Media Spent	R357,780
*Advertising Value Equivalency	1,048,591

Finally, in the last quarter of the year, the RAF connected to over 315,000 fans, with LinkedIn showing a significant improvement in fans. An emotive video campaign was implemented which addressed road safety and direct claims. 'Kea's road to recovery' took viewers through a journey where they could see what happens when one is involved in an accident, what happens when the RAF gets involved and what services one can receive from the RAF in such an instance. Key campaigns in Quarter Four included the #AlwaysRemember road safety drive activated for #BacktoSchool and the #Easter period which reached over 3.1 million people. This resulted in an overall engagement rate of 2.5% for the year.

INTERNAL COMMUNICATION

The Internal Communication Unit is responsible for managing internal reputation, improving employee morale and supporting all business functions with their respective communication requirements. This varies from publishing Human Capital advertisements, Management Directives, Delegations of Authority and New Appointments. Other key notifications in the form of Internal Communiques and News Updates are also issued to internal stakeholders. In addition, the unit provides copyediting, proofreading, design and translation services to all business units within the RAF on a daily basis.

During the year under review, speeches and various messages of support were prepared for government and organisational leadership. The Fund's main publications, namely the Annual Report and the Annual Performance Plan, were compiled, edited and finally produced by the unit.

Internal Communication is the custodian of content development for a number of communication platforms such as Upcoming Events, Weekly Highlights, Quarterly Bulletins, commemorative articles and corporate promotional materials. The unit also provided photography and videography services for the Fund's main events and special occasions.

The 2017/18 financial year saw a concerted effort to minimise the number of internal communiques sent out to staff by reducing these from ±300 per month to ±100 per month, in so doing also reducing communication fatigue amongst employees. An Internal Communication Survey was conducted during the year, which rendered valuable insights into the manner in which staff perceive internal communication and the channels used to convey information. The Internal Communique was still voted as the most used and important channel of receiving communication, closely followed by the CEO's Blog. The process of improving RAF's communication channels remains on-going.

In order to improve staff morale, the year also saw a number of events taking place, such as the RAF Staff Appreciation Day, the RAF's 20th birthday celebration, Women's Day, Heritage Day, Men's Day, World Aids Day, International Literacy Day, and National Sports and Wellness Day. Coinciding with Women's Month, the unit hosted a special caregivers' event. The occasion was held to recognise and honour the selfless women who have the important and often heart-rending task of caring for motor vehicle accident victims.

For the first time ever, the previous efforts were augmented by two exhibitions for staff during the year, namely one for Youth Month in June and one for the celebration of the life and times of OR Tambo with an additional OR Tambo coffee table book, which was distributed to all staff members countrywide during October 2017.

The unit assisted the general business with design, editing, translation and artwork requests throughout the year. 1,178 internal communiques were sent out to staff during the course of the year. The Language Unit contributed to the overall strategic business objectives of the Internal Communication Unit with an output of 703 translations by the end of the financial year. These were done in three official languages with the remainder being outsourced to our language service consultancy. For the first time ever, the First Letter of Consultation was translated into Braille and will be handed to the South African National Council for the Blind in the coming year. This was a first for the RAF and all government departments and entities. English editing requests numbered 354 for the financial year.

The Communication team worked tirelessly to promote and support the Fund's commitment to encourage ethical conduct and curb fraudulent activity within the business. This was notable during this year's Ethics Awareness Week and International Fraud Awareness Week.

With regard to publications, the unit was responsible for the compilation, design, layout, editing and printing of the Annual Performance Plan 2017/18 and the Annual Report 2016/17, which was approved by the former Minister of Transport in August 2017 and tabled in Parliament in September 2017.

Statistics below provide a high-level overview of the outputs of this unit for the year under review:

Description	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD
No. of Internal Communiques sent to staff	297	289	266	326	1,178
No. of Translations done	228	238	186	51	703
No. of Edits done	81	93	55	83	312

The Communication Unit will continue its focus on implementing an integrated approach to communication that ensures maximum penetration, awareness as well as understanding of the RAF's business imperatives.

CALL CENTRE

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

For the financial year ending 31 March 2018, the Call Centre made significant progress towards the achievement of strategic objectives as set out in the APP. The table below reflects the progress made:

Details	2015/16	2016/17	2017/18
No of Calls Received	326,031	385,073	395,841
No of Calls Answered	320,027	376,215	387,044
No of Abandoned Calls	6,004	8,858	8,797
Abandoned Calls %	1.84%	2.30%	2.22%
Service Level	94.78%	92.44%	93.87%

A record of 395,841 calls were received during the year under review, which represents a 3% increase on call volumes compared to the preceding financial year (2016/17: 385,073). The Call Centre successfully managed 387,044 calls, which reflects an abandoned call rate of 2.22% for the year. Furthermore, a service level of 93.89% was achieved, exceeding the set target of 80% of calls answered within 20 seconds.

The Call Centre team also completed an outbound project which was aimed at reducing the backlog on claims older than three (3) years in various regions. A total of 10,000 claimants were contacted and referred to the respective regional offices to complete the process of closing their open claims.

Walk-In clients have been identified as a key focus area by strategically positioning an experienced senior consultant to give these visitors unsurpassed service. Although this is just a pilot project to test the feasibility of such a role, the Call Centre received excellent feedback from clients pertaining to the quality of service rendered.

Call Centres are fast-paced environments; therefore, systems have to be constantly reviewed to ensure that they perform optimally and match those of other industry players. Various system enhancements were implemented during the year to improve efficiencies in the Call Centre. One of the enhancements involved the integration of the Call Centre Management System (OSCC) and the ClaimsView System in order to realise process efficiencies. The integration and enhancement, through linking caller data (from OSCC) to claims data (from ClaimsView) will aid the Call Centre to achieve the APP target of increasing accessibility, as calls can now be handled faster. Other enhancements included the following:

- Remote Call Centre Activation and Deactivation: The ability to activate and deactivate the Call Centre remotely, particularly in certain emergency scenarios where the ability to deactivate the Call Centre will be beneficial.
- Post-Call Survey: Enables the Call Centre Management team to have an almost instant claimant response to a service experience which will identify poor service and assist Management to develop appropriate responses to address these.
- Screen POP: The screen POP enhancement is aimed at improving efficiency of the Call Centre through pre-loading of the caller's claims file in ClaimsView.
- Recorder Tagging: Tagging and associating of voice recordings, held in the Voice Recorder System, to claims records will lead to the benefit of easier and speedier search and retrieval of voice recordings. Search and playback of voice recordings are based on a new reference number based on the link number in addition to the current search criteria (date, time, agent, etc).
- Social Media Workflow: OSCC: The benefit of this enhancement is the faster response time due to having a dedicated channel through which queries arising from the various social media sources are responded to.
- Switchboard system: Concierge: The reception telephony system previously operated on the Call Centre OSCC platform. The Concierge reception system offers a functionality for visually impaired employees in the environment, offering a search functionality in the RAF electronic phone directory, making call transfers of multiple calls easier in an effort to reduce the abandoned call rate and thus improving accessibility to the Fund.

To improve staff morale in the department, celebrations which focused on encouraging the RAF values of Excellence, Pride in What We Do, Efficiency, Ubuntu and being Solution Focused were held throughout the year in the form of monthly socials, the international Customer Service Week and finally, a Customer Service Award event which was held in November.

REGIONAL MARKETING

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

In addition to extending national campaigns, promotions, activations and events in their regions, they were also at liberty to launch their own brand awareness initiatives in their respective regions. One of their top priorities was to establish relationships with key stakeholders in the regions and to strengthen existing ones. 'Mini RAF on the Road' community outreach events remained popular, and were augmented by weekly activations in malls, bus and train stations, as well as taxi ranks and at government service delivery events.

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

15. Supply Chain Management

Supply Chain Management is obliged to adhere to the Constitution of the Republic of South Africa, the PFMA, NT Regulations, Instruction Notes, the PPPFA, the B-BBEE Act as amended, as well as the Supply Chain Management Policy Framework, among other Acts and Regulations.

The past year saw the achievement of turnaround times for the processing of tenders to an average of seven (7) months versus a baseline of nine (9) months, whilst the quotation process was finalised at an average of 12 days versus a baseline of 21 days. The improved turnaround times have not compromised compliance, as there has been a reduction of irregular expenditure (from 15 instances recorded in the 2016/17 financial year to eight instances in the 2017/18 financial year). This was achieved through the provision of appropriate, proactive advice and best practice processes, as well as by being responsive to the organisation's requirements as an enabler to strategically assist the Fund in optimally achieving its objectives.

Likewise, there have also been improvements in the concluding of tenders. This has resulted in an increase of 44% from 11%, as recorded in the 2016/17 financial year, to 55% in the 2017/18 financial year. It is expected that this percentage will increase year-on-year as new processes mature and further unlock value through the Fund's stakeholders, strategic partners and service providers.

Another achievement was the improvement of the RAF's BEE rating status (by an accredited rating agency) by improving from Level Three for the 2016/17 financial year to Level Two for the 2017/18 financial year.

The organisational preferential procurement spend achieved was 115% for the 2017/18 financial year.

RAF's BEE rating status improved from Level Three for the 2016/17 financial year to Level Two for the 2017/18 financial year.

16. Report of the Audit Committee

The Report of the Audit Committee is included on page 164 under Part E: Annual Financial Information.

GOVERNANCE

100 Nelson Mandela Centenary 2018 Be the Legacy

Human Resources Management

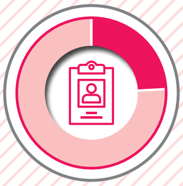
PART D

1. Introduction

During the year under review, the Human Capital (HC) Division achieved significant progress against its strategic objectives, as contained in the 2017/18 Annual Performance Plan (APP). The division evolved and adapted its service offerings and structure to meet on-going business demands. The following is a summary of the most notable achievements against the HC APP targets:

VACANCY RATE

A key strategic objective of the division is to maintain a vacancy rate below 6%. This has been a challenging task during the 2017/18 financial year. The vacancy rate was 4.40% during the reporting period, ending 31 March 2018 – and exceeded the planned target of 6%. It is critical for the division to ensure a capacitated organisation for the fulfilment of the mandate of the RAF. The appointment of external candidates directly influences the vacancy rate. However, finding the balance between external and internal appointments becomes more important to ensure that internal employees progress within the organisation and that key talent is retained. To ensure that the RAF attracts the very best talent in a competitive labour market, it utilises online platforms, which has proven to be an effective method of talent sourcing. During the reporting period, a total of 215 permanent appointments were made, of which 52 were internal promotions. From the total number of new employees, five positions were Senior Management appointments.



A total of 215 permanent appointments were made, of which 52 were internal promotions

EMPLOYEE PERFORMANCE ASSESSMENTS

The RAF achieved 99.02% in respect of employee performance contracting and quarterly reviews during the reporting period.

EMPLOYEE RECOGNITION

As part of the approved Remuneration and Employee Recognition Programme, a total of 743 of 2,754 (26.98%) employees were recognised for living the RAF values.

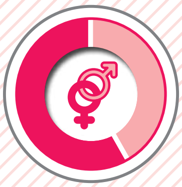
A total of 743 of 2,754 (26.98%) employees were recognised for living the RAF values.

RAF EMPLOYMENT EQUITY

The RAF's contribution towards government's social and economic transformation agenda remains on course.

As an organisation, the RAF has always endeavoured to excel and contribute positively to the achievement of Employment Equity (EE) targets. During the year under review, the Fund achieved and even exceeded the set percentage of 1% as per the Department of Labour's target for Persons with Disabilities. The organisation achieved 1.27%, which was also the target set by the Board of the RAF.

The RAF is within its 10% variance with 97% of employees meeting the EE target, 1.27% for employees living with disability against the 1% APP target, and female representation currently sitting at 58% females versus 42% males.



Female representation currently sitting at 58% females versus 42% males.

2. HC Priorities and Outcomes

<table>
<tr><th>Priority</th><th>Outcomes for the 2017/18 financial year</th></tr>
<tr><td>Absenteeism Management</td><td>One of the key priorities and objectives of the division was to implement strategies to reduce the prevalence of absenteeism in the RAF. Strategies included the revision and approval of the Leave Policy by the RAF Board. This was supported by training all employees on the Leave Management Policy.

The annual man-days lost at the end of the 2017/18 financial year were 1.76 and the target was met by 0.74 days.</td></tr>
<tr><td>Talent Acquisition</td><td>A total of 267 internal and external appointments were made year-to-date.

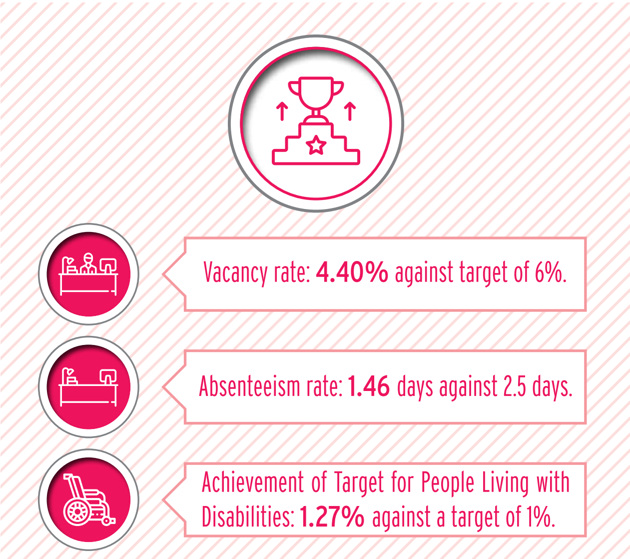
Key strategic appointments in vacant positions included:
• Chief Financial Officer
• Chief Information Officer
• Chief Audit Executive
• General Manager: Communications
• General Manager: Supply Chain Management</td></tr>
<tr><td>Policy Development and Review</td><td>HC reviewed policies and key guidelines to promote diversity and transformation in the organisation. (Policies are reviewed for alignment with the latest legislation and the RAF Policy Review Standards on an on-going basis.)

The following HC Policies and SOPs were developed and reviewed during the reporting period:
<table>
<tr><th>Reviewed Policies</th><th>Reviewed SOPs</th></tr>
<tr><td>Disciplinary Policy</td><td>Disciplinary SOP</td></tr>
<tr><td>Resourcing Policy</td><td>Resourcing SOP</td></tr>
<tr><td>Job Design and Evaluation Policy</td><td>Job Design and Evaluation SOP</td></tr>
<tr><td>Leave Management Policy</td><td>Leave Management SOP</td></tr>
<tr><td>Remuneration, Reward and Benefits Policy</td><td>Remuneration, Reward and Benefits SOP</td></tr>
<tr><td>HIV/AIDS and TB Management Policy</td><td rowspan="2">Employee Wellness Services (EWS) SOP covers EWS, HIV/AIDS and TB Management Policies</td></tr>
<tr><td>Employee Wellness Services Policy</td></tr>
</table></td></tr>
<tr><td>Knowledge Management</td><td>The Knowledge Management team continued to support business units by ensuring that intellectual property is preserved via capturing, evaluating, retrieving and sharing of information.</td></tr>
<tr><td>Employee Wellness</td><td>A total of 1,213 employees participated in the Health Risk Assessment, translating to 44% of the total permanent headcount of 2,754. An average of 803 consultations were conducted at the respective regional EWS offices per quarter, which represents 29% of the headcount.</td></tr>
<tr><td>Facilities Management</td><td>Facilities Management continued to provide a functional, well maintained, safe and secure office environment for the offices the RAF occupies. A list of the projects it managed is tabled in detail under ‘Capital Investment’ on page 81 of this report.</td></tr>
</table>

3. Other Notable Achievements

Main highlights for the 2017/18 financial year included the following:

- The RAF implemented Pay Progression during the 2017/18 financial year where employees could qualify for an additional salary adjustment based on their performance, newly obtained qualifications and tenure with the organisation. From the 2,754 employees, a number of 1,699 (61,69%) employees qualified to receive Pay Progression.
- The Knowledge Management team facilitated nine public speaking opportunities for the RAF Senior Management to promote the image of the Fund and to share with the audiences the successes of the RAF.
- During the financial year, four Leadership Forums were held for different categories of Management at Executive, General and Senior Management, as well as Managerial levels. The Forums are chaired by the CEO and are utilised as a platform to (informally) develop individual business competencies and skills.
- Achievement of vacancy rate: 4.40% against target of 6%.
- Achievement of absenteeism rate: 1.46 days against 2.5 days.
- Gender equity: within 10% variance.
- Achievement of target for People Living with Disabilities: 1.27% against a target of 1%.



4. Organisational Development

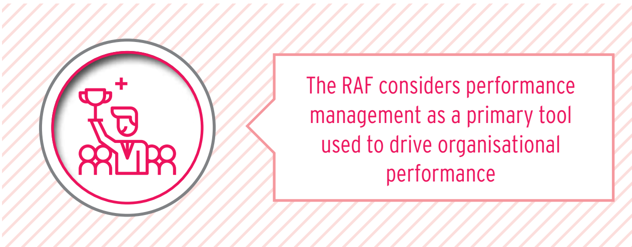
Key for the HC Division is sound employee engagement with on-going development and effectiveness strategies being implemented. This is supported by on-going change management, which in turn supports the organisational business strategy on its transformation trajectory. A pivotal area is ensuring effective teams and employees through planned and structured interventions, also making use of HR tools such as an effective and standardised organisational structure supported by a job evaluation process that ensures that employees know what is expected of them to deliver on the RAF mandate.

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

PERFORMANCE MANAGEMENT

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

2017/18 saw the introduction of the enhanced, automated Performance Management System for the capturing of quarterly appraisals for all RAF employees. The system enhancements include improved overall functionality, layout and look and feel to improve user-friendliness. The system also provides live reporting capability, which will assist the RAF with prompt and accurate reporting capacity.



5. Maintaining a Skilled and Capable Workforce

TALENT AND SUCCESSION MANAGEMENT

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

LEADERSHIP ENGAGEMENT

The RAF continues to utilise the Leadership Forum as a platform for leaders to engage formally, build trust and create shared understanding on technical, tactical, operational, cultural, strategic and people issues. The Leadership Forum aims to:

- Enhance the functioning of the EXCO and other relevant mandated structures;
- Provide a platform where RAF Managers jointly discuss RAF business; and
- Build working relationships to ensure effective cross-functional efficiencies in the delivery of RAF business priorities.

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

During the financial year, the following Leadership Forums were held for the different categories of Management:

20 June 2017:	Executive Management and General Management
14 and 15 August 2017:	Executive Management and General Management**
28 November 2017:	Executive Management, General Management and Senior Management.
5 and 6 February 2018:	Categories of Management at TASK Level 15 to TASK Level 23.

***The RAF Leadership Forum held on 14 and 15 August was attended by delegates from the MVA Namibia, National Health Insurance, DoT and the National Planning Commission.*

To further enhance the functionality and value-add of the Leadership Forum, amendments to the structure and format for the 2018/19 financial year will include:

- Opportunities for leadership development activities;
- Opportunities for group (team building) activities; and
- Opportunities to have group work sessions.

LEADERSHIP DEVELOPMENT

The RAF continues to develop its leadership capability through the formal development of skills and competencies. Talent Pool successors also continued to attend formal Leadership Development Programmes. During the 2017/18 financial year, 44 staff members attended Leadership Development Programmes, as outlined in the table below:

Management Development Programme		Talent Pool Nominees
DP:	Directorship Programme	1
MBA:	Masters in Business Administration	10
EMDP:	Executive Management Development Programme	0
SMDP:	Senior Management Development Programme	4
MDP:	Management Development Programme	17
MAP:	Management Advanced Programme	3
NMDP:	New Management Development Programme	9
Total		**44**

The following additional Leadership Development Programmes were attended by Talent Pool successors:

Programme	Number of Delegates
Crucial Conversations	17
Transition to Management	15
Business Acumen and Strategic Management	9
Coaching for Performance	11
Authentic Leader Management	19
Influential Business Communication	16
Total	87

TALENT POOL APPOINTMENTS

During the year under review, the RAF appointed eight Talent Pool successors into higher level positions. Four appointments were made at Managerial level, whilst four appointments were made within the Bargaining Unit. This bears testimony to the RAF's commitment to provide opportunities for its employees to grow and advance within its own ranks, thereby retaining talented and top performing employees.

CHANGE MANAGEMENT

The Change Management Framework exists to ensure the intended outcomes and success of projects and initiatives undertaken and that the change process is conducted in a professional and organised manner. The focal points are outlined below:

The Change Management activities are integrated into the Project Management Framework and aligned with the Prince 2 Methodology. The purpose of the integration is to ensure that while the Project Management Framework provides the structure, processes and tools to make this happen, Change Management focuses on ensuring that the change is embraced, adopted and utilised by RAF employees.

Approved and budgeted positions for the reporting period was 2,881 as at 31 March 2018

Organisational change management capability is achieved through the Change Champion network and organisational engagements. Change Champions were trained extensively on the Change Management Framework and RAF Transformation.

During the reporting period, the following activities were undertaken to engage the regions in preparation for the RAF Transformation:

- Change Champion Agents on-boarding conducted on 9 and 10 October 2017.
- Resistance Management and Change Management Framework training completed.

ORGANISATIONAL DESIGN

The HC Division successfully completed the second organisational structure review for the 2017/18 financial year. The review of the organisational structure consisted of filled and vacant positions, in turn made up of the total number of approved and budgeted positions. The total number of approved and budgeted positions for the reporting period was 2,881 as at 31 March 2018.

The Nakisa Org Chart and Org Modeller Solution were implemented in the RAF during the financial year. The system has direct data integration with SAP and allows write-backs with the SAP system to ensure appropriate alignment of the organisational establishment within the SAP HRIS domain with the organogram. These applications are used to visualise the Organisational Management information and allow for a detailed, graphic view of the organisational structure and searching functionalities.

LEARNING AND DEVELOPMENT

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

MOTOR VEHICLE ACCIDENT (MVA) FOUNDATION COURSE

This training is conducted throughout the regional offices on a monthly basis. It is aimed at equipping new recruits moving into the operational environment and enables Operations to deliver on its mandate and to meet their APP targets without any interruptions.

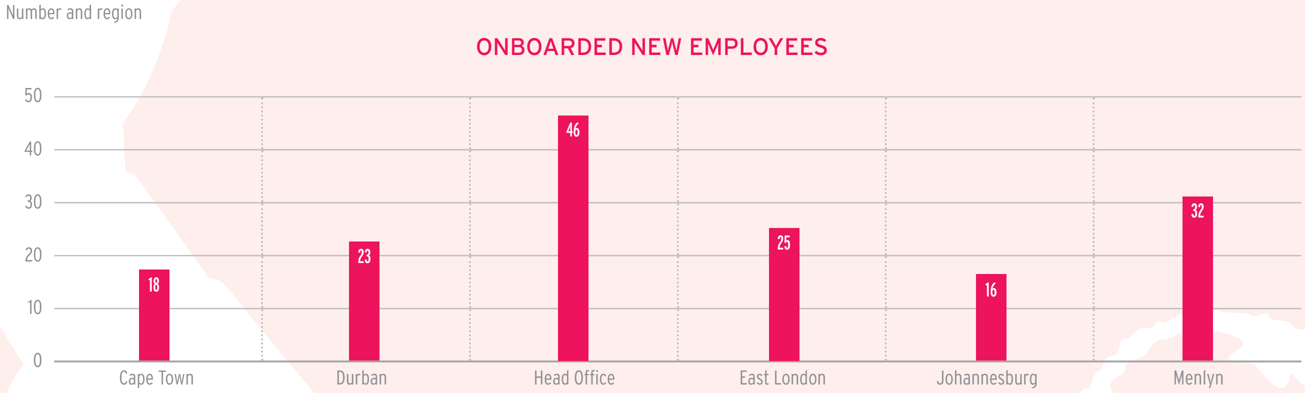
MICROSOFT PACKAGES (OUTLOOK, WORD EXCEL AND POWERPOINT)

This training is aimed at empowering staff on Microsoft packages to enable them to navigate the system and to equip learners with the necessary skills to deliver their tasks in a professional and competent manner.

ON-BOARDING OF NEW EMPLOYEES

The On-boarding Programme is aimed at introducing new employees into the RAF. It is a two-day programme which includes a meet-and-greet with the CEO and a comprehensive programme of introduction to the various departments within the RAF.

GRAPH 28: On-boarding of new employees per region - 2017/18



LEARNERSHIP AND INTERNSHIP PROGRAMME

This programme is in line with the National Skills Development (NSD) Plan, according to which the RAF offers unemployed youth and graduates an opportunity to acquire workplace skills and experience. 39 interns and 21 leaners were employed in the 2017/18 financial year.

SAP SYSTEM TRAINING

SAP training is aimed at ensuring that all learners are equipped to deal with the end-to-end processes on the SAP system relating to their field of expertise within the SAP environment.

LITIGATION MANAGEMENT SYSTEM

This relates to the correspondence and monitoring system between the RAF and attorneys. Various documents are uploaded onto the system, including all other documentation attached to the litigation process.

WRITS MANAGEMENT SYSTEM

This system is aimed at enabling those employees who deal with writs to keep track of the various processes that are involved with the serving, verification and authorisation of payment and monitoring of writs.

IMPLEMENTATION OF E-FORMS

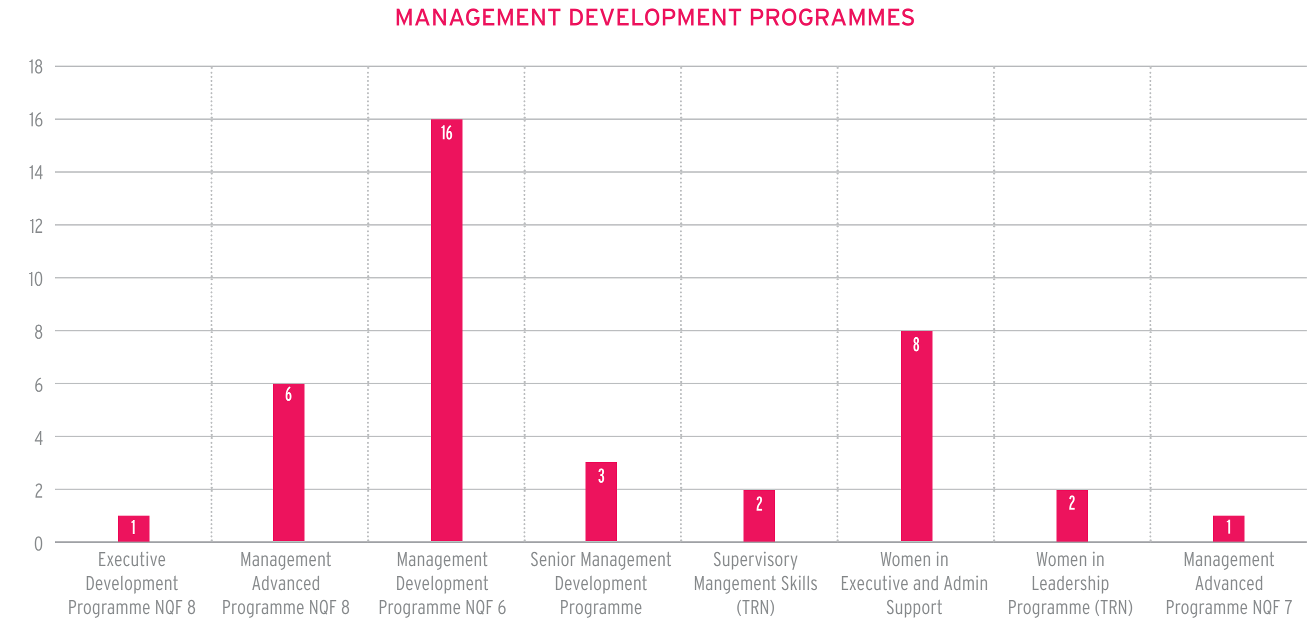
Trainees are taken through the various important forms, such as the RAF 1 form, Consultation form and Client Complaint form for, among others, the CSCs and HSCs in the organisation.

LEADERSHIP TRAINING

The emphasis is placed on leadership development for the various levels of Management. Staff continues to attend leadership learning interventions with various institutions.

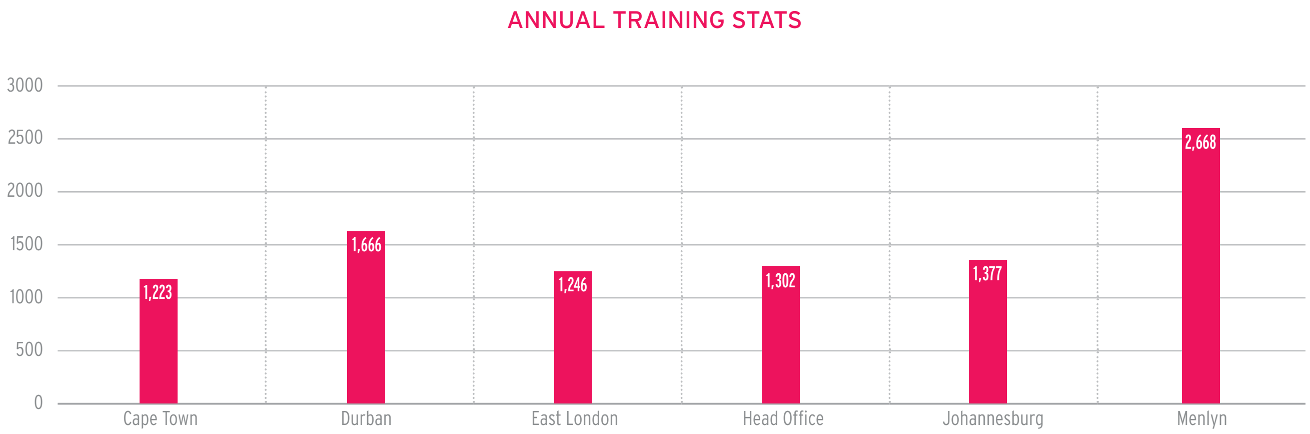
GRAPH 29: Management Development Programmes – 2017/18

Number and programmes



GRAPH 30: Number of learning interventions per employee per region for the period 1 April 2017 – 31 March 2018

Number and region



CENTRE OF EXCELLENCE

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

RECOGNITION AND REWARD OF PERFORMERS

In recognition of the achievement of APP targets for 2017/18, the Board approved the payment of performance bonuses. In addition, 743 staff members were recognised in the 2017/18 financial year in the form of spot, monthly, quarterly and annual awards for living the RAF values in their daily execution of tasks.

ANNUAL SALARY BENCHMARKING

The RAF participated in three benchmarking surveys by benchmarking salaries and benefits. The salary scale benchmark was implemented in September 2017. Survey results have been used to enhance remuneration practices in 2017/18.

MAINTENANCE OF INSTITUTIONAL KNOWLEDGE AND ENGAGEMENTS

The Knowledge Management team focused on the advocacy of knowledge management within the RAF by ensuring that information is shared among staff. Knowledge-sharing sessions and focus group discussions were facilitated for Transformation and Claims Estimates throughout the RAF regional offices. The knowledge-sharing platforms were created for the promotion of best practices, lessons learned, and uniformity.

PUBLIC SPEAKING

The RAF promotes external public speaking by Senior Management in advocating the RAF and its processes and successes. These events have become popular with conference organisers and/or attendees who always look forward to hearing about the Fund. During the reporting period, nine public speaking opportunities were facilitated, and topics related mainly to Human Resources, Women in Leadership, Ethics, Fraud and the Organisational Culture.

RAF LIBRARY

During the period under review, the RAF library introduced an online catalogue and e-books to improve visibility and provide information to the business. The library also added to their subscriptions a global information database that allows access to top local and international journals and articles.

The library recorded the following usage statistics for the period ending 31 March 2018.

Activity	Number
New information searches/requests	547
Books added to the catalogue	372
Circulations (items on loan)	721
Marketing (awareness)	25
Total Number of Activities	**1,665**

REGULATION AND COMPLIANCE

During the 2017/18 financial year, the RAF reviewed and enhanced best practice HC policies and SOPs to guide Line Managers and employees in the alignment of HC practices to the achievement of business objectives and goals.

EMPLOYEE WELLNESS SERVICES

EWS, guided by the Health and Wellness Framework, aims to provide comprehensive health and wellness programmes and services to all RAF employees, with a mission to build and maintain a healthy workforce for increased productivity and excellent service delivery to the benefit of RAF employees and their families.

An integrated health and wellness approach is used, which also contributes to staff retention. During the year under review, an average of 647 walk-in employees were assisted at the respective regional EWS offices per quarter.

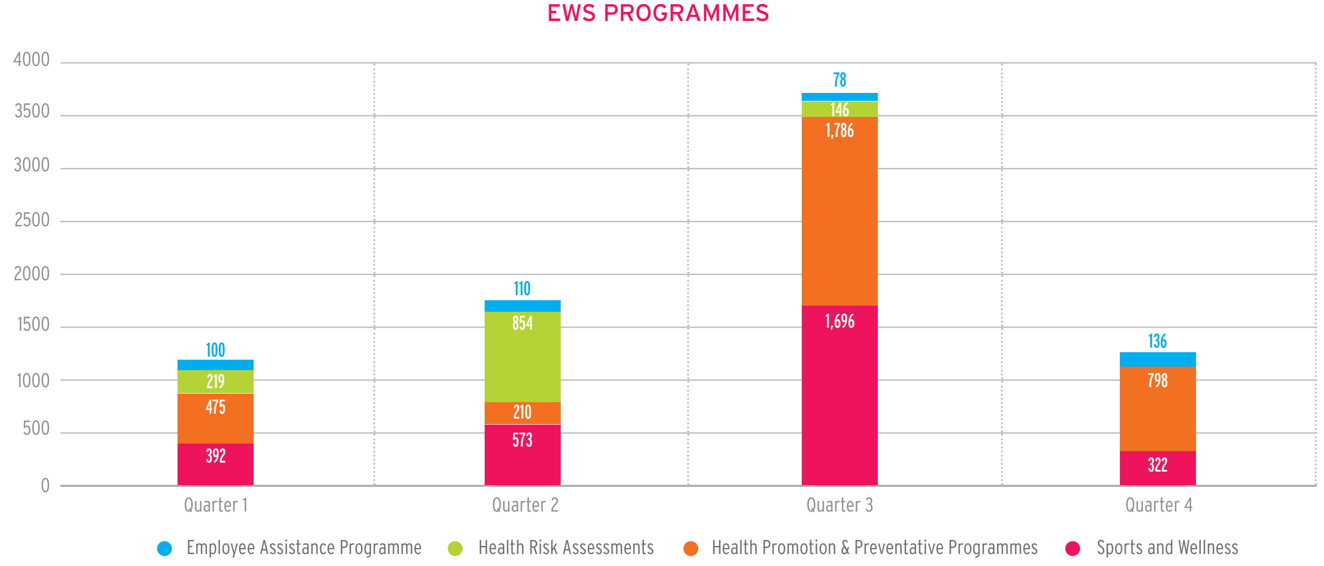
The HC Division is committed to providing employee health, safety and comprehensive wellness programmes in promoting work-life balance to the broader RAF community.

OVERALL EWS PROGRAMMES: 2017/18

The graph below depicts the overall EWS utilisation, which took place in all regional offices during the year under review.

GRAPH 31: Employee Wellness Programmes - 2017/18

Numbers and quarters

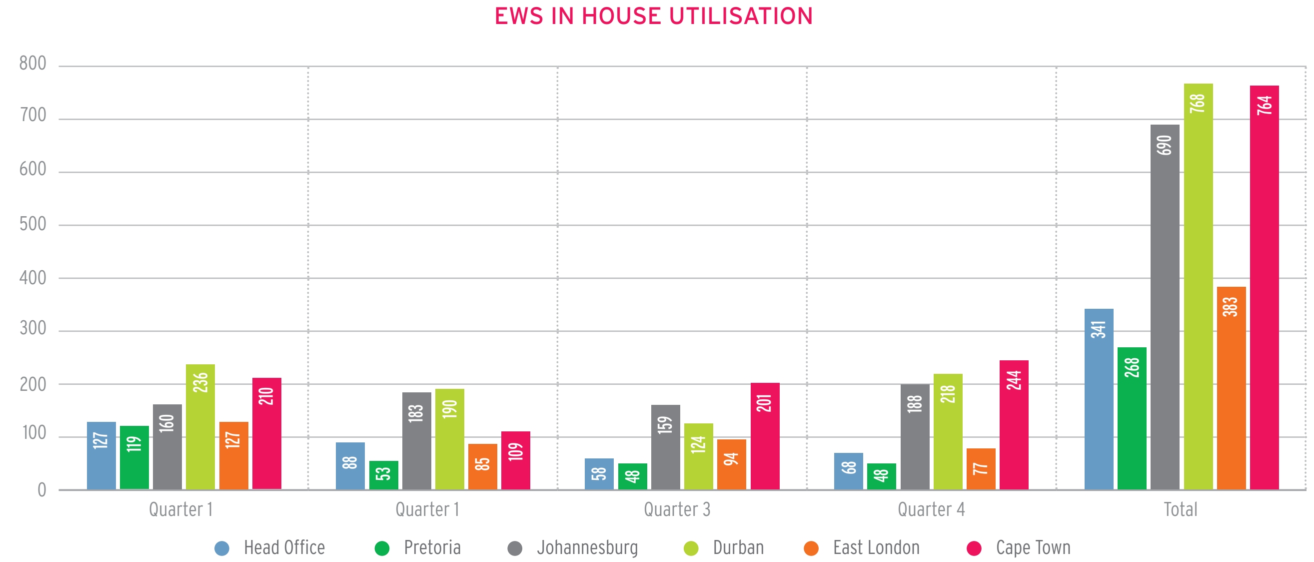


IN-HOUSE UTILISATION

The graph below depicts the in-house utilisation which took place in all the regions during the year under review.

GRAPH 32: Employee wellness in-house utilisation - 2017/18

Numbers and quarters



HEALTH RISK ASSESSMENTS

Health Risk Assessments (HRAs) were conducted with the following main objectives:

- To assess the health status of RAF employees;
- To estimate the level of health risk among employees;
- To inform and provide feedback to screened employees to motivate behavioural change and reduce health risks; and
- To implement programmes to address the outcomes of adverse health risks.

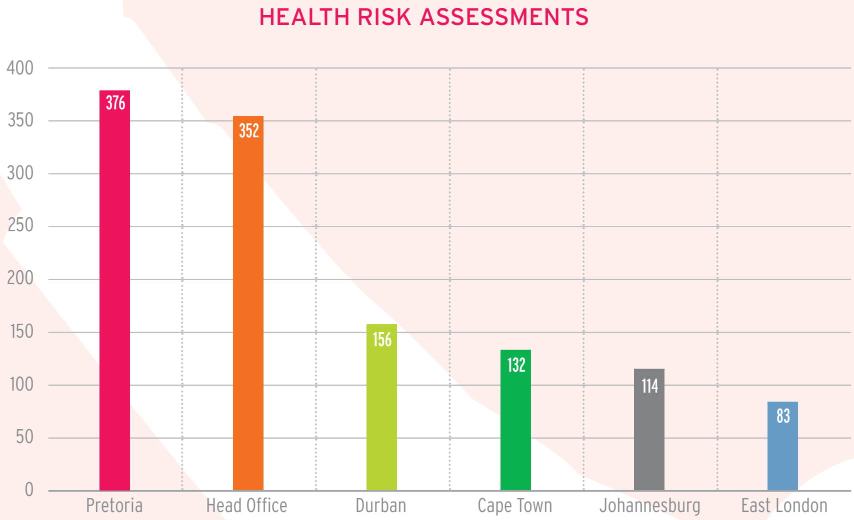
A total of 1,213 employees were screened during the 2017/18 financial year.

The graph below depicts the HRAs conducted in all the regions during the year under review.

A total of **1,213** employees were screened during the 2017/18 financial year.

GRAPH 33: Health Risk Assessments per region - 2017/18

Number and region



MANAGING ABSENTEEISM

In South Africa, the cost of absenteeism is estimated to be more than R12 billion and this trend was confirmed by the data that was extracted from the RAF Leave System. Considering this, absenteeism is a concern within the organisation and has led to the implementation of an Absenteeism Management Tool called "Advanced Time Process Manager". The tool assists Managers to better manage absenteeism. The tool also provides analytical reports to enable Managers to identify trends and misuse of leave.

Apart from this, training was also provided to ensure that Managers can identify health and wellness problems that might impact on productivity and refer such issues appropriately.

6. Benefits and Administration

PENSION FUND

INTRODUCTION OF VOLUNTARY PENSION FUND SPOUSE COVER BENEFIT

It is the fiduciary duty of the RAF Pension Fund Board of Trustees to regularly review and evaluate the benefits the Fund offers to its members. Spouse cover was reviewed accordingly, and the following was a change introduced in the reporting period:

Change in Pension Fund Spouse Cover Benefit:

The Board approved the conversion of the spouse cover from compulsory to voluntary cover. The cost for the voluntary scheme will be 0.13%, and the effective date of inception was 1 August 2017.

Staff members were given an opportunity to opt to have or not to have Pension Fund Spouse Cover Benefit.

Previous Benefits:

The Spouse Cover Benefit was compulsory to all staff members upon joining the employment of the RAF.

The Board approved the conversion of the spouse cover from compulsory to voluntary cover.

7. Human Capital Systems Automation

HC is continually scanning the environment for new HC innovations, such as automated reporting and enhancement of Management information to ensure data accuracy, and accurate reporting. These enhancements further assist Line Managers to better manage their direct reports. The Performance Management System was also updated during the year to incorporate changes to the RAF template.

Furthermore, SAP HR access was reviewed to identify all employees who were not supposed to have access, to comply with the POPI Act to ensure that data is not compromised. The exercise assisted in ensuring that access is provided correctly and that there is segregation of duties.

8. Talent Sourcing

A total of 267 appointments were made during the year, of which 19% was internal and 81% was external. Staff attrition rate remains below 10% at 4.90%. The RAF vacancy rate during the reporting period stood at 4.40%, with 127 vacant positions still to be filled in the new financial year. The Skills Audit (reported on in the last Annual Report) has enabled HC to identify key future skills requirements. The HC planning in terms of the future demand and supply of skills internally and externally is underway.

Of late, the RAF's ability to attract and retain best talent is becoming a challenge due to competition for best talent in the market. The Policy on the Regulation of Working Hours will enable the RAF to create a work environment that is conducive and with some level of flexibility for employees by creating work-life balance.

The RAF's ability to attract and retain best talent is owing to its competitive and benchmarked remuneration practices, supported by an enabling and conducive working environment to retain our most valued asset. Our retention strategies are a balance between fixed and variable remuneration and a recognition system directly linked to the RAF's values of Ubuntu, Pride in What We Do, being Solution Focused, Excellence and Efficiency. A working environment has been established where employees can flourish and be developed through new learning opportunities.

This division's focus will continue to be the capacitation of the RAF to reduce the vacancy rate. Adequate human resources were attracted and retained through the implementation of various resourcing initiatives.

9. Priorities and Future Plans

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

Priority Goal	Outcomes
Absenteeism Management	Reduction in the prevalence of sick leave by 10% compared to the previous year's baseline. Roll-out of automated Absenteeism Tool to Management.
Talent Sourcing – Automation of the Recruitment Process	The e-Recruitment Tool implemented and functional.
Workforce Planning and Skills Audit for Future Requirements	Future workforce and skills requirements assessed. Continue talent and succession management, thereby ensuring capacity availability of leaders to fill strategic and critical positions supported by continued implementation of Management and leadership development interventions.
Talent and Change Management	Capacitate the RAF's critical and strategic positions. Entrench change management through capable Line Managers leading and managing change.
Reduction in Vacancies	Reduction in the vacancy rate to ensure a capacitated RAF.
Organisational Structure Maintained	The RAF will maintain its budgeted and approved positions with no further plans of expansion through an automated Integrated Organisation Modeller Tool.
Social and Economic Transformation	Implement talent attraction programmes to maintain gender equity and attract females to Management positions, thereby contributing to government's social and economic transformation agenda. Implement e-Recruitment portal to reduce the administrative burden of screening applications. The system will enable the RAF to screen CVs, create an audit trail and save a database of applications, thus also improving turnaround times.

10. Human Capital Oversight Statistics

PERSONNEL COST BY PROGRAMME

2017/18 Programme	Total expenditure for the entity	Personnel expenditure (Total employment cost (TEC) and Non-TEC HC- related costs)	Personnel expenditure as a % of total expenditure	No. of permanent employees	Average personnel cost per employee
	(R'000)	(R'000)	%	No	(R'000)
All	63,692,484	1,605,147	2.5%	2,754	583

PERSONNEL COST BY SALARY BAND (TEC)

2017/18 Level	Personnel expenditure (TEC)	% of personnel expenditure to total personnel cost	No. of employees	Average personnel cost per employee
	(R'000)	%	No	(R'000)
Top Management	1,976	0.15%	0	0
Senior Management	49,256	3.79%	26	1,894
Professional qualified	363,193	27.95%	403	901
Skilled	688,967	53.02%	1,546	445
Semi-skilled	193,743	14.91%	762	254
Unskilled	2,375	0.18%	17	139
Total	1,299,510	100%	2,754	472

PERFORMANCE REWARDS

2017/18 Level	Performance rewards	Personnel expenditure (TEC)	% of performance rewards to total personnel cost
	(R'000)	(R'000)	%
Top Management	2,009	1,976	102%
Senior Management	9,835	49,256	20%
Professional qualified	50,213	363,193	14%
Skilled	68,080	688,967	10%
Semi-skilled	20,466	193,743	11%
Unskilled	234	2,375	10%
Total	150,837	1,299,510	12%

TRAINING COSTS

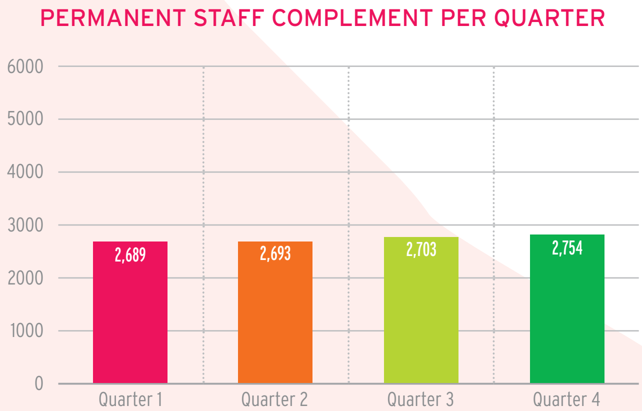
2017/18 Business unit	Personnel expenditure (TEC related costs)	Training expenditure	Training expenditure as a % of personnel cost	No. of employees trained	Average training cost per employee
	(R'000)	(R'000)	%	No	(R'000)
RAF Learning and Development	1,299,510	20,225	1.6%	2,800	7,223

EMPLOYMENT AND VACANCIES

Level	No. of employees	Approved posts	No. of employees	Vacancies	Vacancies
	2016/2017	2017/2018	2017/2018	2017/2018	%
Top Management	1	1	0	1	100.00%
Senior Management	24	29	26	3	10.34%
Professional qualified	389	426	403	23	5.40%
Skilled	1,490	1,592	1,546	46	2.89%
Semi-skilled	755	816	762	54	6.62%
Unskilled	17	17	17	0	0.00%
Total	**2,676**	**2,881**	**2,754**	**127**	**4.40%**

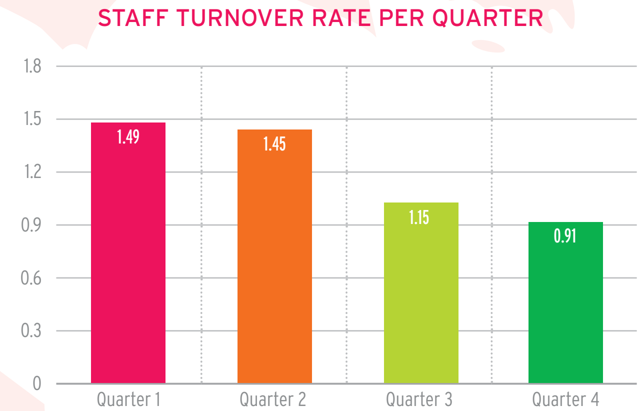
GRAPH 34: Permanent staff complement per quarter - 2017/18

Number and quarter



GRAPH 35: Staff turnover rate per quarter - 2017/18

Rate and quarter



STAFF MOVEMENT

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

On the other hand, there are employee retention programmes and mechanisms in place to ensure that critical and scarce skills are retained in the organisation.

2017/18 Level	Employment at beginning of period	Appointments Internal	Appointments External	Terminations	Employment at end of the period
Top Management	1	0	0	1	0
Senior Management	24	1	5	4	26
Professional qualified	389	7	41	32	403
Skilled	1,490	36	126	17	1,546
Semi-skilled	755	8	41	81	762
Unskilled	17	1	2	0	17
Total	**2,676**	**53**	**215**	**135**	**2,754**

REASONS FOR STAFF LEAVING

Below is a table depicting employees exiting the organisation for the reporting period:

2017/18	Number	% of total no. of staff leaving
Death	10	7%
Resignation	104	77%
Dismissal	8	6%
Retirement	10	7%
Ill health	2	2%
Expiry of contract	1	1%
Other	0	0%
Total	**135**	**100%**

MISCONDUCT AND DISCIPLINARY ACTION

Nature of Disciplinary Action	Number 2016/17	Number 2017/18
Verbal Warning	10	17
Written Warning	26	28
Final Written Warning	20	7
Dismissal	7	6
Total	**63**	**58**

INCIDENCES AND GRIEVANCES

There were 89 grievances lodged during the year under review.

EMPLOYEE RELATIONS

The RAF considers its relations with the union as a key interface to meet employee expectations in the workplace. Similarly, the RAF considers employee discipline and adherence to the RAF Code of Conduct and compliance to its policies, procedures and regulations as serious matters. During the reporting period, a total of 8 employees were dismissed for serious offences and transgressions.

EMPLOYMENT EQUITY

EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

Levels 2017/18	Male							
Permanent Employees	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	1	0	0	0	0
Senior Management	9	8	2	1	2	0	1	1
Professional qualified	147	145	13	17	12	5	31	18
Skilled	533	518	43	66	25	21	30	67
Semi-skilled	264	264	31	33	9	11	6	34
Unskilled	0	0	0	1	0	0	0	0
Total	**953**	**935**	**89**	**119**	**48**	**37**	**68**	**120**

Levels 2017/18	Female							
Permanent Employees	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	11	10	0	1	0	0	1	1
Professional qualified	159	157	11	19	9	5	21	18
Skilled	709	602	64	72	66	21	76	69
Semi-skilled	376	305	43	36	15	11	18	35
Unskilled	16	7	1	1	0	0	0	0
Total	**1,271**	**1,081**	**119**	**129**	**90**	**37**	**116**	**123**

Levels 2017/18	Race							
Employees living with Disability	African		Coloured		Indian		White	
	Male	Female	Male	Female	Male	Female	Male	Female
Total	**10**	**19**	**0**	**2**	**1**	**0**	**2**	**1**

Nelson Mandela Centenary 2018 Be the Legacy

Annual Financial Information

PART E

The reports and statements set out below comprise the Financial Statements presented to Parliament

Report of the Auditor-General to Parliament on the Road Accident Fund

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

1. I have audited the financial statements of the Road Accident Fund set out on pages 175 to 237, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Road Accident Fund as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act (PFMA) of South Africa, 1999 (Act No. 1 of 1999).

BASIS FOR OPINION

3. I conducted my audit in accordance with the International Standards of 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 the auditor's report.

4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for professional accountants* (IESBA code) and 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 code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

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

7. I draw attention to the financial statements, which indicates that the public entity incurred a net deficit of R26,351,190,000 during the year ended 31 March 2018 and, as of that date the public entity's total liabilities exceeded its total assets by R206,340,580,000. As Stated in note 34, these events or conditions, along with other matters as set forth in Note 34, indicate that a material uncertainty exists that may cast significant doubt on the public entity's ability to continue as a going concern. My opinion is not modified in respect of this matter.

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

8. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the PFMA and for such internal control as the accounting authority determines it necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

9. In preparing the financial statements, the accounting authority is responsible for assessing the Road Accident Fund'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 public entity or to cease operations, or has no realistic alternative but to do so.

AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

10. 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.

11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

INTRODUCTION AND SCOPE

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

13. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2018:

Objectives	Pages in the annual performance report
Objective 1 – Efficient claims processing	62 - 66

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

16. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following objective:
    - Efficient claims processing

OTHER MATTERS

17. I draw attention to the matters below:

ACHIEVEMENT OF PLANNED TARGETS

18. Refer to the annual performance report on page(s) 62 to 80 for information on the achievement of planned targets for the year and explanations provided for the under/over achievement of a significant number of targets.

ADJUSTMENT OF MATERIAL MISSTATEMENTS

19. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Efficient Claims Processing. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

INTRODUCTION AND SCOPE

20. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

21. The material findings on compliance with specific matters in key legislations are as follows:

EXPENDITURE MANAGEMENT

22. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R342,357,229 as disclosed in note 26 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure as caused by non-

compliance with Section 51(1) (a) (iii) and section 4 (2) (3) of the Preferential Procurement Regulations 2011. Irregular expenditure amounting to R337,507,000 was incurred on Project Siyenza which was awarded in the 2013/14 financial year.

PROCUREMENT AND CONTRACT MANAGEMENT

23. A contract was awarded to bidders based on functionality criteria that was not stipulated in the original invitation for bidding, as required by the 2011 preferential procurement regulation 4 (2) and (3). This non-compliance was identified in the procurement processes for Project Siyenza.

OTHER INFORMATION

24. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the foreword by the chairperson of the Board, the acting CEO's overview, the audit committee's report and the company secretary's certification. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.

25. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

26. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

27. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.

INTERNAL CONTROL DEFICIENCIES

28. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

FINANCIAL AND PERFORMANCE MANAGEMENT

COMPLIANCE MONITORING

29. Management did not review and monitor compliance with applicable laws and regulations relating to the effective and appropriate steps being taken to prevent irregular expenditure.

OTHER REPORTS

30. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

31. At the date of this report investigations are being carried out by the Public Protector and a review by National Treasury. The investigations are related to processing of certain claims and procurement and the review of contract management are still in progress at the date of this report. The impact, if any, on the financial statements of the Road Accident Fund can only be determined once the investigations have been concluded.

Auditor General

Pretoria
31 July 2018

AUDITOR-GENERAL
SOUTH AFRICA
Auditing to build public confidence

Annexure – Auditor-General's Responsibility for the Audit

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

FINANCIAL STATEMENTS

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority;
- conclude on the appropriateness of the board of directors, which constitutes the accounting authority 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 related to events or conditions that may cast significant doubt on the Road Accident Funds' 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 the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a public entity to cease to continue as a going concern; and
- 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.

Report of the Audit Committee

The Audit Committee is pleased to present its report for the financial year ended 31 March 2018.

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

AUDIT COMMITTEE TERMS OF REFERENCE

The Audit Committee has adopted formal Terms of Reference as its Audit Committee Charter, that has been approved by the Board of the RAF. The Committee has conducted its affairs in compliance with this Charter and has discharged its responsibilities contained therein. The Charter is available on request.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

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

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

During the year under review six meetings were held. (Apologies were rendered for meetings not attended.)

Name of member	19 April 2017	29 May 2017	20 July 2017	26 July 2017	23 October 2017	22 January 2018	Total
Mr AM Pandor	Yes	Yes	Yes	Yes	Yes	Yes	6
Mr D Coovadia	Yes	X	X	Yes	X	Yes	3
Mr TP Masobe	Yes	Yes	Yes	Yes	Yes	Yes	6
Mr KM Mothobi	#	Yes	Yes	Yes	Yes	Yes	5
Dr MC Peenze	Yes	Yes	Yes	Yes	Yes	X	5

Director-General's Representative

Ms M Somaru	Yes	X	Yes	Yes	Yes	Yes	5

X Apologies were rendered for meetings not attended
Member appointed on 29 May 2017

ROLES AND RESPONSIBILITIES

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

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

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

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

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

EXTERNAL AUDITORS

During the year, the Audit Committee met with the external auditors and with the Chief Audit Executive without Management being present. The Audit Committee is satisfied that it complied with its legal, regulatory and other responsibilities.

The Audit Committee, in consultation with Executive Management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the financial year ended 31 March 2018.

FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

The Audit Committee has evaluated the Accounting Policies and Annual Financial Statements of the RAF for the year ended 31 March 2018 and concluded that they comply, in all material respects, with the requirements of the PFMA, and were prepared in accordance with the effective South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) issued by the Accounting Standards Board (ASB).

The Audit Committee has established a process to receive and deal appropriately with any concerns and complaints relating to the reporting practices of the RAF. No matters were raised in the past financial year.

UNAUTHORISED, IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

The Audit Committee is satisfied with the processes in place to detect and disclose unauthorised, irregular and fruitless and wasteful expenditure. Any unauthorised, irregular and fruitless and wasteful expenditure that exceeds the materiality limit of 5% of the total asset value as documented in the Materiality Framework will be disclosed. For the year under review, there was no such expenditure which breached the materiality limit of R489,236,700, either individually or in aggregate.

INTERNAL FINANCIAL CONTROLS

The Audit Committee's assessment of the internal financial controls in the claims environment is that the systems, although enhanced, should still be improved. Despite this, and based on the information and explanations given by Management and the Internal Audit function, together with discussions held with the Auditor-General of South Africa (AGSA) on the result of their audits, the Audit Committee is of the opinion that the internal financial controls are adequate to ensure that the financial records may be relied upon for preparing the Annual Financial Statements, and accountability for the assets and liabilities is maintained.

Based on the results of the formal documented review of the design, implementation and effectiveness of the RAF's system of internal financial controls conducted by the Internal Audit function during the 2017/18 financial year and, in addition, considering information and explanations given by Management and discussions with the external auditor on the results of their audit, the Audit Committee is of the opinion that the RAF's system of internal financial controls is effective and forms a sound basis for the preparation of reliable Annual Financial Statements.

WHISTLE BLOWING

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

REPORTING AND COMBINED ASSURANCE

The Audit Committee fulfils an oversight role regarding the RAF's Annual Report and the reporting process, including the system of internal financial control. Furthermore, the Audit Committee oversees co-operation between the internal and external auditors and other service providers. A Combined Assurance Forum has been formed, which is chaired by the General Manager: Risk and reports to the Audit Committee on a quarterly basis.

GOING CONCERN

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

GOVERNANCE OF RISK

The Board has assigned oversight of the RAF's Risk Management function to the Risk Management and Ethics Committee (RMEC).

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

INTERNAL AUDIT

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

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

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

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

The Audit Committee has satisfied itself that the Chief Financial Officer has appropriate expertise and experience.

The Audit Committee has considered and has satisfied itself with the appropriateness of the expertise and adequacy of the resources in the Finance function and the experience of the senior members of Management responsible for the Finance function.

DR P MATHEBULA
Chairperson of the Board
Date: 28 July 2018

Statement of Responsibility by the Board

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

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

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

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

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

Based on the information and explanations given by Management and the Internal Audit Department, and discussions held with the Auditor-General of South Africa (AGSA) on the results of their audits, the Board is of the opinion that the internal financial controls are adequate to ensure that the financial records may be relied upon for preparing the Annual Financial Statements, and accountability for the assets and liabilities is maintained.

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

In the opinion of the Board, based on the information available, the Annual Financial Statements fairly present the financial position of the RAF at 31 March 2018 and the results of its operations and cash flow information for the year.

Though the RAF will continue to face material cash flow constraints, it is believed that based on the initiatives implemented to date, the support from its stakeholders, the absence of any indication that it should no longer execute its statutory obligations and by continuing to work with its service providers, that the RAF will be able to meet its obligations arising in the next 12 months.

On an annual basis following the Minister of Finance's Budget Speech in Parliament, the Taxation Amendment Act indicates what the RAF Fuel Levy will be for the applicable financial year. The RAF Fuel Levy for the 2017/18 financial year was 163 c/l. This rate was increased by 30 c/l to 193 cents per litre with effect from 1 April 2018.

The Annual Financial Statements of the RAF for the year ended 31 March 2018, which have been prepared on the going concern basis (refer to the Report of the Board as it pertains to the section on 'going concern'), have been approved by the Board and signed on its behalf by:

DR P MATHEBULA
Chairperson of the Board
Date: 28 July 2018

Report of the Board

1. INTRODUCTION

The Board presents its report which forms part of the Annual Financial Statements of the RAF for the year ended 31 March 2018 to the Minister of Transport, who is the Executive Authority in terms of section 55(1)(d) of the PFMA.

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

2. BOARD

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

NON-EXECUTIVE BOARD MEMBERS

Dr NM Bhengu (Chairperson)
Mr D Coovadia (Vice Chairperson)
Dr KLN Linda
Mr TP Masobe
Mr AM Pandor
Ms R Mokoena
Dr TO Kommal
Mr KM Mothobi
Dr MC Peenze
Ms LUZ Rataemane
Ms M Somaru (DG representative) *

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

CHIEF EXECUTIVE OFFICER

Dr EA Watson (Term expired 30 June 2017)
Ms L Jabavu (Acting CEO from 1 July 2017)

CHIEF FINANCIAL OFFICER

Ms Y van Biljon (resigned 14 June 2017)
Mr V Songelwa (Acting CFO from 19 June 2017 to 31 August 2017)
Mr R Gounden (Appointed 1 September 2017)

COMPANY SECRETARY

Ms JR Cornelius

3. REVIEW OF ACTIVITIES

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

The detailed review of the results of the RAF for the year ended 31 March 2018 is included in Part B: Performance Information in the Annual Report.

4. SOLVENCY AND GOING CONCERN

We draw attention to the fact that as at 31 March 2018, the entity had an accumulated deficit of R206,428,178,000 and that the entity's total liabilities exceeded its assets by R206,340,580,000.

The RAF has been technically insolvent for a considerable amount of time. The effect of the Turnaround Strategy implemented in the 2012/13 financial year has seen a substantial increase in the ability of the entity to settle claims and the resultant reduction in the number of open claims previously accumulated over many years. As a result, and following the depletion of historic cash reserves, the available funding to settle claims is currently limited to the annual RAF Fuel Levy received, a levy that bears no reference to the historic or forecasted claims profile, the value of claims settled or the operational capacity the entity has to settle claims.

Over the course of this financial year, the RAF continued to complete and settle more claims than it could honour from available funding. As a result, the RAF has continued to experience material cash flow constraints for the past four years to the extent that 'going concern' is deemed to be under a continued and significant threat.

It is, however, worth noting that in the past the RAF received additional financial support from the NT in the form of cash injections over and above the normal RAF Fuel Levy income, as and when it faced liquidity problems. During the 2006 financial year, it received a cash injection of R2.5 billion and in the 2009 financial year it received R2.5 billion. On 1 April 2015, an ad hoc 50 c/l increase to the RAF Fuel Levy became effective (adding approximately R11 billion to the annual Fuel Levy received). More recently, a 30 c/l increase was approved to be effective 1 April 2018, which further adds an approximate R9 billion to the annual Fuel Levy received.

Though the recent increase in the Fuel Levy, amounting to an estimated additional R9 billion per annum, to a large extent, will succeed in reducing the gap between productivity and funding on a monthly basis, it will not contribute to reducing the backlog in claims requested for payment but not yet paid that had accumulated since the cash flow constraints became a reality in the latter part of 2014. The backlog amounted to R8.6 billion on 30 June 2015 when the first tranche of the additional funding was received.

The pressure on available funding, however, remains as inflationary pressures on the heads of damages claims, the preference for the more expensive claims by represented claimants and consistently higher claims registration patterns are observed.

The assessment and the assumptions used to conclude on the continued appropriateness of the application of 'going concern' as a basis for the preparation of the Annual Financial Statements are explored below. The assessment and assumptions inform mitigation measures being implemented.

ASSESSMENT:

Professional opinions obtained in the 2014/15 financial year still believed to be relevant:

- The legal opinion obtained on what it means for the RAF to be considered 'insolvent', whether it can be classified as a 'going concern', what process needed to be followed for the RAF to be wound up, how the RAF was to deal with creditors where it could not pay them, what exposure the RAF had were it not in a position to pay claimants, the recourse of such claimants and the personal liability of the RAF's Board and Officials were a case to be made for financial mismanagement.
- The technical opinion on 'going concern' from one of its Panel of Internal Audit Firms with respect to the basis on which the Financial Statements of the RAF should be prepared and how the institution should mitigate the risk of obtaining a qualified audit opinion given the threat to the 'going concern'.

Initiatives put in place in the 2014/15 financial year that were maintained in the 2017/18 financial year:

- Updated cash flow forecasts were prepared on a daily, weekly and monthly basis to reflect the latest available financial status both in-year and multiyear and to identify the funding shortfall for any next steps.
- Extensive reporting mechanisms existed to monitor cash flows on a real-time basis and to report relevant information to the various affected parties and stakeholders, as well as to develop a proactive response to the extent possible.
- Writs instances and the processes followed in responding thereto were actively monitored and tracked by Operations and the Finance Treasury Department, whilst being supported by the Corporate Legal Department.
- Assessed the risk against the risk-bearing capacity of the entity and responding accordingly.
- Again, considered the fact that the RAF Act contemplates that the RAF may be 'unable' to pay and may be insolvent, but to liquidate the Fund is not possible under the said Act. To wind up the business of the RAF will require an Act of Parliament. Section 21 of the Act provides for the revival of the common law claim of the person injured in a road crash, or the dependants of the person killed because of the injuries sustained in a road crash, to sue the wrongdoer. Should section 21 of the RAF Act be 'triggered' by the RAF's inability to pay claimants, the implications for the public, and the State, would be dire.

It thus remains clear that the RAF cannot stop making payments, despite its cash flow constraints.

The RAF developed and implemented the following actions:

- A Cash Management Strategy was designed, recently reviewed and implemented to ensure available funding was distributed in an equitable and fair manner. This has since evolved to cash management in the ordinary course of business, which is reviewed at least annually or otherwise in response to the business environment.
- An extensive multipronged Communication Strategy remains in place to ensure that all service providers are kept abreast of developments in a transparent and frank manner.
- The entity, on a continuous basis, sought to optimise its own cost base and any funds that were not committed

due to general savings or delays in procurement, were allocated to the settlement of claims.

- Extensive engagements with stakeholders – NT, DoT and other relevant parties and forums – are on-going to ensure awareness, to present status updates and to seek solutions.
- A letter of comfort/support/indemnity was received in October 2017 and will again be sought from the Shareholders (NT and DoT).
- In addition, when confronted with the increasing prevalence of bank attachments in the past financial year, the response plan to our ongoing cash flow constraints further evolved to identify, research and implement measures to minimise the interruption caused by these attachments.

ASSUMPTIONS:

In the context of the above, and consistent with the reporting in previous financial years, Management takes the following assumptions into consideration in its assessment of the threat to the 'going concern' of the RAF:

- The ability of the RAF to continue as a 'going concern' cannot be considered, primarily because it is not a commercial enterprise. The RAF is, as its name implies, a fund. It is a receptacle of all monies procured from the NT pursuant to section 5(1) of the RAF Act, from which all claims for damages arising from bodily injuries are to be paid. The Fund therefore has no realistic alternative other than to continue to operate in accordance with the above-said legislation.
- The RAF is incapable of being liquidated. To wind up the business of the RAF will require an intervention through an Act of Parliament. The winding up process will, however, not absolve the RAF from the debts that it would have incurred as at the time of the culmination of such a process. There is currently no indication of any intention to repeal the Act.
- Cash flow forecasts for the next 12 months indicate that the extent to which Net Liabilities exceed Net Assets is expected to increase because of the projected growth in the Provision for Outstanding Claims. The Accounts Payable Book (Claims Requested Not Yet Paid), however, is showing early signs of having stabilised at levels of approximately R9 billion (originally budgeted to reach levels of R24 billion by March 2018). This should be reduced further once the increased Fuel Levy is received from 1 April 2018. As a result, Management is not of the view that material uncertainties exist that will cast significant doubt upon the entity's ability to continue as a going concern.
- The power to levy rates or taxes enables the RAF to be considered a 'going concern' even though it may operate with negative net assets.
- Support from its stakeholders, repeatedly expressed and visibly actioned in the past and more recently, continues.
- The intention to continue with the Cash Management Strategy and the Communication Strategy and the maintenance of the relationships built with service providers, which has now become common practice.
- The continuous reporting and implementation of actions to respond to what the reporting indicates, also proactively, where possible.
- The RAF will continue to execute its mandate within its available funding and, with the initiatives mentioned, is confident that it will be able to meet its short-term obligations.
- The initiatives identified above with respect to cost optimisation will continue.
- Engagements with NT and the DoT will continue with status updates and to support expectations communicated, as and when required.
- Active pursuit of the promulgation of the Road Accident Benefit Scheme (RABS) will see a financially viable social security system introduced, via a mechanism like the RAF, become affordable and appropriately funded going forward.

Though the institution will continue to face material cash flow constraints, it is believed that based on the initiatives implemented to date and the support from its stakeholders, no indication exists that the entity shall no longer execute its mandate and will no longer be able to meet its obligations in the next 12 months.

Based on the above, it is the opinion of the Management of the RAF that though the concept of 'going concern' may not be applicable to the RAF, it is nonetheless the appropriate basis for the presentation of the Financial Statements for 31 March 2018 based on this assessment.

The following table depicts the total assets and the total liabilities of the RAF over the past five years. From the table below, it is evident that the RAF has not been solvent for many years. The accumulated deficit has increased by the deficit for the year of R26,351,188,726 in the 2017/18 financial year.

	2018	2017	2016	2015	2014
	R'000	R'000	R'000	R'000	R'000
Total Assets	9,806,313	9,198,494	9,795,762	7,367,289	7,694,347
Total Liabilities	(216,146,893)	(189,191,419)	(155,047,854)	(117,613,845)	(98,492,105)
	(206,340,580)	**(179,992,925)**	**(145,252,092)**	**(110,246,556)**	**(90,797,758)**

5. SUBSEQUENT EVENTS

On 27 June 2018 the Board of the Fund was dissolved by the Minister of Transport. A new Board was appointed by Cabinet on 4 July 2018 and consists of the following Non-Executive members.

Dr P Mathebula (Chairperson)
Ms K Mashigo
Dr F Bale
Mr M Nyama
Dr N Mabuya-Moloele
Mr T Tshabalala
Ms D Molefe
Dr MF Randera
Mr KM Mothobi (re-appointment)
Dr MC Peenze (re-appointment)

The above matter has no impact on the information disclosed in the Annual Financial Statements.

6. ACCOUNTING POLICIES

The Annual Financial Statements are prepared in accordance with the prescribed South African Standards of GRAP issued by the ASB as the prescribed framework by NT. During the current financial year, no new GRAP Standards were applied for the first time.

7. MATERIALITY FRAMEWORK

A Materiality Framework has been developed for reporting losses through criminal conduct and irregular, fruitless and wasteful expenditure, or for significant transactions that require approval by the Executive Authority, as envisaged in section 54(2) of the PFMA. The framework was finalised by the RAF and approved by the Board on 6 February 2014.

8. FRUITLESS AND WASTEFUL AND IRREGULAR EXPENDITURE

FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure of R17,732,031 (2016/17: R16,312,494) relating to administrative costs, bad debts written off, interest, sheriff costs and writ costs, has been disclosed in Note 25 of the Annual Financial Statements.

INTEREST, SHERIFF COSTS AND WRIT COSTS

Interest cost is the cost paid for late payment of the claim compensation as agreed to in a settlement agreement or order of the court, and taxed legal bills settled through taxation, as these costs are due immediately. The interest is charged under the Prescribed Rate of Interest Act of 1975 at 10.25% as per *Government Gazette No. 39587,* issued on 8 January 2016.

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

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

The total value of claims-related fruitless and wasteful expenditure included in the Annual Financial Statements for the year ended 31 March 2018 is R16,858,529 (2016/17: R14,043,296) representing a 20% increase. This, as a percentage of claims expenditure, is 0.05% (2016/17: 0.04%). The total value of claims-related fruitless and wasteful expenditure, had it not been reduced for the current cash position and Management Strategy, would have been R245,591,898 (2016/17: R240,941,605).

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

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

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

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

The following information relates to the legal cost bills settled through taxation for 2017/18:

- Number of bills settled through taxation: 26,987 (2016/17: 21,997) – increased by 23%.
- Number of bills where a saving was made through taxation: 26,225 (2016/17: 20,897) – increased by 25%.
- Amount saved through taxation: R3,090,412,945 (2016/17: R1,577,478,335) – increased by 96%.
- The success rate in terms of saving legal cost bills was 97% (2016/17: 95%).

The number of taxed legal cost bills has increased because of increased processing efficiency, higher volumes of claims settled compared to the previous corresponding period and attorneys submitting bills as soon as possible for payments to queue at Treasury as a result of the cash constraints.

The increased savings is therefore as a result of an increase in tariffs, as well as attorneys overreaching when drawing up their bills which equate to higher bills, and when taxed, result in higher savings. In addition to the above, savings originate from the appointment of cost consultants by the RAF who strive to further realise higher savings as their fee is determined by the saving.

RAF officials are required to diligently apply the process of the legal cost bills assessment. Writs SOPs are in place to ensure that all taxed bills are paid timeously to minimise the impact of the interest cost at a rate of 10.25%.

The number of writs received in the 2017/18 financial year was 12,525 (2016/17: 15,720). It was 20.3% lower than in 2016/17 and is a result of the continued management of stakeholders and cash available to settle claims.

Wrong, duplicate and overpayments considered irrecoverable and written off in the current financial year amounts to R850,360 (2016/17: R692,791). Disciplinary action in respect of Wrong, Duplicate and Overpayments is taken when the payment is made, irrespective of whether the amounts are recoverable.

The fruitless and wasteful expenditure is monitored closely by the Executive and Board. There are processes which have been undertaken to ensure that this risk is mitigated.

Fruitless and wasteful expenditure relating to administrative costs totalled R23,141 (2016/17: R2,269,199) and comprised of additional travel costs which could have been avoided, and interest paid to SARS.

Disciplinary action was taken against staff members because of negligence resulting in the payment of Sheriff and interest costs, as well as duplicate payments and administrative costs. During the financial year, 209 staff members received counselling, 476 verbal warnings; and 198 written warnings were issued. No dismissals were necessary. (These figures were obtained from the Writs and Financial Misconduct Registers.)

IRREGULAR EXPENDITURE

Irregular expenditure of R342,357,229 (2016/17: R6,035,980) was reported during the financial year and is disclosed in Note 26 of the Annual Financial Statements.

Irregular expenditure arose as a result of non-compliance with Supply Chain Management legislation and also committing acts that contravene or fail to comply with a provision of the PFMA.

A total of eight instances to the value of R342,357,229 were identified and reported during the 2017/18 financial year representing a 47% reduction in the number of instances of irregular expenditure from the 15 instances totalling R6,035,980 reported in the 2016/17 financial year. Further details regarding the actions taken by management to prevent Irregular Expenditure are disclosed under Note 26 to the Annual Financial Statements.

99% of the value reported for the 2017/18 financial year relates to one instance to the value of R337,507,131 which was incurred in respect of a tender awarded in the 2013/14 financial year. This instance has been disclosed as a result of a finding raised by the Auditor General of South Africa (AGSA). Management is of the opinion that this does not fall within the scope of the 2017/18 financial year audit and should rather have been performed as a special audit in accordance with section 5(1)(d) and 29 of the Public Audit Act 2004.

The report of the AGSA for the 2017/18 financial year concludes that material non-compliance occurred and that management did not comply with section 51(1)(b)(ii) of the PFMA. It is worth noting, however, that no material non-compliance occurred during the 2017/18 financial year which resulted in Irregular Expenditure. The material non-compliance occurred in the 2013/14 financial year when the tender was awarded.

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

Employees who made or permitted irregular expenditure or fruitless and wasteful expenditure, as defined in section 57 of the PFMA, exposed themselves to appropriate disciplinary measures.

In 2017/18, three written warnings and one verbal warning were issued to employees and four employees were counselled as a result of financial misconduct where the employees were found to have contravened provisions of the Act. Disciplinary action could not be taken against employees in two matters, as the employees were no longer employed by the RAF. One disciplinary hearing is pending conclusion. No dismissals have taken place.

9. ADDRESSES

BUSINESS ADDRESS:

Eco Glades Office Park 2
Private Bag X178
Centurion
0046

POSTAL ADDRESS:

420 Witch-hazel Avenue
Centurion
0046

WEBSITE:

www.raf.co.za

10. APPROVAL

The Annual Financial Statements, which have been prepared on the going concern basis, were approved by the Board on 28 July 2018 and were signed on its behalf by:

DR P MATHEBULA
Chairperson of the Board
Date: 28 July 2018

MS L XINGWANA-JABAVU
Acting Chief Executive Officer
Date: 28 July 2018

Company Secretary's Certification

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

MS JR CORNELIUS
Company Secretary
Date: 28 July 2018

Statement of Financial Position

AS AT 31 MARCH 2018

	Notes:	2018 R'000	2017 R'000
ASSETS			
Current Assets			
Cash and cash equivalents	3	1,567,189	1,652,386
Receivables from non-exchange transactions	4	7,824,329	7,156,541
Receivables from exchange transactions	5	6,229	7,198
Other financial assets	6	160,076	160,913
Consumable stock	7	5,345	5,668
		9,563,168	**8,982,706**
Non-current Assets			
Property, plant and equipment	8	191,859	177,845
Intangible assets	9	51,286	37,943
		243,145	215,788
TOTAL ASSETS		**9,806,313**	**9,198,494**
LIABILITIES			
Current Liabilities			
Payables from exchange transactions	10	249,979	229,351
Other financial liabilities	11	208,013	40,838
Claims liabilities	12	38,268,456	34,180,160
Other provision	13	313,664	848,578
		39,040,112	**35,298,927**
Non-current Liabilities			
Claims liabilities	12	177,034,368	153,826,417
Employee benefit obligation	14	65,500	58,117
Operating lease liability	15	6,913	7,958
		177,106,781	**153,892,492**
TOTAL LIABILITIES		**216,146,893**	**189,191,419**
NET ASSETS		**(206,340,580)**	**(179,992,925)**
Reserves			
Revaluation reserve		87,598	84,063
Accumulated deficit		(206,428,178)	(180,076,988)
TOTAL NET ASSETS		**(206,340,580)**	**(179,992,925)**

Statement of Financial Performance

FOR THE YEAR ENDED 31 MARCH 2018

	Notes:	2018 R'000	2017 R'000
REVENUE			
Revenue from Exchange Transactions			
Recoveries		407	1,974
Investment revenue	18	90,046	109,330
Gain on disposal of assets and liabilities		-	1,023
TOTAL REVENUE FROM EXCHANGE TRANSACTIONS		**90,453**	**112,327**
Revenue from Non-exchange Transactions			
Transfer revenue			
Net fuel levies	16	37,250,841	33,229,532
TOTAL REVENUE		**37,341,294**	**33,341,859**
EXPENDITURE			
Claims expenditure	19	(61,345,597)	(65,954,638)
Depreciation and amortisation		(41,401)	(42,890)
Employee costs	21	(1,605,147)	(1,434,772)
Finance costs	22	(223,657)	(209,375)
Reinsurance premiums		(21,547)	(21,666)
Loss on disposal of assets and liabilities		(870)	-
General expenses	23	(454,265)	(420,016)
TOTAL EXPENDITURE		**(63,692,484)**	**(68,083,357)**
DEFICIT FOR THE YEAR		**(26,351,190)**	**(34,741,498)**

Statement of Changes in Net Assets

FOR THE YEAR ENDED 31 MARCH 2018

	Revaluation reserve	Accumulated deficit	Total net assets
	R'000	R'000	R'000
BALANCE AT 1 APRIL 2016	83,398	(145,335,490)	(145,252,092)
Changes in net assets			
Revaluation of land	(2,820)	-	(2,820)
Revaluation of building	3,485	-	3,485
Deficit for the year	-	(34,741,498)	(34,741,498)
TOTAL CHANGES	665	(34,741,498)	(34,740,833)
BALANCE AT 1 APRIL 2017	**84,063**	**(180,076,988)**	**(179,992,925)**
Changes in net assets			
Revaluation of land	200	-	200
Revaluation of building	3,335	-	3,335
Deficit for the year	-	(26,351,190)	(26,351,190)
TOTAL CHANGES	3,535	(26,351,190)	(26,347,655)
BALANCE AT 31 MARCH 2018	**87,598**	**(206,428,178)**	**(206,340,580)**

Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2018

	Notes:	2018 R'000	2017 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Fuel levies		36,048,140	33,544,875
Interest income		91,015	111,672
Other income		407	1,974
		36,139,562	**33,658,521**
Payments			
Employee costs		(1,605,147)	(1,434,772)
Claims expenditure		(34,049,350)	(31,954,954)
Finance costs		(223,657)	(209,375)
Reinsurance premiums		(21,547)	(21,666)
Other expenditure		(258,968)	(399,868)
		(36,158,669)	**(34,020,635)**
NET CASH FLOWS FROM OPERATING ACTIVITIES	27	**(19,107)**	**(362,114)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	(39,417)	(8,407)
Proceeds from sale of property, plant and equipment	8	-	3,193
Purchase of other intangible assets	9	(26,673)	(24,547)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(66,090)**	**(29,761)**
Net Decrease in Cash and Cash Equivalents		(85,197)	(391,875)
Cash and cash equivalents at the beginning of the year		1,652,386	2,044,261
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3	**1,567,189**	**1,652,386**

Statement of Comparison of Budget and Actual Amounts

FOR THE YEAR ENDED 31 MARCH 2018

BUDGET ON CASH BASIS

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Ref
	R'000	R'000	R'000	R'000	R'000	
STATEMENT OF FINANCIAL PERFORMANCE						
REVENUE						
Revenue from Exchange transactions						
Other income	-	-	-	407	407	
Investment revenue	82,278	-	82,278	90,046	7,768	36
TOTAL REVENUE FROM EXCHANGE TRANSACTIONS	**82,278**	-	**82,278**	**90,453**	**8,175**	
Revenue from Non-exchange Transactions						
Transfer Revenue						
Net fuel levies	37,097,618	-	37,097,618	37,250,841	153,223	
TOTAL REVENUE	**37,179,896**	-	**37,179,896**	**37,341,294**	**161,398**	
EXPENDITURE						
Employee costs	(1,599,223)	-	(1,599,223)	(1,605,147)	(5,924)	
Claims expenditure	(71,545,556)	-	(71,545,556)	(61,345,597)	10,199,959	36
Depreciation and amortisation	(44,298)	-	(44,298)	(41,401)	2,897	
Finance costs	(331,068)	-	(331,068)	(223,657)	107,411	36
Reinsurance premiums	(21,764)	-	(21,764)	(21,547)	217	
General expenses	(629,700)	-	(629,700)	(454,265)	175,435	36
TOTAL EXPENDITURE	**(74,171,609)**	-	**(74,171,609)**	**(63,691,614)**	**10,479,995**	
OPERATING DEFICIT	(36,991,713)	-	(36,991,713)	(26,350,320)	10,641,393,	
Loss on disposal of assets and liabilities	-	-	-	(870)	(870)	36
DEFICIT FOR THE YEAR	**(36,991,713)**	-	**(36,991,713)**	**(26,351,190)**	**10,640,523**	

Accounting Policies

FOR THE YEAR ENDED 31 MARCH 2018

1. PRESENTATION OF FINANCIAL STATEMENTS

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

Where Standards of GRAP are not available, International Financial Reporting Standards (IFRS) have been applied. The IFRS Standards applied are detailed below:

IFRS 4 Insurance Contracts

In accordance with a directive issued to the RAF by the ASB in the 2014/15 financial year, IFRS 4 Insurance Contracts have been applied in the recognition, measurement, presentation and disclosure of Claims Liabilities. The Standard was adopted for the first time in the 2014/15 financial year.

IFRS 7 Financial Instruments: Disclosures

The Standard has only been applied to disclosures of Claims Liabilities where required in accordance with IFRS 4 Insurance Contracts.

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

A summary of the significant Accounting Policies applied in the preparation of these Annual Financial Statements are disclosed below and are consistent with those applied in the prior period.

1.1. SIGNIFICANT JUDGMENTS 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 are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements, as new information becomes known, circumstances change or more experience is obtained. The RAF recognises the effect of these changes in accounting estimates prospectively, by including the effects in surplus or deficit in the period of the change if the change affects that period only, or in the period of the change and future periods, if the change affects both. Significant judgements include:

Impairment Testing

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

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

Outstanding Claims Provision

The estimation of the ultimate liability arising from claims incurred but not settled at the reporting date is the RAF's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the amount that the RAF will ultimately pay for such claims. The provision for outstanding claims is actuarially determined on an annual basis.

The measurement of the obligations in respect of this liability requires actuarial estimates and valuations. An actuary is engaged to perform these calculations. More detail on the actuarial assumptions can be found in Note 12 - Claims Liabilities.

Post-retirement Benefits

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

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

Impairment of Financial Assets Held at Amortised Cost

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

Revenue Recognition on the Road Accident Fund Fuel Levy

With effect from 1 April 2006, the responsibility for the collection of the RAF Fuel Levy was devolved from the Central Energy Fund (CEF) to the South African Revenue Services (SARS).

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

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

Diesel Refunds

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

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

Diesel refunds affect the amount of revenue to be recognised and cannot be measured accurately at the point of revenue recognition. Consequently, estimates are made by Management as to what the value of the diesel refunds will be. The estimates are based on historical evidence, and Management formulates a percentage that is applied to the RAF Fuel Levy. The average percentage for diesel refunds for the current year was 4.1% of the gross RAF Fuel Levy for the year. Additional information is disclosed in Note 13 and Note 16.

Revaluation of Land and Buildings

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

Revaluations are performed by an independent valuer on a yearly basis, such that the carrying amounts do not differ materially from those that would be determined using fair values at the reporting date. The fair value of land and building, measured using the Valuation Model, is based on market values. The market value of property is determined by taking into account the market rentals that are paid in the immediate area. The applicable relevant market rental is used to determine potential income. Thereafter, the relevant expenditure is deducted to determine the net income and with a relevant capitalisation rate, the market value is calculated. Additional information is disclosed in Note 8.

1.2. PROPERTY, PLANT AND EQUIPMENT

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

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

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

Property, plant and equipment are initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.3. INTANGIBLE ASSETS

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

- It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the RAF; and
- The cost or fair value of the asset can be measured reliably.

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- It is technically feasible to complete the asset so that it will be available for use or sale;
- There is an intention to complete and use or sell it;
- There is an ability to use or sell it;
- It will generate probable future economic benefits or service potential;

- There are available technical, financial and other resources to complete the development and to use or sell the asset;
- The expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally, generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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

Item	Useful life
Computer software	5 years

Intangible assets are derecognised:

- On disposal; or
- When no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and lease-back).

1.4. FINANCIAL INSTRUMENTS

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

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

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, a contractual right to receive cash or another financial asset from another entity, exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the RAF.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the RAF.

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all its liabilities. A residual interest includes contributions from owners, which may be shown as:

- Equity instruments or similar forms of unitised capital;
- A formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- A formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- Derivatives.
- Combined instruments that are designated at fair value.
- Instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated a fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The RAF has the following types of financial assets in terms of classes and category, as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Class	Category
Advance payment in respect of suppliers' claims	Financial asset measured at amortised cost
Employee debtors	Financial asset measured at amortised cost
Sundry debtors	Financial asset measured at amortised cost
Claims debtors	Financial asset measured at amortised cost
Other deposits	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Rent-a-Captive insurance	Financial asset measured at amortised cost

Advance payment in respect of suppliers' claims represents a payment made to a third party to settle claims on the RAF's behalf. Though all the ring-fenced claims have been settled, an overall debtor remains. Claims debtors represent over-payments, duplicate payments and wrong payments made to claimants. These items are financial assets and do not meet the criteria of an insurance asset as defined in IFRS 4.

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
Trade and other creditors	Financial liability measured at amortised cost

Initial Recognition

The RAF recognises a financial asset or a financial liability in its Statement of Financial Position when the entity becomes a party to the contractual provisions of the instrument.

The RAF recognises financial assets using trade date accounting.

Initial Measurement of Financial Assets and Financial Liabilities

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

Subsequent Measurement of Financial Assets and Financial Liabilities

The RAF measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Impairment and Uncollectability of Financial Assets

The RAF 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.

Objective evidence of impairment includes:

- Amounts not recovered or no instalments received within 90 days of recognition of the financial asset or the previous instalment received;
- Information received about the debtor indicating their inability to settle the financial asset; or
- Legal action has been instituted to recover the amount receivable.

Financial assets measured at amortised cost:

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

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

Derecognition

Financial Assets

The RAF derecognises financial assets using trade date accounting.

The RAF derecognises a financial asset only when:

- The contractual rights to the cash flows from the financial asset expire, are settled or waived;
- The entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

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

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial Liabilities

The entity removes a financial liability, or a part of a financial liability, from its Statement of Financial Position when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Presentation

A financial asset and a financial liability are only offset, and the net amount presented in the Statement of Financial Position, when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.5. TAX

Tax Expenses

The RAF is exempt from taxation in terms of the provision of section 10(1)(cA)(i) of the Income Tax Act, 1962 (Act No. 58 of 1962) and section 16 of the RAF Act, 1996 (Act No. 56 of 1996).

1.6. LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes land and building elements, the entity assesses the classification of each element separately.

Operating Leases – Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7. CONSUMABLE STOCK

Consumable stock is initially measured at cost except where consumable stock is acquired through a non-exchange transaction, then its costs is its fair value as at the date of acquisition.

Subsequently, consumable stock is measured at the lower of cost and net realisable value.

Consumable stock is measured at the lower of cost and current replacement cost where it is held for distribution at no charge or for a nominal charge.

Current replacement cost is the cost the RAF incurs to acquire the asset on the reporting date.

The cost of consumable stock comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the consumable stock to its present location and condition.

The cost of consumable stock is assigned using the weighted average cost formula. The same cost formula is used for all consumable stock having a similar nature and use to the RAF.

When consumable stock is utilised, the carrying amounts of the consumable stock are recognised as an expense in the period in which the stock is distributed. The amount of any write-down of consumable stock to net realisable value or current replacement cost and all losses of consumable stock are recognised as an expense in the period, the write-down or loss occurs. The amount of any reversal of any write-down of consumable stock, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of consumable stock recognised as an expense in the period in which the reversal occurs.

1.8. IMPAIRMENT OF CASH-GENERATING ASSETS

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

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return, that generates cash inflows from continuing use, that are largely independent of the cash inflows from other assets or groups of assets.

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

Depreciation (amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

- The period of time over which an asset is expected to be used by the RAF; or
- The number or production of similar units expected to be obtained from the asset by the RAF.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The RAF assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the RAF estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the RAF also tests a cash-generating intangible asset with an indefinite useful life, or a cash-generating intangible asset not yet available for use for impairment annually, by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Reversal of Impairment Loss

The RAF assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the RAF estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit *pro rata* with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- Its recoverable amount (if determinable); and
- The carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated *pro rata* to the other assets of the unit.

1.9. IMPAIRMENT OF NON-CASH-GENERATING ASSETS

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The RAF assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the RAF also tests a non-cash-generating intangible asset with an indefinite useful life, or a non-cash-generating intangible asset not yet available for use for impairment annually, by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in Use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets' remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated Replacement Cost Approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated based on such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration Cost Approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service Units Approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and Measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss, which is recognised immediately in the surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

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

Reversal of an Impairment Loss

The RAF assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the RAF estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.
Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

1.10. SHARE CAPITAL / CONTRIBUTED CAPITAL

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.11. EMPLOYEE BENEFITS

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

Short-term Employee Benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- Wages, salaries and social security contributions;
- Short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 months after the end of the reporting period in which the employees render the related employee service;
- Bonus, incentive and performance-related payments payable within 12 months after the end of the reporting period in which the employees render the related service; and
- Non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the RAF recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the RAF recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- As an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The RAF measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonuses, incentives and performance-related payments when the RAF has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the RAF has no realistic alternative but to make the payments.

Post-employment Benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than State plans and composite social security programmes) or defined benefit plans (other than State plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

The RAF contributes towards the Employees' Pension Fund administrated by ABSA Consultants and Actuaries (Pty) Limited, the cost of which is recognised in surplus or deficit in the year that it is paid.

Post-employment Benefits: Defined Benefit Plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability, the RAF recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a benefit fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and these assets are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity, or the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation, which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive, that is, when benefits are introduced or changed so that the present value of the defined benefit obligation increases, or negative, that is, when existing benefits are changed so that the present value of the defined benefit obligation decreases.

In measuring its defined benefit liability, the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The RAF accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the RAF's informal practices. Informal practices give rise to a constructive obligation where the RAF has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the RAF's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- The present value of the defined benefit obligation at the reporting date;
- Minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- Plus, any liability that may arise as a result of a minimum funding requirement.

The amount determined as a defined benefit liability may be negative (an asset). The RAF measures the resulting asset at the lower of the amount determined above or the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The RAF determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity, such that the amounts recognised in the Annual Financial Statements do not differ materially from the amounts that would be determined at the reporting date.

The RAF recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- Current service cost;
- Interest cost;
- The expected return on any plan assets and on any reimbursement rights;
- Actuarial gains and losses;
- Past service cost;
- The effect of any curtailments or settlements; and
- The effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The RAF uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- The date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- The date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The RAF offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial Assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- Estimated future salary increases;
- The benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- Estimated future changes in the level of any State benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those State benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Termination Benefits

Termination benefits are recognised as an expense when the RAF is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the RAF has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

1.12. PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- The RAF has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; 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 will affect the decisions of the users of the Annual Financial Statements, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

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

Where some or all 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.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- Has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- Has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- Necessarily entailed by the restructuring; and
- Not associated with the on-going activities of the RAF.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in Note 33.

1.13. PAYABLES

Liabilities are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

Provisions can be distinguished from other liabilities, such as payables and accruals, because there is uncertainty about the timing or amount of the future expenditure required in settlement. By contrast:

- Payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier (and include payments in respect of social benefits where formal agreements for specified amounts exist); and
- Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees (for example, amounts relating to accrued leave pay).

Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much less than for provisions.

The RAF reports accruals and provisions as part of Trade and Other Creditors.

Recognition

The RAF recognises payables in accordance with GRAP 19.

A provision shall be recognised when:

- An entity has a present obligation (legal or constructive) 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 amount of the obligation.

If these conditions are not met, no provision shall be recognised.

The recognition criteria for accruals is similar to those of the provisions, except that the amount of the obligation is not estimated.

The amount recognised is accurately determined using the relevant report, contract or invoice.

In most instances, the system is used to derive these amounts.

Measurement

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

It will often be impossible or prohibitively expensive to settle or transfer an obligation at the reporting date. However, the estimate of the amount that the RAF would rationally pay to settle or transfer the obligation gives the best estimate of the expenditure required to settle the present obligation at the reporting date.

The estimates of outcome and financial effect are determined by the judgment of the Management of the RAF, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date.

The RAF measures the accruals based on the actual amount as per internal and external reports, including contracts and invoices.

The risks and uncertainties that inevitably surround many events and circumstances shall be considered in reaching the best estimate of a provision.

With regard to accruals, there is little to no risk and uncertainty as compared to provisions, as actual amounts are used.

1.14. REVENUE FROM EXCHANGE TRANSACTIONS

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

An exchange transaction is one in which one entity receives assets or services, or has liabilities extinguished, and directly 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.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Income

Income arising from the use by others of entity assets yielding interest, reinsurance income and other income is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the RAF, and the amount of the revenue can be measured reliably.

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

Reinsurance income comprises income received in terms of high-value claims insured by reinsurance companies and commutation offers received from same.

Other income comprises fees that are collected for published tenders, vending machines and parking fees received from employees and other immaterial inflows not related to the mandate of the RAF.

1.15. REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

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

Recognition

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

As the RAF satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction 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 RAF.

The main income received by the RAF is a levy that is based on fuel sales known as the RAF Fuel Levy. The RAF Fuel Levy income is a charge levied on fuel throughout the country and the quantum of the RAF Fuel Levy per litre is determined by NT. The RAF Fuel Levy amendments are communicated through the Budget Speech.

The RAF recognises revenue from fuel levies when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the RAF.

Revenue is measured at the fair value of the consideration received or receivable (net of the diesel rebate).

1.16. BORROWING COSTS

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17. TRANSLATION OF FOREIGN CURRENCIES

Foreign Currency Transactions

A foreign currency transaction is recorded, on initial recognition in rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous Annual Financial Statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in rands by applying to the foreign currency amount the exchange rate between the rand and the foreign currency at the date of the cash flow.

1.18. CLAIMS PAYMENTS

An insurance contract is defined as a contract under which the insurer accepts significant insurance risk from another party (the policy holder) by agreeing to compensate the policy holder if a specified uncertain future event (the insured event) adversely affects the policy holder. The RAF does not have any insurance contracts, but does however accept insurance risk as it is mandated by legislation to compensate victims of road accidents for injuries suffered as a result of motor vehicle accidents.

Claims Incurred

Claims incurred comprise claims and related expenses incurred and paid during the year and changes in the claims finalised but not yet paid at year-end and provisions for outstanding claims, including related external expenses, together with any other adjustments to claims from previous years.

Provision for Outstanding Claims Recorded

Provision is made at the year-end for the estimated cost of claims incurred, but not yet settled at the reporting date. Claims outstanding are determined as accurately as possible on the basis of a number of factors, which include previous experience in claims and claims settlement patterns.

Further, the outstanding claims provision is calculated taking the following estimates into account:

- Estimates of additional claims payments that may be required on claims that have already been reported to the RAF and are still open;
- Estimates of additional claims payments that may be required on claims that have already been reported to the RAF and are closed, but could be reopened in the future; and
- Estimates of external claims handling expenses, i.e. legal and medical experts, assessors and other experts – excluding the RAF's overhead administrative costs.

The outstanding claims estimate is reflected in the Financial Statements at a discounted value, based on expected monetary values at the expected time of payment of those claims. The discount rate is the rate before tax that reflects current market assessments of the time value of money and the risks specific to the liability. Reserves for internal or indirect claim handling expenses (e.g. administration costs) are specifically excluded from the estimates.

Provision for Incurred but Not Yet Reported Claims (IBNR)

Provision is made at year-end for the cost of claims incurred but not yet reported (commonly referred to as "Claims IBNR") to the RAF. This provision represents claims which are deemed to have happened before the valuation date, but which are not yet registered on the claims system.

An adjusted Bornheutter Fergusson Method is used to determine the number of IBNR claims. This requires two separate estimates to be made of ultimate expected claims per accident year. The two estimates are based on the Chain Ladder Method, and an independent estimate respectively. The Chain Ladder Method is very sensitive to small movements in the most recent accident quarters. A small number of claims reported to date is grossed up to the ultimate number, and, as such, a small change in claims reported to date will have a large impact on the result. Therefore, an independent estimate for the more recent quarters was used to provide stability. The extent to which the independent estimate is used reduces based on how far an accident quarter has run off. For older accident quarters, the Chain Ladder result alone would be applied, while for more recent quarters the independent estimate is given more weight.

A best estimate of the amount that the RAF would rationally pay to settle its claims obligation has been calculated. As the claims received every month are funded by the RAF Fuel Levy received each month, there is no unexpired risk exposure. Therefore, the total claims liabilities are considered to be adequate.

Reinsurance Contracts Held

The RAF procures reinsurance cover for the purposes of limiting its net loss potential. The reinsurance policies do not release the RAF from its direct obligations to its claimants, as the duty to compensate the claimants remains with the RAF although the reinsurance cover has been procured.

The contracts entered into by the RAF with reinsurers, under which the RAF is compensated for losses on one or more "contracts" issued by the RAF and that meet the classification requirements for the insurance contracts above, are classified as reinsurance contracts held. Only the rights under contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

Reinsurance premiums are charged to the Statement of Financial Performance over the period that the reinsurance cover is provided based on the expected pattern of the reinsured risks.

Reinsurance assets comprise contracts with reinsurers under which the entity is compensated for losses on one or more contracts which are classified as insurance contracts. Reinsurance assets on contracts that do not meet this classification are classified as financial assets.

Reinsurance assets principally include the reinsurer's share of liabilities in respect of the legislative obligation to claimants. Amounts recoverable under reinsurance contracts are recognised in a manner consistent with the reinsured risks and in accordance with the reinsurance contract.

The RAF does not recognise reinsurance assets except for claims which have already been lodged with reinsurers and liability acknowledged, due to uncertainty regarding the successful realisation of the claims.

Reinsurance assets are assessed for impairment at each reporting date. Impairments on reinsurance assets are recognised in surplus/deficit.

A reinsurance asset is impaired if, and only if:

(a) There is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the RAF may not receive all amounts due to it under the terms of the contract; and
(b) That event has a reliably measurable impact on the amounts that the RAF will receive from the reinsurer.

Claims Requested for Payment and Not Paid at Year-End

Claims requested for payment which have not been paid at the reporting date are recognised as an insurance liability in the Statement of Financial Position when the value of the claim has been determined and the payment of the claim has been requested.

At initial recognition, claims requested for payment but not yet paid at year-end are measured at fair value. The fair value of a claim is the amount payable by the RAF to extinguish its obligation in respect of the claim and represents the future cash flows arising from the request for the claim to be paid.

The claims requested for payment but not paid at year-end are subsequently measured at amortised cost. These liabilities are considered to be short-term, as they will be settled within 12 months of the reporting date and are therefore not discounted.

1.19. FRUITLESS AND WASTEFUL EXPENDITURE

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20. IRREGULAR EXPENDITURE

Irregular expenditure, as defined in section 1 of the PFMA, is expenditure other than unauthorised expenditure, incurred in contravention of, or that is not in accordance with a requirement of any applicable legislation, including:

- This Act; or
- The State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- Any provincial legislation providing for procurement procedures in that provincial government.

National Treasury Practice Note No. 4 of 2008/09, which was issued in terms of sections 76(1) to 76(4) of the PFMA, requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year-end and/or before finalisation of the Financial Statements must also be recorded appropriately in the Irregular Expenditure Register. In such an instance, no further action is also required except for updating the Note to the Financial Statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year-end must be recorded in the Irregular Expenditure Register. No further action is required except for updating the Note to the Financial Statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the Register and the Disclosure Notes to the Financial Statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the NT or the relevant authority must be recorded appropriately in the Irregular Expenditure Register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the Accounting Officer or Accounting Authority may write off the amount as debt impairment and disclose such in the relevant Note to the Financial Statements. The Irregular Expenditure Register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the Note to the Financial Statements and updated accordingly in the Irregular Expenditure Register.

1.21. BUDGET INFORMATION

Entities are 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 entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 1 April 2017 to 31 March 2018.

The Annual Financial Statements and the budget are prepared on the same basis of accounting; therefore, a comparison with the budgeted amounts for the reporting period have been included in the Statement of Comparison of Budget and Actual Amounts. Material movements will be explained in the Statement of Comparison of Budget and Actual Amounts, and movements of greater than 10% will be assumed material.

1.22. RELATED PARTIES

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

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

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

Notes to the Annual Financial Statements

FOR THE YEAR ENDED 31 MARCH 2018

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 2018 or later periods:

GRAP 20: RELATED PARTIES

The objective of this Standard is to ensure that a reporting entity's Annual Financial Statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents Financial Statements under the accrual basis of accounting (in this Standard referred to as the reporting entity) shall apply this Standard in:

- Identifying related party relationships and transactions;
- Identifying outstanding balances, including commitments, between an entity and its related parties;
- Identifying the circumstances in which disclosure of the items above is required; and
- Determining the disclosures to be made about those items.

This Standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate Financial Statements of the reporting entity in accordance with the SA Standard of GRAP on Consolidated and Separate Annual Financial Statements. This Standard also applies to individual Annual Financial Statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The effective date of the Standard has not yet been set by the Minister of Finance.

The entity expects to adopt the Standard for the first time when the Minister sets the effective date for the Standard.

It is unlikely that the Standard will have a material impact on the RAF's Financial Statements.

GRAP 108: STATUTORY RECEIVABLES

The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the Standard has not yet been set by the Minister of Finance.

The entity expects to adopt the Standard for the first time when the Minister sets the effective date for the Standard.

It is unlikely that the Standard will have a material impact on the RAF's Financial Statements.

3. CASH AND CASH EQUIVALENTS

	2018	2017
	R'000	R'000
Cash and cash equivalents include the following:		
Short-term deposits	1,078,606	1,595,188
Current accounts	488,540	57,148
Cash on hand	43	50
TOTAL	**1,567,189**	**1,652,386**

The effective interest rate on call deposits in 2017/18 was 6.57% and 6.69% in 2016/17.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2018	2017
	R'000	R'000
Fuel Levy receivable	7,824,329	7,156,541

The RAF Fuel Levy is recovered directly from the oil refineries by SARS and is paid into the National Revenue Fund. SARS pays the funds into the National Revenue Fund after certain deductions are made in terms of section 47 of the Customs and Excise Act, 1964 (Act No. 91 of 1964), section 5 of the RAF Act, as well as Schedule No. 6 to the Customs and Excise Act, 1964. NT then pays these levies from the National Revenue Fund to the RAF.

Approximately 50% of the levies due are payable by the refineries at the end of the month following the month of removal from the refinery, and the remaining 50% at the end of the following month.

This amount is reduced by any bad debts that the refineries have sustained that need to be refunded by the RAF.

5. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2018	2017
	R'000	R'000
Interest receivable from short-term investments	6,229	7,198

6. OTHER FINANCIAL ASSETS

	2018	2017
	R'000	R'000
At amortised cost		
Refund receivable i.r.o. supplier claims and other	56,443	27,341
Employee debtors	1,245	722
Sundry debtors	2,847	5,173
Rent-a-Captive insurance	112,454	139,653
Other deposits	87	121
Claims debtors	7,173	7,906
	180,249	180,916
Impairments of claims, advance payment, employee and sundry debtors	(20,173)	(20,003)
	160,076	**160,913**
Current assets		
At amortised cost	**160,076**	**160,913**

Financial Assets at Amortised Cost

Financial Assets at Amortised Cost Past Due but Not Impaired

Financial assets which are past due but are not considered to be impaired amounted to R8,046,355 as at 31 March 2018 and R833,342 in 2016/17.

	2018	2017
The breakdown of amounts past due but not impaired are as follows:		
Claims debtors (greater than 90 days)	8,046	833

Financial Assets at Amortised Cost Impaired

Claims, advance payment, employee and sundry debtors that are impaired were R20,172,918 as at 31 March 2018 and R20,003,499 in 2016/17.

These were impaired and provided for.

	2018	2017
The breakdown of amounts is as follows:		
Claims debtors	7,099	6,930
Refund receivable i.r.o. supplier claims and other	13,074	13,074
	20,173	**20,004**

6. OTHER FINANCIAL ASSETS (CONTINUED)

	2018 R'000	2017 R'000
Reconciliation of Provision for Impairment of Financial Assets at Amortised Cost		
Sundry Debtors		
Opening balance	-	153
Unused amounts reversed	-	(153)
	-	-
Claims Debtors		
Opening balance	6,930	3,691
Provision for impairment	2,480	3,939
Amounts written off as uncollectible	(2,310)	(693)
Unused amounts reversed	(1)	(7)
	7,099	6,930
Employee Debtors		
Opening balance	-	323
Amounts written off as uncollectible	-	(323)
	-	-
Refunds receivable i.r.o. supplier claims and other		
Opening balance	13,074	13,074
	13,074	**13,074**

The creation and release of provision for impairment receivables have been included in General Expenses Note 23. The impairment of financial liabilities was estimated using the factors set out in the Accounting Policies.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The RAF does not hold any collateral as security.

7. CONSUMABLE STOCK

Included in consumable stock is printing paper, printer cartridges and stationery.

	2018	2017
Consumable stock	5,345	5,668

8. PROPERTY, PLANT AND EQUIPMENT

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Land	16,200	-	16,200	16,000	-	16,000
Buildings	78,900	-	78,900	79,009	(9)	79,000
Office furniture	42,666	(23,234)	19,432	37,969	(18,285)	19,684
Motor vehicles	204	(138)	66	204	(103)	101
Office equipment	31,296	(22,816)	8,480	29,473	(20,722)	8,751
IT equipment	242,360	(173,579)	68,781	212,749	(158,440)	54,309
Leasehold improvements	17,116	(17,116)	-	17,116	(17,116)	-
TOTAL	**428,742**	**(236,883)**	**191,859**	**392,520**	**(214,675)**	**177,845**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2018

	Opening balance	Additions	Disposals	Transfers	Revaluations	Accumulated depreciation on disposals	Depreciation	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Land	16,000	-	-	-	200	-	-	16,200
Buildings	79,000	-	-	-	3,335	-	(3,435)	78,900
Office furniture	19,684	5,779	(1,082)	-	-	411	(5,360)	19,432
Motor vehicles	101	-	-	-	-	-	(35)	66
Office equipment	8,751	2,060	(238)	(64)	-	234	(2,263)	8,480
IT equipment	54,309	31,578	(1,967)	5	-	1 773	(16,917)	68,781
TOTAL	**177,845**	**39,417**	**(3,287)**	**(59)**	**3,535**	**2,418**	**(28,010)**	**191,859**

The carrying amount of fully depreciated property, plant and equipment that are still in use is as follows:

	2018	2017
	R'000	R'000
Cost	229,282	205,110
Accumulated depreciation	(229,265)	(205,095)
Carrying amount	**17**	**15**

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2017

	Opening balance	Additions	Disposals	Revaluations	Accumulated depreciation on disposals	Depreciation	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Land	18,820	-	-	(2,820)	-	-	16,000
Buildings	78,950	-	-	3,485	-	(3,435)	79,000
Office furniture	20,880	2,456	(736)	-	509	(3,425)	19,684
Motor vehicles	1,635	-	(7,416)	-	6,529	(647)	101
Office equipment	10,594	830	(3,205)	-	2,956	(2,424)	8,751
IT equipment	70,063	5,121	(9,080)	-	8,258	(20,053)	54,309
Leasehold improvements	501	-	-	-	-	(501)	-
	201,443	**8,407**	**(20,437)**	**665**	**18,252**	**(30,485)**	**177,845**

REVALUATIONS

The effective date of the revaluations was 31 March 2018. Revaluations were performed independently by Messrs Tshepo Rakau (Reg. No. 6180) and TP Mokhuwa (Reg. No. 7006/9), Professional Valuers of Black Dot Property Consultants (Pty) Ltd. Neither the valuers nor Black Dot Property Consultants (Pty) Ltd are related parties of the RAF.

Land and buildings are re-valued independently every year in terms of the RAF Policy.

The valuation was performed using the Income Capitalisation Method to determine the market value by discounting the future income flows to a present value. A capitalisation rate of 10% (2016/17: 10%) was applied to the first year's net income to arrive at the capitalised value.

Registration of the land in the name of the RAF has not yet taken place due to circumstances beyond the control of the RAF. The Deed of Sale specifically states that all risks and rewards incidental to ownership pass to the RAF on the signing of the Deed of Sale. Economic benefits are flowing to the entity in the form of use of the land, as well as any appreciation in value. The cost of the land was measured reliably at recognition as the consideration paid for the purchase of the property. The asset has therefore been recognised in the Annual Financial Statements in accordance with the definition of an asset, as set out in GRAP 1 *Presentation of Financial Statements*, and recognition criteria, as set out in GRAP 17 *Property, Plant and Equipment*.

9. INTANGIBLE ASSETS

	2018			2017		
	Cost / Valuation	Accumulated amortisation and Accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and Accumulated impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Computer Software	164,606	(113,320)	51,286	137,934	(99,991)	37,943

RECONCILIATION OF INTANGIBLE ASSETS - 2018

	Opening balance	Additions	Transfers	Amortisation	Total
	R'000	R'000	R'000	R'000	R'000
Computer Software	37,943	26,673	59	(13,389)	51,286

RECONCILIATION OF INTANGIBLE ASSETS - 2017

	Opening balance	Additions	Amortisation	Total
	R'000	R'000	R'000	R'000
Computer Software	25,802	24,547	(12,406)	37,943

10. PAYABLES FROM EXCHANGE TRANSACTIONS

	2018	2017
	R'000	R'000
Accrual for overtime	7,346	7,587
Accrual for leave	55,938	54,236
Accrual for 13th cheque	16,810	15,647
Accrual for performance bonuses	169,885	151,881
TOTAL	249,979	229,351

11. OTHER FINANCIAL LIABILITIES

	2018 R'000	2017 R'000
At amortised cost		
Trade and other creditors	**208,013**	**40,838**
Current liabilities		
At amortised cost	208,013	40,838

12. CLAIMS LIABILITIES

	2018 R'000	2017 R'000
Provision for outstanding claims recorded	139,204,000	119,830,000
Provision for claims incurred but not yet reported	67,013,000	59,633,000
Provision for hand-over costs	24,478	27,332
Claims requested for payment but not paid at year-end	9,061,346	8,516,245
	215,302,824	**188,006,577**
Claims liabilities are classified as follows:		
Non-current liabilities	177,034,368	153,826,417
Current liabilities	38,268,456	34,180,160
	215,302,824	**188,006,577**

PROVISION FOR CLAIMS RECORDED AND INCURRED BUT NOT YET REPORTED (IBNR)

No adjustments have been made to the methodology used in the valuation of the Outstanding Claims and Claims Incurred But Not Yet Reported (IBNR) liabilities for the year ended 31 March 2017 in the current year valuation.

The total claims liability, including provision for claims IBNR as at 31 March 2018, was estimated to be R206,217,000,000 (2016/17: R179,463,483,000). The R206,217,000,000 should be interpreted as the expected monetary amount that, together with notional investment income on this amount, would be sufficient to cover future payments in respect of accidents that occurred prior to 1 April 2018. The estimate of the total claims liability increased by R26,753,517,000 from the March 2017 estimate due to an increase in the average cost of a claim, high levels of newly reported claims (increasing IBNR), interest and legislative changes.

Claims registered represent an insurance liability. However, what is not certain is when it will be paid and how much will be paid based on the environment within which the RAF operates. Hence, the valuation amount relating to reported claims is classified as a provision for outstanding claims and is as such recognised in the Statement of Financial Position as at the reporting period. The provision amount recognised in the Statement of Financial Position as at 31 March 2018 amounted to R139,204,000,000 (2016/17: R119,830,000,000).

12. CLAIMS LIABILITIES (CONTINUED)

With regard to the IBNR claims, a claim has not been lodged nor has an assessment been made in terms of the RAF Act to determine whether the RAF has an obligation or not. The validity of a claim depends on the assessments being done in terms of the RAF Act. This uncertainty has been accounted for in the actuarial valuation of the IBNR liability of R67,013,000,000 as at 31 March 2018 (2016/17: R59,633,000,000).

It was further estimated that, had the Amendment Act not been introduced, the liability would have been approximately R43,532,112,000 higher (i.e. a total liability of approximately R249,749,112,000). If the actual future experience is as expected, the outstanding claims liability is expected to increase at a lower rate than claims inflation during the next five years, as the effect of the Amendment Act filters through. Thereafter, it is expected to increase with claims inflation, as well as any increase in the number of accidents.

METHOD USED IN DETERMINING THE PROVISION FOR OUTSTANDING CLAIMS

The calculation of the provision for outstanding claims was divided into the following components:

1. Personal claims (Pre- and Post-Amendment Act); and
2. Undertakings.

METHOD USED TO ESTIMATE THE LIABILITY FOR PERSONAL CLAIMS

Non-undertaking, non-supplier claims were subdivided into the following groups:

- Group A: Nil claims: Claims with no compensation payments and no expense payments.
- Group B: Small claims: Claims with no compensation, but some expenses.
- Group C: Injury claims, further split into the following:
  - Group C1: No general damages.
  - Group C2: General damages, but no loss of earnings.
  - Group C3: General damages, with some loss of earnings.
- Group D: Death claims, further split into the following:
  - Group D1: Death claims with loss of support.
  - Group D2: Death claims with only funeral costs, but no loss of support.

The reason for subdividing non-supplier claims into these groups was to obtain homogeneous groups. Claims in the different groups have very different characteristics. Estimates of future payments based on historical data are better if homogeneous groups are used.

The liability in respect of personal claims was estimated as follows:

- Firstly, the number of ultimate claims, and hence, the number of outstanding claims for each accident interval was estimated.
- Secondly, it was estimated how many of the outstanding non-supplier claims (both reported and IBNR) are expected to fall into each group.
- The average amount expected to be paid on outstanding claims in each group was estimated taking into account that past experience showed that, on average, larger claims in each group took longer to finalise than smaller claims.
- The outstanding liability was then estimated by multiplying the estimated number of outstanding claims in each group by the average amounts for the respective groups, for each accident year.

- Amounts already paid in respect of open claims were then deducted and further amounts payable in respect of finalised claims were then estimated and added. These additional payments were also taken into account in determining the average amounts.
- The liability of all open limited passenger claims that occurred prior to 1 August 2008 became unlimited (referred to as the Mvumvu liability) and was also added.
- The liability as a result of the Van Zyl judgments was also allowed for.

METHOD USED TO ESTIMATE LIABILITY FOR UNDERTAKINGS

The conversion date of an undertaking is defined as the first date that an undertaking payment is made on a claim. Then, the liability is calculated as follows for each conversion year:

Liability=Number of undertakings (UTs) converted x Average future annual payments x Life expectancy of the recipients

Each of these components is explained in more detail below.

NUMBER OF UNDERTAKINGS

From past data it is observed that about 80% of undertaking payments are in respect of claims in group C3. Hence, by using basic Chain Ladder techniques, the ultimate number of undertakings per accident quarter is estimated as a % of the ultimate number of Group C3 claims expected for that quarter.

AVERAGE ANNUAL PAYMENT PER UNDERTAKING

From past data it is observed that the annual cost of an undertaking is dependent on the time that has elapsed since the conversion date. Initially, payments are much higher and as undertakings get older, on average lower annual payments are made, as illustrated by the table below for undertakings that converted since the 2005 financial year:

Year converted	Number of UTs	Average annual cost per undertaking in development year (R'000)											
		1	2	3	4	5	6	7	8	9	10	11	12
2007	711	42.1	13.5	9.7	14.6	11.5	14.4	11.3	10.0	9.3	10.5	10.6	11.2
2008	565	46.6	28.8	23.5	13.7	12.7	21.9	19.8	10.7	20.8	10.3	10.6	
2009	868	45.6	11.3	12.1	8.6	12.2	11.0	9.3	9.8	9.9	8.8		
2010	746	47.3	19.6	19.4	18.7	20.9	15.8	15.4	17.1	17.1			
2011	515	59.5	21.8	23.3	25.0	19.2	21.1	15.4	24.2				
2012	1,003	58.6	27.4	23.1	19.3	22.5	24.7	22.0					
2013	1,931	45.6	24.5	19.7	19.0	17.9	16.7						
2014	1,888	65.8	37.1	25.5	24.4	24.0							
2015	2,210	61.4	35.1	31.0	30.2								
2016	2,012	73.0	44.3	34.8									
2017	2,148	87.7	54.5										
2018	1,852	96.5											

12. CLAIMS LIABILITIES (CONTINUED)

An additional important feature of the data above is that the annual average cost of undertakings seems to stabilise after many years, and the assumption is made that this level of average payment will continue for the expected future lifetime of the recipients.

Using the data above, we arrive at the following overall future average cost per undertaking, leading to the liability as shown:

	Number of UTs	Average Annual Cost	Life Expectancy	Liability
				(R'million)
TOTAL	39,304	23,175	25.7	23,392

DISCOUNTED AND UNDISCOUNTED PROVISIONS

The method outlined above leads to an estimate of R206,217,000,000 (in March 2018 monetary terms) in respect of accidents prior to 1 April 2018. The table below summarises the overall results, based on future claims inflation of 8% per year (2% above assumed CPI of 6%) and a discount rate of 8% per year (2% above assumed CPI of 6%) – further assuming past payment patterns will be repeated in future. (Note that the undiscounted liability for undertakings is shown in March 2018 terms without allowing for future inflation. This is done because the RAF is of the opinion that an undiscounted liability in respect of undertakings is meaningless, considering the long-term nature of undertakings).

In respect of the discount rate, it is assumed that CPI will be 6%. The level of CPI is less important than the "gap" between claims inflation and the discount rate. When amounts are adjusted to reflect time-value at a different date, CPI + 2% is used. There is justification for this in the calculation bases used by actuaries in determining loss-of-earnings/loss-of-support claims and the historic differential between CPI, salary inflation and medical inflation. This is the same assumption used when projecting claims into the future (for purposes of determining the discounted and undiscounted liabilities). Real yields (as implied by the yield on inflation-linked bonds) suggest that the discount rate should be CPI + 2%, which is what was used in the basis. It was therefore assumed that, had the provision for outstanding claims been backed by actual assets, these assets would have earned investment returns of CPI + 2%.

The discounted liability for supplier claims included in the below is R1,510,000,000 (2016/17: R951,373,000).

	March 2018 Monetary Terms	Discounted Liability	Undiscounted Liability
	R'million	R'million	R'million
Pre-Amendment Act	5,076	5,076	6,295
Post-Amendment Act	177,749	177,749	253,396
Undertakings	23,392	23,392	23,392
TOTAL	206,217	206,217	283,083

ASSUMPTIONS

The assumptions that have the greatest effect on the measurement of the outstanding claims provision are:

- The proportion of the number of claims falling into each of the defined groups (considering that some groups take on average longer to finalise) will remain similar to the past experience.
- The average amount payable per claim in each defined group (considering that larger claims take on average longer to finalise) will remain similar to the past experience, allowing for claims inflation of 2% above price inflation.
  The reporting pattern observed for post-Amendment Act claims.
- Payments in respect of undertakings will follow similar patterns as in the recent past.

Movement in Outstanding Claims Liability including IBNR	Notes	Personal: Old Act	Personal: New Act	Undertakings	Supplier	Total
		R'million	R'million	R'million	R'million	R'million
Opening balance		7,296	152,006	19,210	951	179,463
Unwinding	1	584	12,160	1,537	76	14,357
Payments	2	(2,817)	(30,349)	(637)	(1,380)	(35,182)
Accidents since 31 March 2017	3	-	43,347	3,151	1,824	48,321
Impact of reporting	4a	(508)	2,178	(239)	39	1,470
Unexpected Increase	4b	785	(3,367)	370	-	(2,212)
CLOSING BALANCE		**5,340**	**175,975**	**23,392**	**1,510**	**206,217**

NOTES

Note 1: This represents interest credited to the liability at the rate of 8% per annum for 12 months (our assumption for future investment returns).

Note 2: The RAF expects actual claim payments made during the inter-valuation period to result in a corresponding release in the liability.

Note 3: This represents the expected new claims for accidents that happened during the 12-month inter-valuation period.

Note 4: This is the amount required in addition to the items above, to add up to the newly calculated liability (on a similar basis). For personal claims, the unexpected increase was a result of the net effect of the following factors:

Note 4a: The recent increase in the number of claims reported has caused the IBNR estimate to increase by more than what was expected. The large increase in the number of claims reported also led to an increase in the number of open claims on the system (considering the number of claims that were closed).

Note 4b: Average claim settlement amounts have reduced over the past year.

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, however, an assessment of reasonable possible changes to that variable in the future may be required.

The RAF believes that the stated discounted liability of R206,217,036,000 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.

12. CLAIMS LIABILITIES (CONTINUED)

The sensitivity of some of the assumptions is shown below:

	Notes	Outstanding Reported Claims	IBNR	Total	Effect on Deficit
		R'billion	R'billion	R'billion	R'billion
Base scenario		139.2	67.0	206.2	-
Faster run-off	1	139.2	56.6	195.8	(10.5)
Fewer assumed nil claims	2	144.0	69.8	213.8	7.6

Note 1: The current IBNR calculation methodology assumes that the speed with which claims will be reported in future, will be in line with what has been observed to date. It is therefore over-reserved if the actual reporting speed for recent reporting quarters has been quicker than observed in the past. In this sensitivity, the impact on the provision, where if claims reported to date (in respect of accidents on or after 1/4/2011) are 10% higher than what is normally the case, is shown.

Note 2: It is currently assumed that a material number of open claims will settle as nil claims. If our assumption is too high, the provision could be materially understated. This scenario assumes that only 90% of the claims currently assumed to settle as nil claims will actually settle as such.

RECONCILIATION OF OTHER CLAIMS LIABILITIES

The claims requested for payment but not paid at year-end increased significantly from the prior period. This is due to the ability of the RAF to settle claims being limited to the net fuel levy received. For further discussion on the RAF's ability to settle claims, see Note 34.

The movement in other claims liabilities not detailed above is set out below:

2018	Opening Balance	Estimate Adjustment	Claims Paid	Claims Requested for Payment	Closing Balance
	R'000	R'000	R'000	R'000	R'000
Claims requested for payment but not paid at year-end	8,516,245	-	(34,049,350)	34,594,451	9,061,346
Provision for hand-over costs	27,332	(2,854)	-	-	24,478
	8,543,577	**(2,854)**	**(34,049,350)**	**34,594,451**	**9,085,824**

2017	Opening Balance	Estimate Adjustment	Claims Paid	Claims Requested for Payment	Closing Balance
	R'000	R'000	R'000	R'000	R'000
Claims requested for payment but not paid at year-end	10,635,688	-	(31,954,954)	29,835,511	8,516,245
Provision for hand-over costs	36,573	(9,241)	-	-	27,332
	10,672,261	**(9,241)**	**(31,954,954)**	**29,835,511**	**8,543,577**

13. OTHER PROVISION

In terms of legislation, the RAF has an obligation to refund a portion of the RAF Fuel Levy, 163 c/l (2016/17: 154 c/l), relating to the diesel usage in other economic sectors where vehicles are not used. The provision is calculated based on actual claims from these sectors processed through SARS. The provision is settled on a quarterly basis with the provision at year-end being based on the last quarter's results. These results are generally finalised after year-end and after all rebates have been taken into account.

	2018	2017
	R'000	R'000
Opening balance	848,578	738,525
Increase in the provision charged to surplus or deficit	1 577,491	2,823,457
Provision utilised	(2,112,405)	(2,713,404)
TOTAL	**313,664**	**848,578**

14. EMPLOYEE BENEFIT OBLIGATION

DEFINED BENEFIT PLAN

Post-retirement Medical Aid Plan

The RAF operates a post-employment medical benefit scheme that covers employees who were appointed prior to 1 May 1998.

The latest valuation of the RAF's liability in respect of post-retirement medical benefits for the financial year-end was performed on 31 March 2018 and it will be valued at annual intervals thereafter.

29 pensioners qualify for this benefit and approximately 4.6% of employees currently employed are prospectively entitled to this benefit. The initial liability and future increases thereof are charged to surplus or deficit.

No plan assets are shown, as the medical benefits are unfunded.

14. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

	2018 R'000	2017 R'000
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	58,117	53,821
Contributions by plan participants	(784)	(726)
Net expense recognised in the Statement of Financial Performance	8,167	5,022
	65,500	**58,117**
Net income/(expense) recognised in the Statement of Financial Performance		
Current service cost	1,810	2,153
Interest cost	5,931	5,362
Actuarial (gains) / losses	426	(2,493)
	8,167	**5,022**
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used	9.37%	10.12%
Healthcare cost inflation	8.28%	8.64%
Real discount rate	1%	1.36%
Spouse age gap	3	3
Expected average age of retirement	59	59
Normal retirement age	60	60
Proportion married at retirement	80%	80%
Continuation at retirement	100%	100%
Mortality: Pre-expected retirement age	SA85-90 light	SA85-90 light
Mortality: Post-expected retirement age	PA(90) - 1	PA(90) - 1

EXPECTED RETURN ON ASSETS

There are currently no assets set aside in respect of the post-employment medical scheme liability. Therefore no assumption specific to the assets has been made.

Expected contributions to the plan during the subsequent 2018/19 financial year is R1,610,000.

14. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

SENSITIVITY ANALYSIS

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase R'000	One percentage point decrease R'000
Effect on the aggregate of the service cost and interest cost	(11,466)	9,309
Effect on defined benefit obligation	76,966	56,191

Amounts for the current and previous four years are as follows:

	2018 R'000	2017 R'000	2016 R'000	2015 R'000	2014 R'000
Defined benefit obligation	65,500	58,117	53,821	50,675	43,340

15. OPERATING LEASE LIABILITY

	2018 R'000	2017 R'000
Non-current liability	6,913	7,958

Refer to Note 32 for the disclosure of the minimum payments due in respect of operating leases.

16. NET FUEL LEVIES

	2018 R'000	2017 R'000
Gross fuel levies	38,828,333	36,052,989
Less: diesel rebate	(1,577,492)	(2,823,457)
TOTAL	37,250,841	33,229,532

17. OTHER INCOME

	2018 R'000	2017 R'000
Recoveries	344	1,974
Foreign exchange gains	63	-
TOTAL	407	1,974

Recoveries relate to minor recoveries that do not form part of the normal business of the RAF, such as bad debts recovered and SETA refunds.

18. INVESTMENT REVENUE

	2018 R'000	2017 R'000
Interest revenue		
Interest received from short-term investments	82,912	100,947
Interest received from Rent-a-Captive insurance	7,134	8,383
TOTAL	90,046	109,330

19. CLAIMS EXPENDITURE

	2018 R'000	2017 R'000
Claims paid	34,049,350	31,954,954
Claims finalised and requested for payment but not yet paid as at 31 March 2018	9,061,346	8,516,245
Reversal of claims finalised and requested for payment but not yet paid as at 31 March 2017	(8,516,245)	(10,635,688)
Net increase in claims provision	26,751,146	36,119,127
TOTAL	61,345,597	65,954,638
The breakdown of the claims paid is as follows:		
Claimant compensation (loss of earnings and support, general damages and funeral costs)	23,257,706	22,286,820
Claimant medical costs	2,498,322	2,119,799
Claimant and RAF legal and other costs	8,293,322	7,548,335
TOTAL	34,049,350	31,954,954

20. REINSURANCE PREMIUMS

	2018	2017
	R'000	R'000
Paid to reinsurers during the year	21,547	21,666

21. EMPLOYEE COSTS

	2018	2017
	R'000	R'000
Total staff costs	1,605,147	1,434,772
Included in staff costs are:		
Contributions to post-retirement healthcare benefit	8,167	5,022

As at 31 March 2018, 2,905 staff members (of which 2,754 permanent) were employed by the RAF (2016/17: 2,801 staff members of which 2,676 permanent).

22. FINANCE COSTS

	2018	2017
	R'000	R'000
Foreign exchange losses	82	96
Interest charged by creditors	47	-
Interest charged on claims	223,528	209,279
TOTAL	223,657	209,375

Finance costs of R16,863,206 included in the amounts above have been considered fruitless and wasteful expenditure and have been included in the disclosures in Note 25.

23. GENERAL EXPENSES

Included in general expenses are:

	2018 R'000	2017 R'000
Advertising	13,984	34,086
Auditors' remuneration	7,938	5,864
Bad debts	1,830	3,746
Board members' expenses	1,893	1,124
Computer expenses	89,320	72,150
Consulting and professional fees	46,988	50,425
Electricity	13,166	12,095
Insurance	3,195	3,045
Lease rentals on operating lease	64,526	61,486
Legal costs	10,679	6,878
Maintenance	22,894	19,097
Marketing	51,685	38,865
Motor vehicle expenses	23,847	20,097
Operating costs	14,307	10,926
Printing and stationery	6,671	7,280
Security	7,947	8,235
Telephone and fax	16,569	16,989
Travel local	31,292	26,792
Travel overseas	1,472	968
	430,203	**400,148**

The expenses indicated above are viewed as material and have therefore been separately disclosed.

24. TAXATION

In accordance with section 16(1) of the RAF Act, 1996 (Act No. 56 of 1996), the RAF is exempt from Income Tax and all customs, excise and stamp duties, as well as any liability for payment, withholding or collecting of any tax or duty.

25. FRUITLESS AND WASTEFUL EXPENDITURE

	2018 R'000	2017 R'000
Opening balance	-	-
Fruitless and wasteful expenditure - relating to prior year	-	2,209
Fruitless and wasteful expenditure - relating to current year	17,732	14,103
Less: Amounts finalised	(17,723)	(16,262)
Less: Amounts transferred to receivables for recovery	(9)	(50)
Fruitless and wasteful expenditure awaiting resolution	**-**	**-**
Reconciliation of fruitless and wasteful expenditure recoverable		
Opening balance	12	-
Recoverable fruitless and wasteful expenditure identified in the current year	9	50
Less: Amounts recovered	(16)	(38)
Fruitless and wasteful expenditure recoverable	**5**	**12**

Analysis of current year's fruitless and wasteful expenditure

Nature of expenditure	Disciplinary steps taken	2018 R'000
Claims-related expenditures	206 employees counselled, 476 verbal warnings and 198 written warnings issued.	16,859
Additional travel costs	3 employees received counselling.	18
Interest paid to SARS	1 verbal reprimand issued.	5
Duplicate, wrong and overpayments not recoverable	No action taken as employees are disciplined at the time of making the payment.	850
		17,732

25. FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)

CLAIMS-RELATED EXPENDITURES

Claims-related fruitless and wasteful expenditure relates to interest, Sheriff and writ costs and wrong, duplicate and overpayments written off.

Interest cost is the cost paid for the late payment of the claim compensation as agreed to in a settlement agreement or an order of the court, and taxed legal bills settled through taxation, as these costs are due immediately. The interest is charged under the Prescribed Rate of Interest Act of 1975 at 10.25% as per *Government Gazette No. 39587* issued on 8 January 2016.

Sheriff cost is the cost paid to the Sheriff for its service with regard to serving the warrant of execution (writs) on the RAF.

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

The total value of claims-related fruitless and wasteful expenditure included in the Annual Financial Statements for the year ended 31 March 2018 is R16,858,529 (2016/17: R14,043,296) representing a 20% increase. This, as a percentage of claims expenditure is 0.05% (2016/17: 0.04%). The total value of the claims-related fruitless and wasteful expenditure, had it not been reduced for the prevailing cash constraints experienced by the institution and the impact as a result of the inability to settle timeously, would have been R245,591,898 (2016/17: R240,941,605).

Reporting and adherence to the Writs SOPs will continue.

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

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

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

The following information relates to the legal cost bills settled through taxation for 2017/18:

- Number of bills settled through taxation: 26,987 (2016/17: 21,997) - increased by 23%.
- Number of bills where a saving was made through taxation: 26,225 (2016/17: 20,897) - increased by 25%.
- Amount saved through taxation: R3,090,412,945 (2016/17: R1,577,478,335) - increased by 96%.
- The success rate in terms of saving legal cost bills was 97% (2016/17: 95%).

The number of taxed legal cost bills has increased as a result of increased processing efficiency, higher volume of claims settled compared to the previous period and attorneys submitting bills as soon as possible for payments to queue at Treasury as a result of the cash constraints. The increased savings is therefore as a result of an increase in tariffs, as well as attorneys overreaching when drawing up their bills, which equate to higher bills, and when taxed, result in higher savings. In addition to the above, savings originate from the appointment of cost consultants by the RAF who strive to further realise higher savings as their fee is determined by the saving.

RAF officials are required to diligently apply the process of the legal cost bills assessment. Writs SOPs are in place to ensure that all taxed bills are paid timeously to minimise the impact of the interest cost at a rate of 10.25%.

The number of writs received in 2017/18 was 12,525 (2016/17: 15,720). It was 20.3% lower than in 2016/17 and was mainly related to the continued management of stakeholders and cash available to settle claims.

The fruitless and wasteful expenditure is monitored closely by the Executive and Board. There are processes which have been undertaken to ensure that this risk is mitigated.

Wrong, duplicate and overpayments considered irrecoverable and written off in the current financial year amounted to R850,360 (2016/17: R692,791). Disciplinary action in respect of wrong, duplicate and overpayments is taken when the payment is made, irrespective of whether the amounts are recoverable.

ADMINISTRATIVE EXPENDITURE

Fruitless and wasteful expenditure for the 2017/18 financial year relating to administrative costs totalled R23,141 (2016/17: R60,121) and comprised of additional travel costs, which could have been avoided, and interest paid to SARS.

CONSEQUENCE MANAGEMENT

During the financial year, new initiatives were implemented to enhance the consequence management of the entity in respect of fruitless and wasteful and irregular expenditure. These included, among others:

- Enhancing the recording and reporting of financial misconduct transactions to better facilitate consequence management.
- Designing practical consequence management mechanisms to ensure that required corrective actions taken are appropriate and applicable to the nature of the transactions incurred. Details of disciplinary measures considered appropriate and completed are set out in the Analysis of the Current Year Fruitless and Wasteful Expenditure table above.
- Engaging with NT, the AGSA and other academic professionals to address shortcomings in current practices and reporting mechanisms.
- Implementation of recommendations by the AGSA in their Management Report for the 2016/17 financial year.

The most significant action taken, however, remains the taxation of legal cost bills resulting in a cost saving of R3,090,412,945 (2016/17: R1,577,478,335) as discussed under claims-related expenditure above.

26. IRREGULAR EXPENDITURE

	2018 R'000	2017 R'000
Opening balance	-	-
Add: Irregular expenditure - prior year	341,036	4,107
Add: Irregular expenditure - current year	1,321	1,929
Less: Amounts condoned	(4,850)	(6,036)
Less: Amounts pending condonation	(337,507)	-
	-	-

Details of irregular expenditure - current year

		2018 R'000
Nature of transaction	**Disciplinary steps taken**	
Non-compliance with Supply Chain Management legislation	Three employees received counselling and two written warnings were issued. A disciplinary hearing is currently underway for one instance. One verbal warning issued.	1,293
Inadequate contract management	One verbal warning issued.	28
		1,321

Details of irregular expenditure - prior year

		2018 R'000
Nature of transaction	**Disciplinary steps taken**	
Non-compliance with Supply Chain Management legislation	No action could be taken as the responsible employees are no longer employed by the RAF.	337,507
Inadequate contract management	One employee received counselling, one written warning was issued and one employee is no longer employed by the RAF.	3,529
		341,036

26. IRREGULAR EXPENDITURE (CONTINUED)

CONSEQUENCE MANAGEMENT

Irregular expenditure arose as a result of:

- Poor contract management and contract variations in excess of 15% of the original contract value without the necessary prior approvals;
- Non-compliance with the required procurement legislation.

Any employee who commits an act which undermines the financial management and internal control systems of the RAF, as required by relevant legislations and policies, is dealt with in terms of the RAF Disciplinary Policy. Employees who make or permit an irregular expenditure or fruitless and wasteful expenditure expose themselves to appropriate disciplinary measures as required by section 57 of the PFMA. In 2017/18, four employees were counselled as a result of financial misconduct where the employees were found to have contravened provisions of the Act and internal policies. In two instances of irregular expenditure reported in the current financial year, disciplinary action was not possible as the employees had since left the employ of the RAF. The outcome of a disciplinary hearing is awaited for one matter.

A total of eight instances to the value of R342,357,229 were identified and reported during the 2017/18 financial year representing a 47% reduction in number of instances of irregular expenditure from the 15 instances totalling R6,035,980 reported in the 2016/17 financial year.

99% of the value reported for the 2017/18 financial year relates to one instance to the value of R337,507,131 which was incurred in respect of a tender awarded in the 2013/14 financial year. This instance has been disclosed on the recommendation of the Auditor-General of South Africa (AGSA) as it was identified as Irregular Expenditure during the audit of the 2017/18 financial year. Further information on this matter is disclosed in the Report of the Board.

In accordance with section 51(1)(b)(ii) of the PFMA, 1999 (Act No. 1 of 1999), Management implemented the following actions to enhance efficient prevention of irregular expenditure and fruitless and wasteful expenditure which resulted in the reduction of the number of instances incurred:

- Supply Chain Management compliance was enhanced by the effective operation of a revised Supply Chain Management Policy and Delegation of Authority within IT systems and various other mechanisms implemented in the 2016/17 financial year.
- Training of employees and creating awareness of applicable Supply Chain Management practices.
- The regular issue of Management Directives to guide business units and manage expectations, roles and responsibilities, as well as timelines.
- Skilled and experienced resources were appointed within the Supply Chain Management Department.
- Processes informing the requests for extension of contracts has been significantly tightened.
- Enhancing consequence management through implementation of initiatives discussed under Note 25 and ensuring individuals are held accountable when transgressions are identified.

27. CASH FLOWS FROM OPERATING ACTIVITIES

	2018	2017
	R'000	R'000
Deficit for the year	(26,351,190)	(34,741,498)
Depreciation and amortisation	41,401	42,890
Loss / (Surplus) on sale or derecognition of assets	870	(1,023)
Movements in retirement benefit assets and liabilities	7,383	4,296
Movements in claims liabilities	27,296,247	33,999,684
Movement in diesel rebate provision	(534,913)	110,052
Movement in operating lease liability	(1,045)	352
Changes in Working Capital		
Consumable stock	322	68
Receivables from exchange transactions	969	2,343
Other receivables from non-exchange transactions	(667,787)	205,291
Other financial assets	836	(13,531)
Payables from exchange transactions	187,800	28,962
	(19,107)	**(362,114)**

28. RELATED PARTIES

The RAF is an entity created by statute, with the Minister of Transport being the Executive Authority representing the government of South Africa. The RAF is a Schedule 3A Public Entity in terms of the PFMA. The related party disclosures are in terms of the requirements of IPSAS 20. The related parties of the RAF mainly consist of Departments, State-owned Entities (SOEs), other public entities in the national sphere of government and key Management personnel of the RAF, or its Executive Authority and close family members of related parties. The list of public entities in the national sphere of government is provided by NT on their website www.treasury.gov.za. The NT also provides the names of subsidiaries of public entities.

Although the RAF transacted with other public entities within the national sphere of government, none of the related parties identified influenced, or was influenced by the RAF during the reporting period and therefore no related party transactions with other entities in the national sphere of government are disclosed. All these transactions took place at arm's length.

The following transactions were concluded with key Management of the RAF in terms of employment contracts entered into with the RAF (please refer to Note 29 - Board and Executive members' emoluments for detailed information relating to compensation of members and other key Management).

	2018	2017
	R'000	R'000
Compensation to members and other key Management		
Key Management compensation	**28,903**	**28,657**

29. BOARD MEMBERS' AND EXECUTIVE MANAGEMENT'S EMOLUMENTS

NON-EXECUTIVE BOARD MEMBERS

The Executive Authority approves the remuneration of the Board. Remuneration of non-executive members is benchmarked against the norms for organisations of a similar size and in line with the guidelines issued by the Executive Authority.

Non-executive Board members receive a fixed monthly remuneration. Remuneration is not determined by meeting frequencies and it is escalated by inflationary adjustments only.

EXECUTIVE REMUNERATION

The Chief Executive Officer makes recommendations to the Board concerning the remuneration of Executives (EXCO) and the Board approves the remuneration of EXCO members, including that of the CEO, in accordance with the approved Remuneration Policy.

The RAF introduced performance-based remuneration for its Management staff by linking annual salary increases to individual contributions. Management receives an annual increase based on a combination of CPI and individual performance. The organisation conducts an annual salary survey/benchmark to ensure that Management rewards and remuneration are market-related and kept at levels that will assist in retaining and attracting key leadership skills. The RAF aims to remunerate in line with the 50th percentile (median) of the market to recruit and retain the Management team to lead the organisation. Over and above the basic salary, staff members receive a performance incentive as a percentage of their total cost of employment.

All EXCO members are employed on fixed-term contracts of employment.

29. BOARD MEMBERS' AND EXECUTIVE MANAGEMENT'S EMOLUMENTS (CONTINUED)

The table below reflects amounts paid to the Board members and Executive remuneration:

Executive 2018	Salary R'000	Leave pay R'000	Performance Bonus R'000	Pension Contributions R'000	Medical Contributions R'000	Long service Award R'000	Acting Allowance R'000	Total R'000
Dr EA Watson (term expired 30 June 2017)	1,306	652	2,009	-	18	-	-	3,985
Ms L Jabavu (Acting CEO from 1 July 2017)	2,624	-	662	234	53	-	221	3,794
Ms Y van Biljon (resigned 14 June 2017)	490	204	626	50	6	-	-	1,376
Mr R Gounden (CFO from 1 September 2017)	2,746	-	627	-	-	-	-	3,373
Mr VM Songelwa (Acting CFO from 19 June to 31 August 2017)	359	-	-	41	22	-	-	422
Ms M Kola	2,448	-	612	232	79	-	-	3,371
Mr PE Dhlomo	1,875	-	496	191	37	-	-	2,599
Ms JR Cornelius	1,877	-	538	220	-	15	-	2,650
Ms LP Gumbi	2,274	-	627	178	24	-	-	3,103
Ms D Thabede (Acting Chief Operations Officer from 6 July 2017)	1,288	-	-	138	33	-	167	1,626
Mr B Manitshana (Acting Chief Information Officer until 30 September 2017)	818	-	287	-	31	-	147	1,283
Mr RP Komal (Chief Information Officer from 1 October 2017)	1,008	-	-	112	28	-	-	1,148
Mr VK Sotshede (Appointed 1 March 2018)	155	-	-	12	6	-	-	173
TOTAL	**19,268**	**856**	**6,484**	**1,408**	**337**	**15**	**535**	**28,903**

Executive 2017	Salary R'000	Leave pay R'000	Performance Bonus R'000	Pension Contributions R'000	Medical Contributions R'000	Total R'000
Dr EA Watson	4,919	-	1,919	-	66	6,904
Ms Y van Biljon	2,262	-	559	224	22	3,067
Ms L Jabavu	2,390	-	597	214	55	3,256
Mr R Gounden	2,224	-	590	-	-	2,814
Ms M Kola	2,226	-	581	211	71	3,089
Mr PE Dhlomo	1,742	-	519	178	33	2,472
Ms JR Cornelius	1,706	-	453	200	-	2,359
Ms LP Gumbi	2,142	-	352	168	22	2,684
Ms VC Menye (resigned 16 November 2016)	1,364	137	475	-	36	2,012
TOTAL	**20,975**	**137**	**6,045**	**1,195**	**305**	**28,657**

29. BOARD MEMBERS' AND EXECUTIVE MANAGEMENT'S EMOLUMENTS (CONTINUED)

Non-Executive 2018	Members' fees R'000	Total R'000
Dr NM Bhengu (Chairperson)	921	921
Mr D Coovadia (Vice-Chairperson)	706	706
Dr KLN Linda	614	614
Mr T Masobe	676	676
Mr AM Pandor	676	676
Ms R Mokoena	614	614
Dr TO Kommal	614	614
Dr MC Peenze	675	675
Ms LUZ Rataemane	676	676
Mr MK Mothobi	614	614
	6,786	**6,786**

Non-Executive 2017	Members' fees R'000	Total R'000
Dr NM Bhengu (Chairperson)	825	825
Mr D Coovadia (Vice-Chairperson)	632	632
Dr KLN Linda	565	565
Adv DS Qocha (Term expired 30 September 2016)	320	320
Mr T Masobe	560	560
Mr AM Pandor	605	605
Mr DK Smith (Term expired 30 September 2016)	291	291
Ms R Mokoena	594	594
Ms A Steyn (Term expired 30 September 2016)	291	291
Mr LED Hlatshwayo (Term expired 30 September 2016)	320	320
Dr TO Kommal (Appointed 21 October 2016)	259	259
Dr MC Peenze (Appointed 21 October 2016)	269	269
Ms LUZ Rataemane (Appointed 21 October 2016)	269	269
Mr MK Mothobi (Appointed 21 October 2016)	259	259
	6,059	**6,059**

30. RISK MANAGEMENT

OVERVIEW

The RAF is exposed to a range of financial and insurance risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of financial risk are credit risk, liquidity risk and market risk, which comprises interest rate risk, currency risk and other price risks. The risks that the RAF primarily faces due to the nature of its assets and liabilities are liquidity risk, interest rate risk and currency risk.

LIQUIDITY RISK

Liquidity risk is the risk that the RAF will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate Liquidity Risk Management Framework for the management of the RAF's short-, medium- and long-term funding and liquidity management requirements.

Cash management is rigorously applied to manage the liquidity risk of the RAF which ensures available funding is distributed in an equitable and fair manner. For further information on how the RAF manages liquidity risk, also refer to the Report of the Board.

Reinsurance is also used to manage liquidity risk.

The following table analyses the RAF's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Within 1 year	2 - 5 years	After 5 years	Total
As at 31 March 2018	R'000	R'000	R'000	R'000
Trade and other creditors	208,013	-	-	208,013
Claims liabilities	38,268,456	123,924,058	53,110,310	215,302,824
Operating lease liabilities	-	6,913	-	6,913

	Within 1 year	2 - 5 years	After 5 years	Total
As at 31 March 2017	R'000	R'000	R'000	R'000
Trade and other creditors	40,838	-	-	40,838
Claims liabilities	34,180,160	107,678,491	46,147,926	188,006,577
Operating lease liabilities	-	7,958	-	7,958

CREDIT RISK

The RAF has exposure to credit risk, which is the risk of financial loss to the RAF if a counterparty to a financial instrument fails to meet its contractual obligations. Key areas where the RAF is exposed to credit risk are:

- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due with respect to claims debtors;
- Amounts due with respect to study loans and bursaries (this risk is very minimal as the amounts are immaterial);
- Short-term call deposits;
- The ultimate amount due from the self-funding Claims Reinsurance Policy; and
- Fuel Levy debtor.

The nature of the RAF's exposure to credit risk, as well as the policies and processes for managing the credit risk have not changed significantly from the prior period.

Potential concentrations of credit risk consist mainly of short-term cash. Money market instrument operations are only entered into with well-established and reputable financial institutions.

It is the RAF's policy to grant bursaries, relevant only to its line of business, to employees.

The Rent-a-Captive insurance includes an amount set aside as a self-funding Claims Reinsurance Policy. This policy will be utilised to fund the first R100 million of the retention amount of the Claims Reinsurance Policy in the event of a catastrophic claim being instituted against the RAF. The deposit amount of R112,454,000 (2016/17: R139,653,000) represents the balance of the special experience account, an account the insurer maintains for the purposes of recording this policy. The insurer is a well-established and reputable financial institution.

Under the terms of reinsurance agreements, reinsurers agree to reimburse the settled amount in the event that a gross claim is paid. The RAF, however, remains liable to its claimants regardless of whether the reinsurer meets the obligations it has assumed. Consequently, the RAF is exposed to credit risk.

The RAF monitors the financial condition of reinsurers on an on-going basis and reviews its reinsurance arrangements periodically.

The carrying amounts of financial assets and reinsurance assets included in the Statement of Financial Position represent the RAF's exposure to credit risk in relation to these assets. As at 31 March 2018, the RAF did not consider there to be a significant concentration of credit risk which had not been adequately provided for.

MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the RAF's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on investment.

The RAF is also exposed to foreign exchange fluctuations where claims from foreigners have been lodged, and damages for future medical expenses and loss of earnings or support are claimed in a foreign currency. When such claims are settled, the RAF pays the compensation as soon as possible after settlement date to minimise the risk of foreign exchange fluctuations.

30. RISK MANAGEMENT (CONTINUED)

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The RAF is exposed to interest rate risk, as it invests funds in the money market at floating interest rates.

As at 31 March 2018, no derivative financial instruments were used to manage the RAF's exposure to interest rate risk.

All liquid funds are invested with registered South African banking institutions with maturities of 90 days or less, thereby minimising interest rate risk.

Interest rates of interest-bearing debts are linked to the prime overdraft rate.

Interest Rate Risk Sensitivity Analysis

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. For financial instruments and insurance contracts, the sensitivity is solely associated with the former, as the carrying amounts of the latter are not directly affected by changes in the interest rate.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the RAF's deficit for the year ended 31 March 2018 would decrease/(increase) by R8,400,000 (2016/17: decrease/(increase) by R9,000,000). This is mainly attributable to the RAF's exposure to interest rates on its floating rate investments. The sensitivity analysis has been determined based on the exposure to interest rates for the RAF's non-derivative instruments at the financial reporting date. The analysis was prepared assuming that the investments at year-end were constant throughout the year. A 100-basis point increase or decrease is used when reporting interest rate risk internally to key Management personnel and represents Management's assessment of the reasonably possible change in interest rates.

FOREIGN EXCHANGE RISK

The financial items that are exposed to currency risk at the reporting date are claims that have not been paid to foreign claimants yet. The engaging of forward cover is considered on a case-by-case basis if the period between making an offer and final payment is material. As at 31 March 2018, no derivative financial instruments were used to manage the RAF's exposure to foreign currency risk; only fixed-term forward cover contracts were utilised. There was no movement in the number of claims denominated in foreign currency in the current financial year.

THE CARRYING AMOUNT OF RAF'S OUTSTANDING FOREIGN CURRENCY DENOMINATED CLAIMS

Liabilities			2018	2017
			R'000	R'000
USD	4,047	(2016/17: 4,047)	47,696	54,245
GBP	464	(2016/17: 464)	7,652	7,757
EURO	1,289	(2016/17: 1,289)	18,713	18,450
			74,061	**80,452**

The following table details the RAF's sensitivity to a 10% increase and decrease in the South African rand against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key Management personnel and represents Management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated claims at reporting date and adjusts their translation at the period end for a 10% change in foreign currency rates. The figures below indicate an increase in surplus or deficit where the presentation currency strengthens 10% against the relevant currency. For a 10% weakening of the presentation currency against the relevant currency, there would be an equal and opposite impact on the surplus or deficit and the balances above would be negative.

	USD Impact	GBP Impact	Euro Impact	All Foreign Currencies
	R'000	R'000	R'000	R'000
2018	4,770	765	1,871	7,406
2017	5,425	777	1,845	8,047

31. INSURANCE RISK MANAGEMENT

OVERVIEW

The RAF accepts insurance risk as it is mandated by legislation to compensate victims of road accidents for injuries suffered as a result of motor vehicle accidents. The RAF is exposed to uncertainty surrounding the timing, frequency and severity of claims under these contracts.

This Note presents information about the RAF's exposure to insurance risk and the RAF's objectives, policies and processes for managing this risk.

The RAF has developed, implemented and maintained a sound and prudent Insurance Risk Management Strategy that encompasses all aspects of the RAF's operations, including the reinsurance risk retention limits. Key aspects of the processes established to mitigate insurance risk include:

- The maintenance and use of sophisticated management information systems, which provide reliable and up-to-date data on the risks to which the business is exposed at any point in time;
- Actuarial models, using information derived from the management information systems, are used to monitor claims patterns. Past experience and statistical methods are used as part of the process;
- Catastrophic accidents are modelled, and the RAF's exposures are protected by arranging reinsurance to limit the losses arising from an individual event. The retention and limits are approved by the RAF's Board; and
- Only reinsurers with credit ratings equal to 'AA' or in excess of a minimum level determined by Management are accepted as participants in the RAF's reinsurance agreements.

REINSURANCE INCOME

The RAF enters into reinsurance treaties with major international reinsurance companies to cover catastrophic accidents. No amounts were recovered from reinsurers during the current financial year in respect of claims settled by the RAF, as there were no claims in excess of the retention amount.

31. INSURANCE RISK MANAGEMENT (CONTINUED)

FOREIGN CLAIMS

The number of claims by foreign visitors to South Africa continues to rise as the volume of visitors to the country increases. As the bulk of these claims are paid in the applicable foreign currency and these claimants also enjoy unlimited benefits, foreigners' claims form a large proportion of high-value claims. At 31 March 2018, 2.1% (2016/17: 3.1%) of the value for notified claims in excess of R5,000,000 was made up of claims by foreign nationals. It is important to note, however, that the actual claimed amount can exceed the estimated value of the claim.

CLAIMS REINSURANCE

In terms of section 4(1)(d) of the RAF Act, 1996 (Act No. 56 of 1996), the RAF may procure reinsurance for any risk undertaken in accordance with this Act. Simultaneously, section 51(1)(a)(i) of the PFMA, 1999 (Act No. 1 of 1999) states as a condition that a public entity must ensure that it has and maintains effective, efficient and transparent systems of financial and risk management.

The RAF, through its reinsurance brokers procures reinsurance cover and negotiates reinsurance treaties for the RAF. The RAF's reinsurance treaties are all excess of loss agreements. Therefore, the reinsurers indemnify the RAF for that part of the ultimate net loss (total amount paid) which exceeds the retention amount, as per the relevant treaty subject to an indexation clause as contained in the treaties. The RAF will only accept terms provided by reinsurers with acceptable ratings. The ratings are done by Standard & Poor and AM & Best, which are international rating companies. The RAF currently places its limited reinsurance cover with a South African company, AIG SA, and the unlimited cover is placed with reinsurers based in London. The current limited cover has a set retention level of R100,000,000 and, in terms of the treaty, the reinsurer's liability is limited to paying up to R400,000,000 per any one loss occurrence event, on account of each and every loss occurrence. The unlimited cover placed in the London reinsurance market provides for cover in excess of R500,000,000 per any loss occurrence event, on account of each and every loss occurrence.

The RAF must report to reinsurers all losses (all claims arising from an accident) likely to exceed the notification amounts, as specified in the respective reinsurance treaties.

In terms of the reinsurance treaties, the reinsurers indemnify the RAF for that part of the ultimate net loss (total amount paid) which exceeds the retention amounts as specified in the treaties, subject to the indexation clause.

The following table illustrates the notification amounts and retention amounts for the respective annual reinsurance treaties:

Accident year	Retention amount	Notification amount
1984/85	500,000	1,500,000
1985/86	500,000	1,500,000
1986/87	3,000,000	5,000,000
1987/88	3,000,000	5,000,000
1988/89	1,000,000	2,500,000
1989/90	1,000,000	3,000,000
1990/91	1,000,000	3,000,000
1991/92	1,000,000	4,000,000
1992/93	1,000,000	4,500,000
1993/94	2,000,000	4,500,000
1994/95	2,000,000	5,000,000
1995/96	2,000,000	5,000,000
1996/97	2,000,000	10,000,000
1997/98	5,000,000	10,000,000
1998/99	5,000,000	10,000,000
1999/00	7,500,000	15,000,000
2000/01	15,000,000	20,000,000
2001/02	15,000,000	20,000,000
2002/03	15,000,000	50,000,000
2003/04	15,000,000	50,000,000
2004/05	15,000,000	50,000,000
2005/06	15,000,000	100,000,000
2006/07	15,000,000	100,000,000
2007/08 - 2017/18	75,000,000	100,000,000

The RAF monitors its reinsurance risk on a quarterly basis by reviewing and updating reports to reinsurers, which indicate the current status with regard to matters reported to reinsurers. Furthermore, regular reports are run against the RAF's database to identify potential reportable matters as a pro-active measure.

BOARD MEMBERS' AND OFFICERS' LIABILITY INSURANCE

The RAF manages the risks that the Board members and Officers of the RAF are exposed to by way of Board Members' and Officers' liability insurance. The RAF's current Board members' and Officers' insurance cover is placed with two underwriters respectively. The total limit for the 2017/18 financial year of indemnity per claim is R250,000,000 and to all in the aggregate.

CLAIMS DEVELOPMENT TABLE

The table below illustrates how estimates of cumulative claims have developed over time on a gross basis. The top half of the table shows the development of estimates of gross cumulative claims for each accident year. The lower half of the table shows the gross claims paid. The table has been categorised according to the nature of the claim.

31. INSURANCE RISK MANAGEMENT (CONTINUED)

ESTIMATES OF GROSS ULTIMATE CLAIMS:

	2018	2017	2016	2015
	R'000	R'000	R'000	R'000
Personal claims				
At end of accident year	43,699	35,324	27,594	19,144
One year later	-	39,097	33,584	26,666
Two years later	-	-	34,628	30,667
Three years later	-	-	-	31,440
Supplier claims				
At end of accident year	1,840	1,109	1,001	770
One year later	-	1,279	995	662
Two years later	-	-	1,059	697
Three years later	-	-	-	711
Undertakings				
At end of accident year	3,151	2,390	1,505	868
One year later	-	2,667	2,191	1,418
Two years later	-	-	2,182	1,838
Three years later	-	-	-	1,843
	48,690	**81,866**	**104,739**	**116,724**

CLAIMS PAID:

	2018	2017	2016	2015
	R'000	R'000	R'000	R'000
Personal claims				
At end of accident year	135	131	151	113
One year later	-	1,424	1,297	1,196
Two years later	-	-	5,337	4,713
Three years later	-	-	-	10,982
Supplier claims				
At end of accident year	707	462	316	210
One year later	-	1,018	784	498
Two years later	-	-	968	628
Three years later	-	-	-	696
Undertakings				
At end of accident year	15	6	6	2
One year later	-	54	48	19
Two years later	-	-	96	44
Three years later	-	-	-	84
	857	**3,095**	**9,003**	**19,185**

31. INSURANCE RISK MANAGEMENT (CONTINUED)

SUMMARY OF LIABILITY:

Gross Liabilities in respect of accident years	2018 R'million	2017 R'million	2016 R'million	2015 R'million	Total R'million
2015-2018	47,833	40,547	31,469	22,233	142,081
Pre-2015	-	-	-	-	64,136
	47,833	40,547	31,469	22,233	**206,217**

32. COMMITMENTS

	2018 R'000	2017 R'000
Already contracted for but not provided for		
Property, plant and equipment	2,115	3,946
Intangible assets	-	4,092
Operating expenditure	191,141	71,921
	193,256	**79,959**
Not yet contracted for and authorised		
Property, plant and equipment	20,963	-
Intangible assets	6,184	-
Operating expenditure	61,498	-
	88,645	**-**
Total capital commitments		
Already contracted for but not provided for	193,256	79,959
Not yet contracted for and authorised by members	88,645	
	281,901	**79,959**
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	46,153	51,338
- in second to fifth year inclusive	18,642	68,892
	64,795	**120,230**

Operating lease payments represent rentals payable by the RAF for certain of its office properties.

The leases have varying terms, escalation clauses and renewal rights.

33. CONTINGENCIES

OTHER CONTINGENCIES

There are a number of outstanding corporate legal matters. These are as follows:

- Litigation by/against service providers – 12 matters
- Constitutional challenges – 13 matters
- Other litigation/disputes – 26 matters

The RAF is involved in commercial and labour-related litigious matters. The total value of the contingent liability in respect of the above legal matters and their related legal costs is estimated at R113,949,521.

GUARANTEES

The guarantee exposure as at 31 March 2018 was R1,442,000 (2016/17: R1,442,000)

	2018	2017
	R'000	R'000
Description		
Columbia Falls Properties (Pty) Ltd	77	77
Faerie Glen Waterpark (Pty) Ltd	1,365	1,365
TOTAL	**1,442**	**1,442**

34. GOING CONCERN

The RAF draws attention to the fact that at 31 March 2018, the entity had an accumulated deficit of R206,428,178,000 and that the entity's total liabilities exceeded its assets by R206,340,580,000.

The RAF Fuel Levy is not consistently informed by the RAF's productivity, nor by the longstanding liability for claims incurred under the RAF Act, which was R206 billion as at 31 March 2018. As at 31 March 2018, the total claims liabilities amounted to R215 billion.

The liability, as well as the historic mismatch between the Fund's income and expenditure, continue to result in a significant threat to the 'going concern' basis for the preparation of the Financial Statements of the Fund.

Though the recent increase in April 2018, amounting to an estimated additional R9 billion per annum, to a large extent will succeed in reducing the gap between productivity and funding on a monthly basis, it will not contribute to reducing the backlog in claims requested for payment but not yet paid (accounts payable) that had accumulated since the cash flow constraints became a reality in the latter part of 2014.

The pressure on available funding is further increasing, given the inflationary pressures on the heads of damages, the preference for the more expensive claims by representing firms and the consistently higher claims registration patterns observed.

The 'going concern' basis was nonetheless used for the preparation of the Annual Financial Statements despite the cash flow challenges faced by the RAF – a basis that 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.

Though the RAF will continue to face material cash flow constraints, it is believed that based on the initiatives implemented to date, the support from its stakeholders, the absence of any indication that it should no longer execute its statutory obligations and by continuing to work with its service providers and claimants, that the RAF will be able to meet its obligations arising.

35. EVENTS AFTER THE REPORTING DATE

No undisclosed material events have taken place between the Statement of Financial Position date and the authorisation of the Annual Financial Statements, as disclosed in the Report of the Board.

36. BUDGET DIFFERENCES

MATERIAL DIFFERENCES BETWEEN BUDGET AND ACTUAL AMOUNTS

The material differences can be explained as follows:

Investment Revenue

The average interest earned on the cash holdings was 6.57% on the actual cash holdings throughout the financial year, in comparison to the expected budgeted rate of 5%. This resulted in a higher return on cash invested for short-term periods.

Gains on Disposal of Assets and Liabilities

The Gain/(Loss) on Disposal of Assets and Liabilities varied from the amount projected in the budget due to the RAF entering into a fleet management agreement and disposing of the motor vehicles on hand at the time of entering the agreement. This was not expected at the time of the budget approval.

Claims Expenditure

The variance in claims expenditure is due to a lower than expected increase in the actuarial valuation of the provision for outstanding claims of R10,000,000,000 less than what was budgeted for.

Finance Costs

Interest on late payment of claims was projected to increase in line with the projected increase in claims requested for payment but not yet paid at year-end. Due to the lower than expected balance on the claims liabilities, less interest was incurred than was originally anticipated.

General Expenses

The variance in general expenditure is due to the cost containment initiatives implemented as per the National Treasury Instruction Note and the delay in initiation of projects.

Nelson Mandela Centenary 2018 Be the Legacy

Appendix A

PART F

Appendix A: Contact Details

HEAD OFFICE

Eco Glades 2
420 Witch-Hazel Avenue, Centurion, 0046
Private Bag X178, Centurion, 0046
Tel: +27 12 621 1600

REGIONAL OFFICES

Pretoria
Road Accident Fund Building, 38 Ida Street, Menlo Park, Pretoria, 0081
PO Box 2743, Pretoria, 0001
Tel: +27 12 429 5000

Johannesburg
Marble Towers (29th floor), 212 Jeppe Street
(Cnr Jeppe and Von Wielligh Streets), Johannesburg, 2001
Private Bag X02, Johannesburg, 2000
Tel: +27 11 223 0000

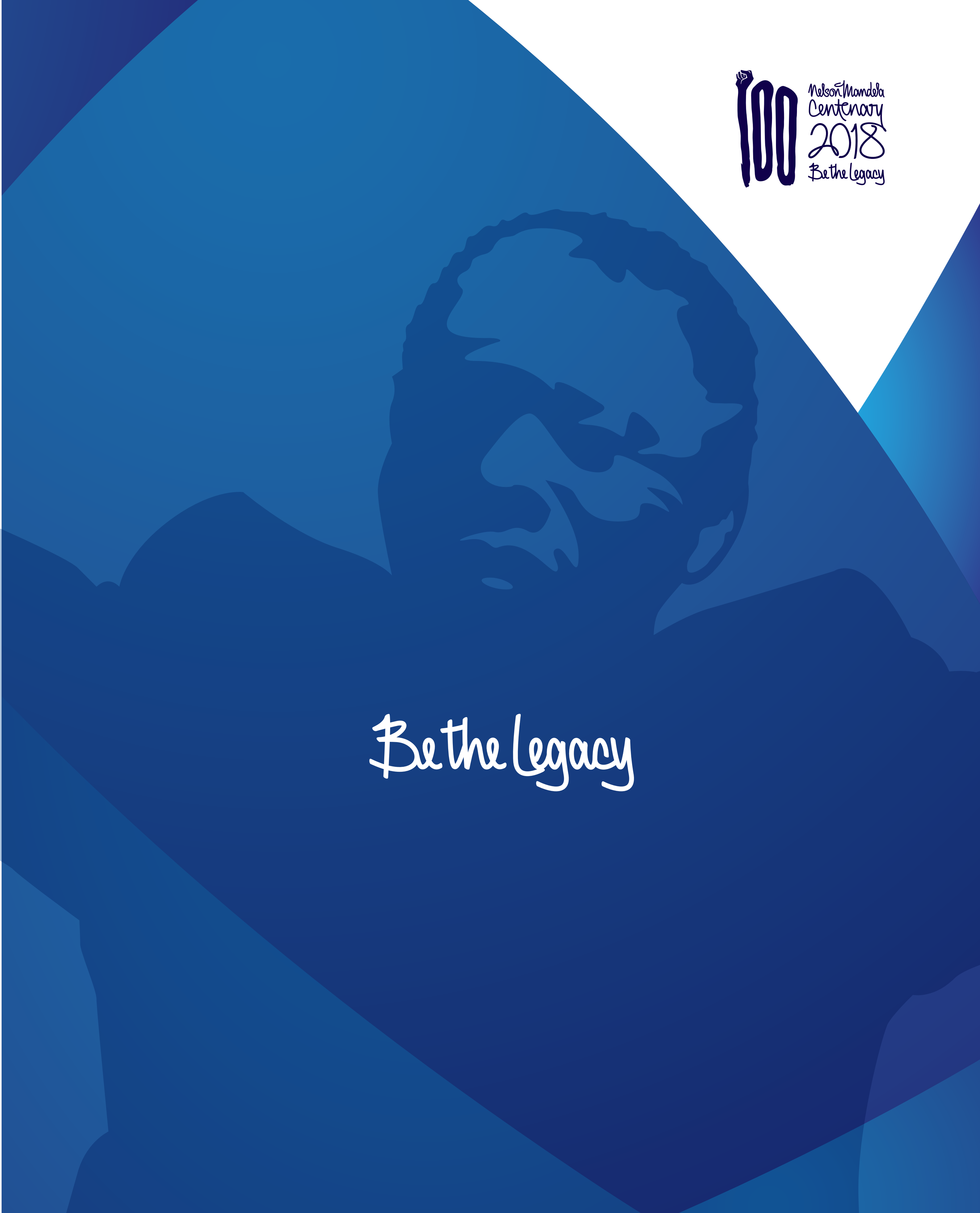
East London
Metropolitan Building (4th floor),
(Cnr Drury Lane and Caxton Streets), East London, 5200
Private Bag X9000, East London, 5200
Tel: +27 43 702 7800

Durban
The Embassy Building (12th floor),
199 Anton Lembede Street (previously Smith Street), Durban, 4001
Private Bag X54371, Durban, 4000
Tel: +27 31 365 2800

Cape Town
1 Thibault Square (7th floor), Long Street, Cape Town, 8001
PO Box 2443, Cape Town, 8000
Tel: +27 21 408 3300

OTHER CONTACT DETAILS

Customer Care Share Call Number:	**0860 23 55 23**
Anonymous Fraud Hotline:	**0800 00 59 19**
Website:	**www.raf.co.za**
Facebook:	**www.facebook.com/RoadAccidentFund**
Twitter:	**@RAF_SA**
Instagram:	**@raf_road**


Nelson Mandela
Centenary
2018
Be the Legacy
Be the Legacy

Head Office
Eco Glades Office Park 2,
420 Witch-hazel Avenue,
Centurion Private Bag X178, Centurion, 0046

Customer Care Number
0860 235 523

www.raf.co.za

www.facebook.com/RoadAccidentFund @RAF_SA RAF_ROAD

RP365/2018 | ISBN: 978-0-621-46751-2