

# \* COMPENSATION FUND

## PRESENTATION TO PORTFOLIO COMMITTEE ON LABOUR

10<sup>th</sup> September 2010

Mr Shadrack Mkhonto  
Compensation Commissioner

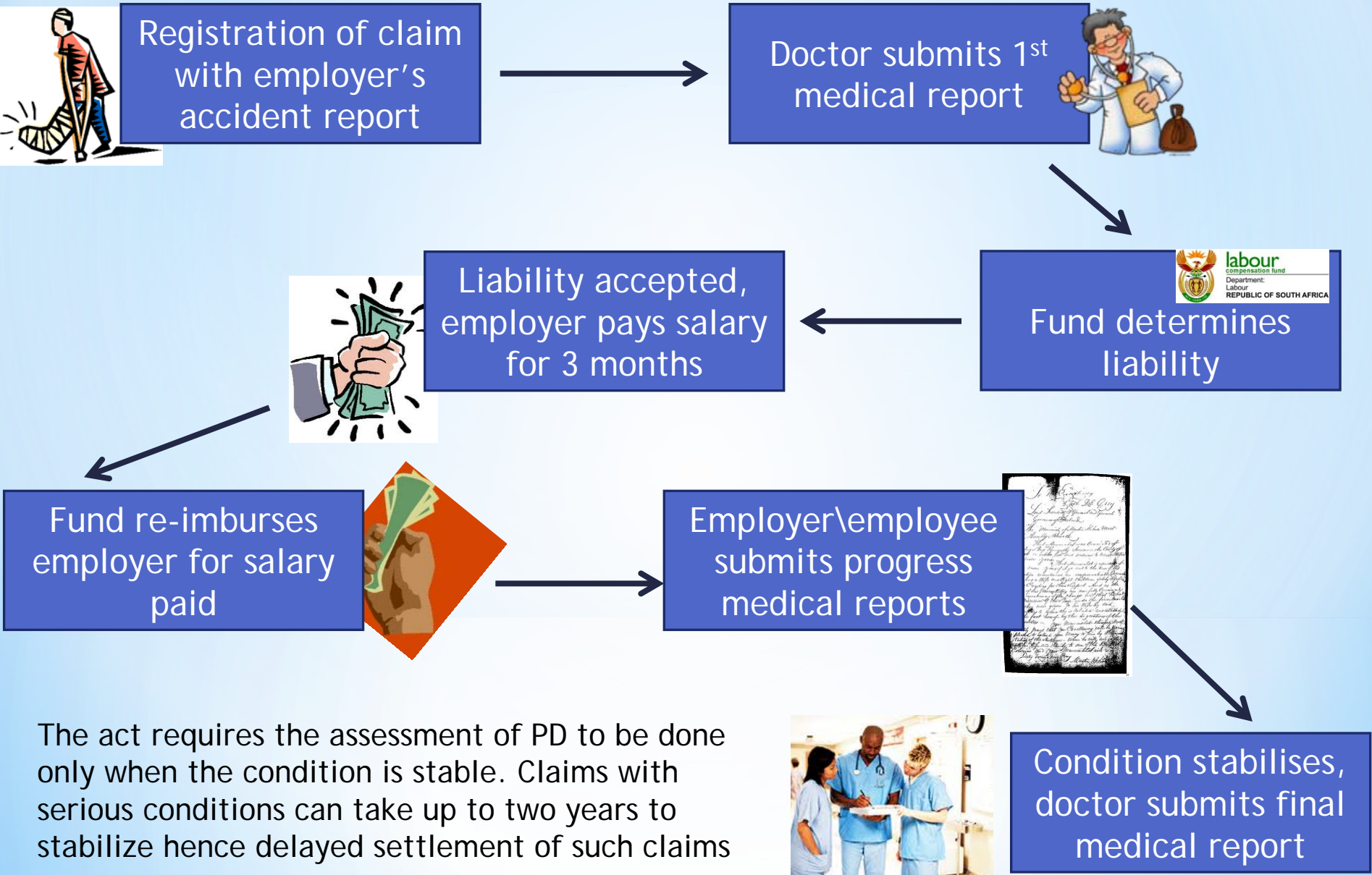
# \* LEGISLATIVE MANDATE

- The Compensation Fund is a public entity of the Department of Labour.
- It is responsible to administer the Compensation for Occupational Injuries and Diseases Act (COIDA) No. 130/1993 as amended by the COIDA 61/1997.

# \*BACKGROUND

- The Fund provides compensation for disablement caused by occupational injuries or diseases sustained or contracted by workers, or for death resulting from such injuries or diseases.
- The Fund is financed from levies paid by employers.
- The revenue consists mainly of annual assessments paid by registered employers on a basis of a percentage or fixed rate of the annual earnings of their workers.

# \*THE COIDA PROCESS



The act requires the assessment of PD to be done only when the condition is stable. Claims with serious conditions can take up to two years to stabilize hence delayed settlement of such claims



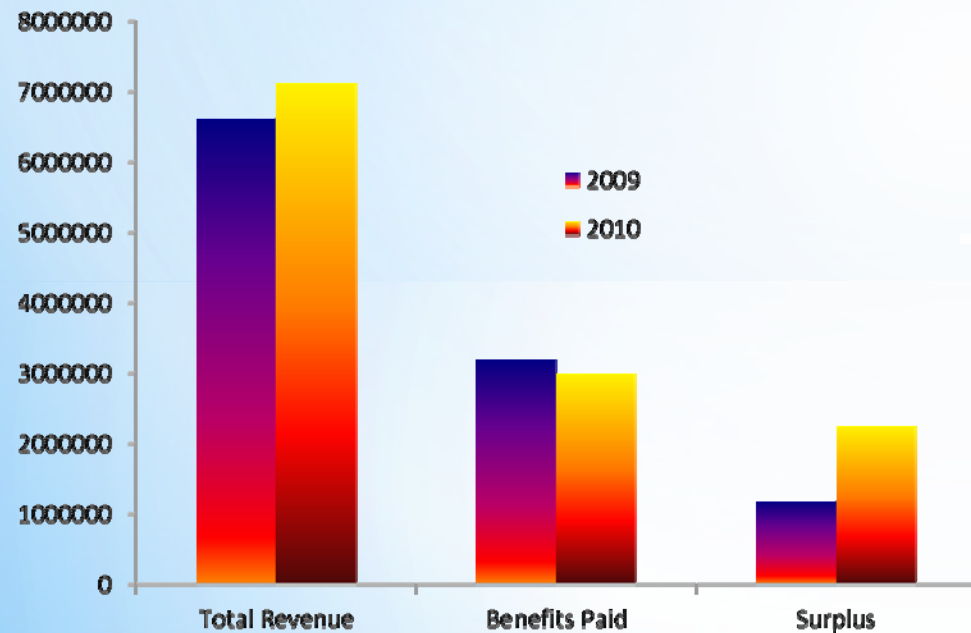
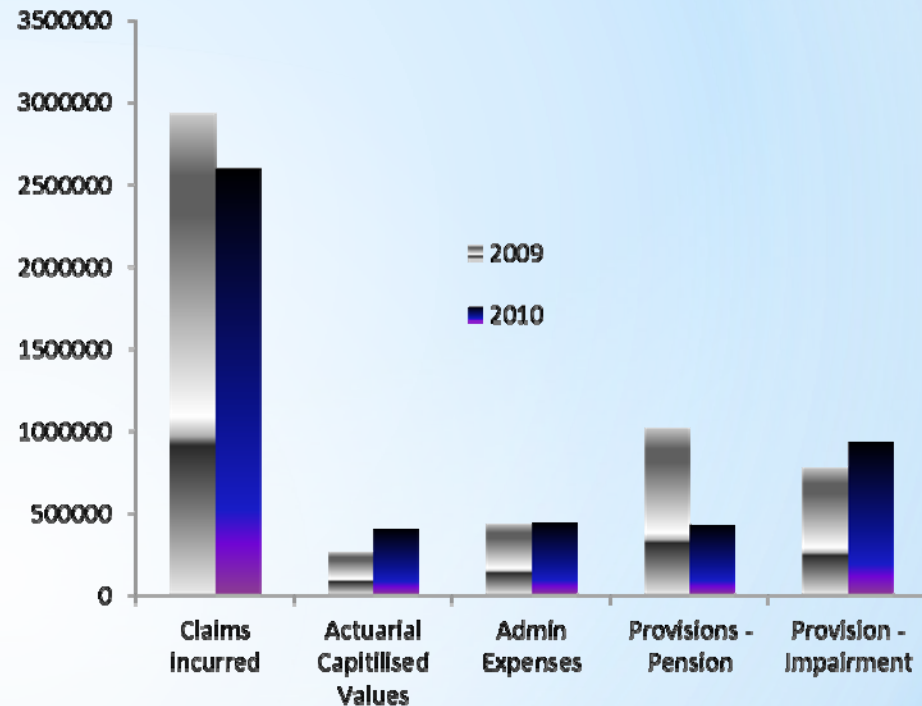
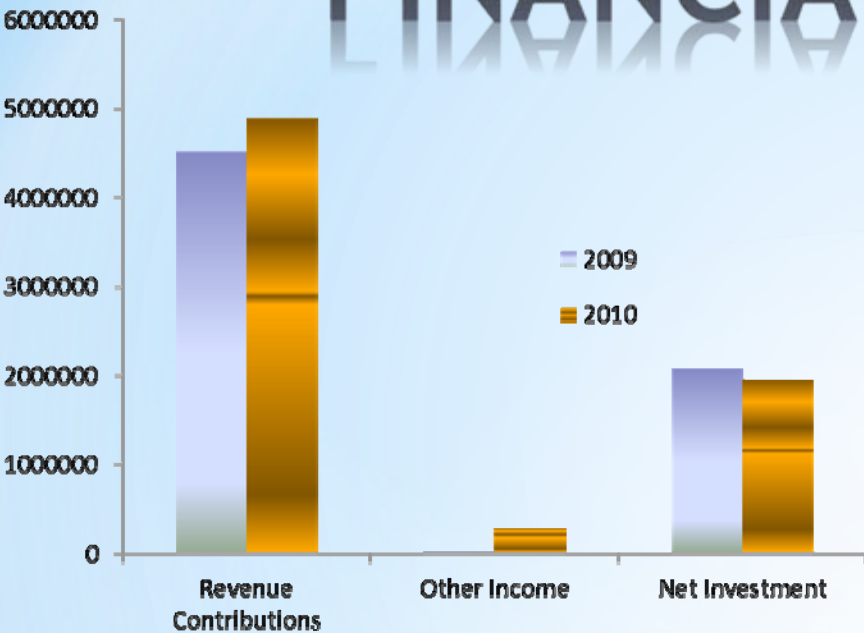


# \* FINANCIAL PERFORMANCE

<u>Financial Performance</u>	<b>2010</b> R' 000	<b>2009</b> R' 000	
Revenue contributions	4,884,612	4,513,720	↑
Other Income	284,976	23,237	↑
Net Investment Income	1,946,870	2,078,799	↓
<b>Total Revenue</b>	<b>7,116,458</b>	<b>6,615,756</b>	↑
<u>Benefits Paid</u>	<b>(2,998,819)</b>	<b>(3,197,117)</b>	↓
Claims incurred	(2,594,029)	(2,929,473)	↓
Actuarial capitalised values	(404,790)	(267,644)	↑
Administrative Expenses	(445,530)	(439,847)	↑
Provisions – pension liability	(431 233)	(1 024,426)	↓
Provision – impairment	(932, 248)	( 781,728)	↑
<b>Surplus for the year</b>	<b>2,258,628</b>	<b>1,172,628</b>	↑

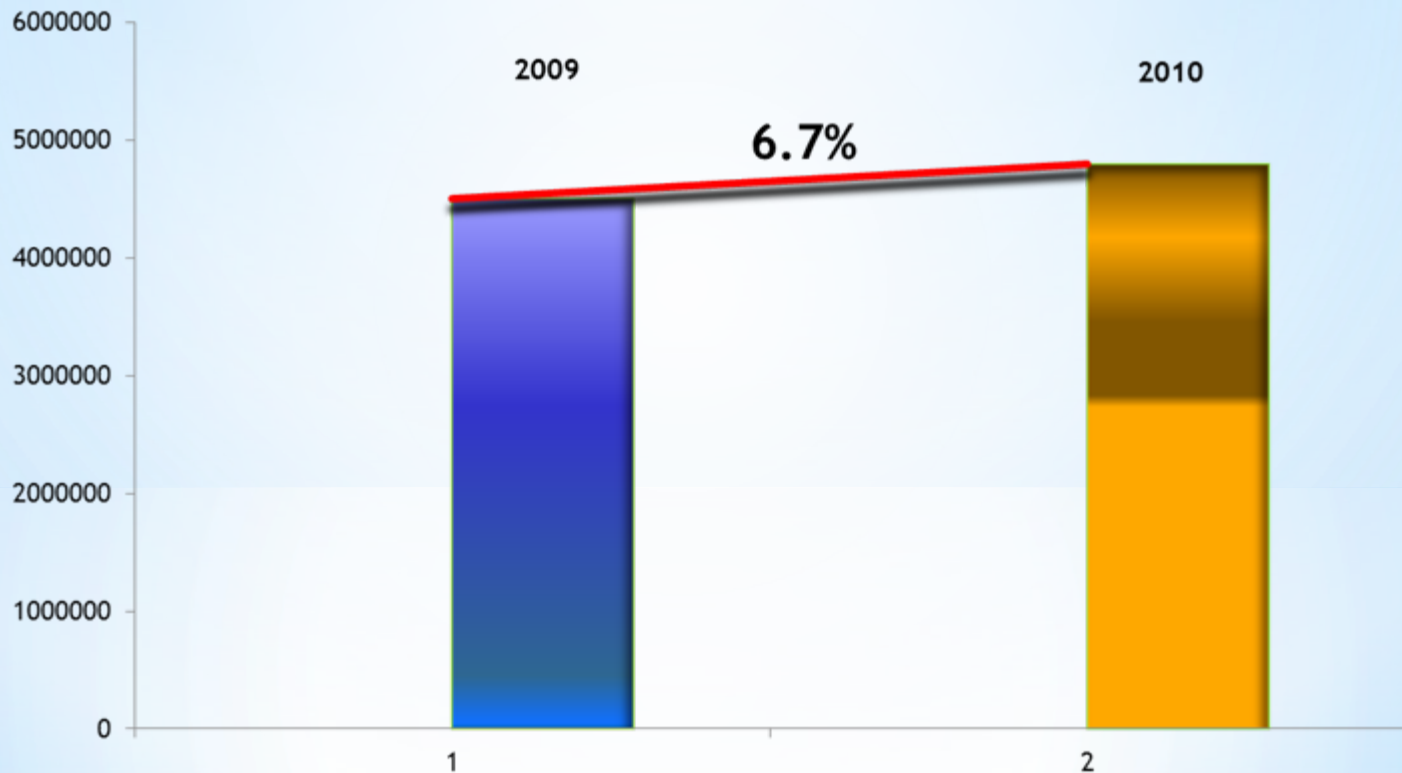


# FINANCIAL PERFORMANCE



# \*REVENUE

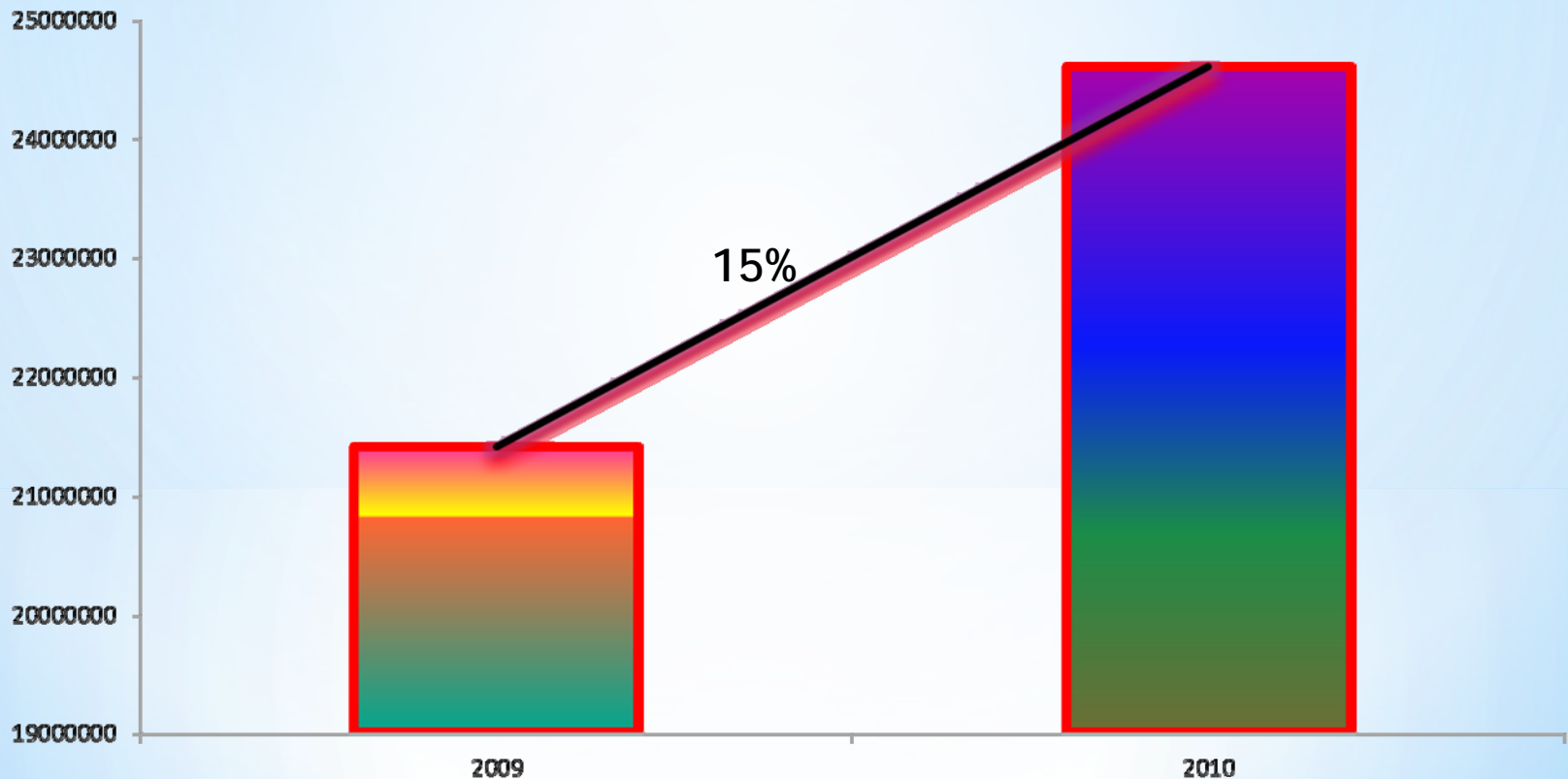
The Fund generated revenue of R4.8 billion (R4.5 billion:2009), most of which is from assessments of registered employers and interest and penalties from defaulting employers. The revenue increased by 6.7%. The other income consists of interest from investments.



# \* FINANCIAL POSITION

## ■ Assets

Total assets grew by 15% from the previous year ( 2009) R21,4 billion to R24,6 billion. Investment formed 97% of total assets for the year. Other major assets are income assessment debtors, cash and deposits with financial institutions.





# \* FINANCIAL PERFORMANCE

## \* Liabilities

Current liabilities include provisions for outstanding claims, leave and bonus; as well as trade and other payables.

## \* Actuarial Report

Alexander Forbes, as the appointed actuaries, performed the Actuarial Evaluation based on the management accounts of the Compensation Fund. Provisions for pension and compensation are based on the Actuarial Report. The recommendation was as follows:

The outstanding compensation claims payable before 31 March 2010:  
R973 million.

The outstanding claims payable subsequent years R2.7 billion and further contingent reserve of R473 million.

The outstanding pension claims payable before 31 March 2010: R9.9 billion.

# \* OVERVIEW OF AUDIT FINDINGS

	2005-2007	2008	2009	2010
Revenue contributions and assessment debtors	Qualification	Disclaimer	Disclaimer	Qualification
Bank (reconciliations/ suspense accounts /balances)		Disclaimer	Disclaimer	Qualification Cleared
Claims incurred		Disclaimer	Disclaimer	Qualification
Accounts payable			Disclaimer	Qualification Cleared
Property, plant and equipment			Disclaimer	Qualification Cleared
IFRS 7		Disclaimer	Disclaimer	Qualification Cleared

# \* AUDIT OPINION

- \* The CF received a qualified audit opinion, while not ideal, is a significant improvement from disclaimers of the previous two financial years

## Basis for a Qualified opinion:

- \* Completeness of revenue contributions and valuation of assessment debtors
- \* Completeness, accuracy and occurrence of claims incurred.

# \* MATTER OF EMPHASIS

## \* Fruitless and wasteful/irregular expenditure

The Fund incurred irregular expenditure amounting to R7.6 million as a result of an extension of a contract with an information Technology services provider without a signed agreement for the current financial year, as disclosed in note 24 of the financial statements.

The fund could not extend the contract with the service provider was not compliant with SARS regulations.

The Fund has since met with the national Treasury & has notified SARS of this irregularity.

The Fund is in contact with SARS to ensure that the Service provider complies with SARS regulations.

## \* Fruitless and wasteful/irregular expenditure

An amount of R7,1 million paid to interest on late payment of medical claims.

A service provider took the Fund to court for disputed medical claims.

The court ruled that the Fund to pay all claims plus interest.

## ■ Restatement of comparative figures

In an effort to correct and clear the queries raised by AG the previous financial years, a restatement of R342 million was done by the Fund. This ensured that the Financial statement fairly present the financial status of the Fund.



# \* MEASURES TO CLEAR FINDINGS

## 1. Revenue contributions and assessment debtor

- A detailed team is in place to address arrear assessments
- A variance report was developed as a management tool to monitor capturing errors.
- A debt collector was appointed to follow up on outstanding debtors.
- The Fund is in a process of concluding an SLA with CIPRO - which will ensure completeness of revenue.

## 2. Completeness, accuracy and occurrence of claims incurred

- Document capture problems are being addressed
- System upgrade was done, to improve the functionality.

# \* CLAIMS - COMPENSATION

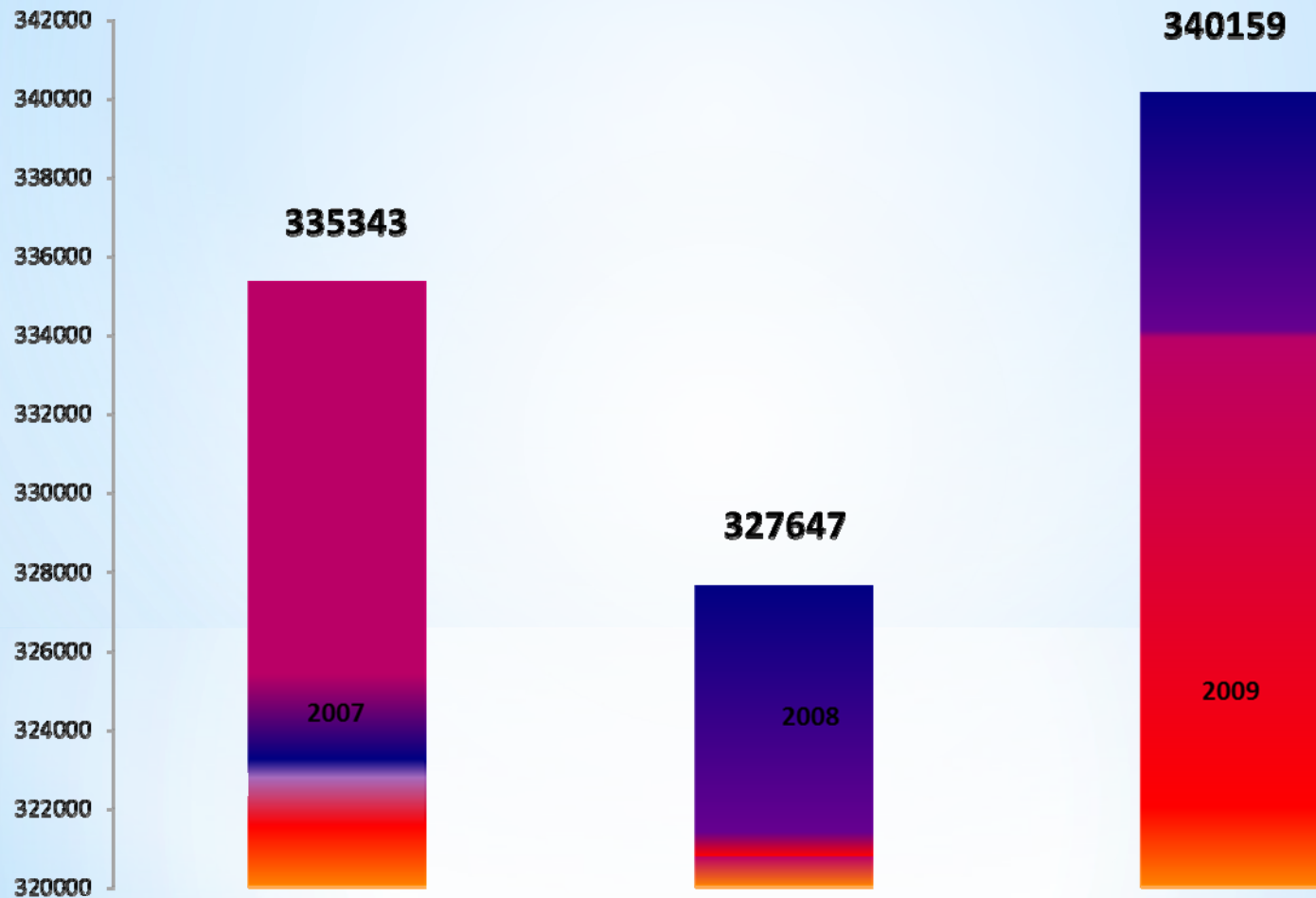
## Decentralization of claims functions

- \* the registration of claims; adjudication of claims and payment of medical claims has been decentralised to Limpopo; Eastern Cape; Free State and KwaZulu-Natal provinces
  
- \* The average turn around time in these provinces has improved with :
  - 3 days for registration of claims
  - 5 days for adjudication
  - 7 days for payment of medical accounts
  
- \* A total of 138605 medical accounts were paid in the four provinces.
  
- \* 19 836 claims were registered and adjudicated

# \* CLAIMS - COMPENSATION

- \* The Fund has paid more benefits than the previous years due to the review of claims to eliminate backlogs
- \* The review was done on claims registered from 01 April 2006 to 31 March 2008.
- \* Claims registered from 01 April 2008 are being reviewed to eliminate any unfinalised claims.

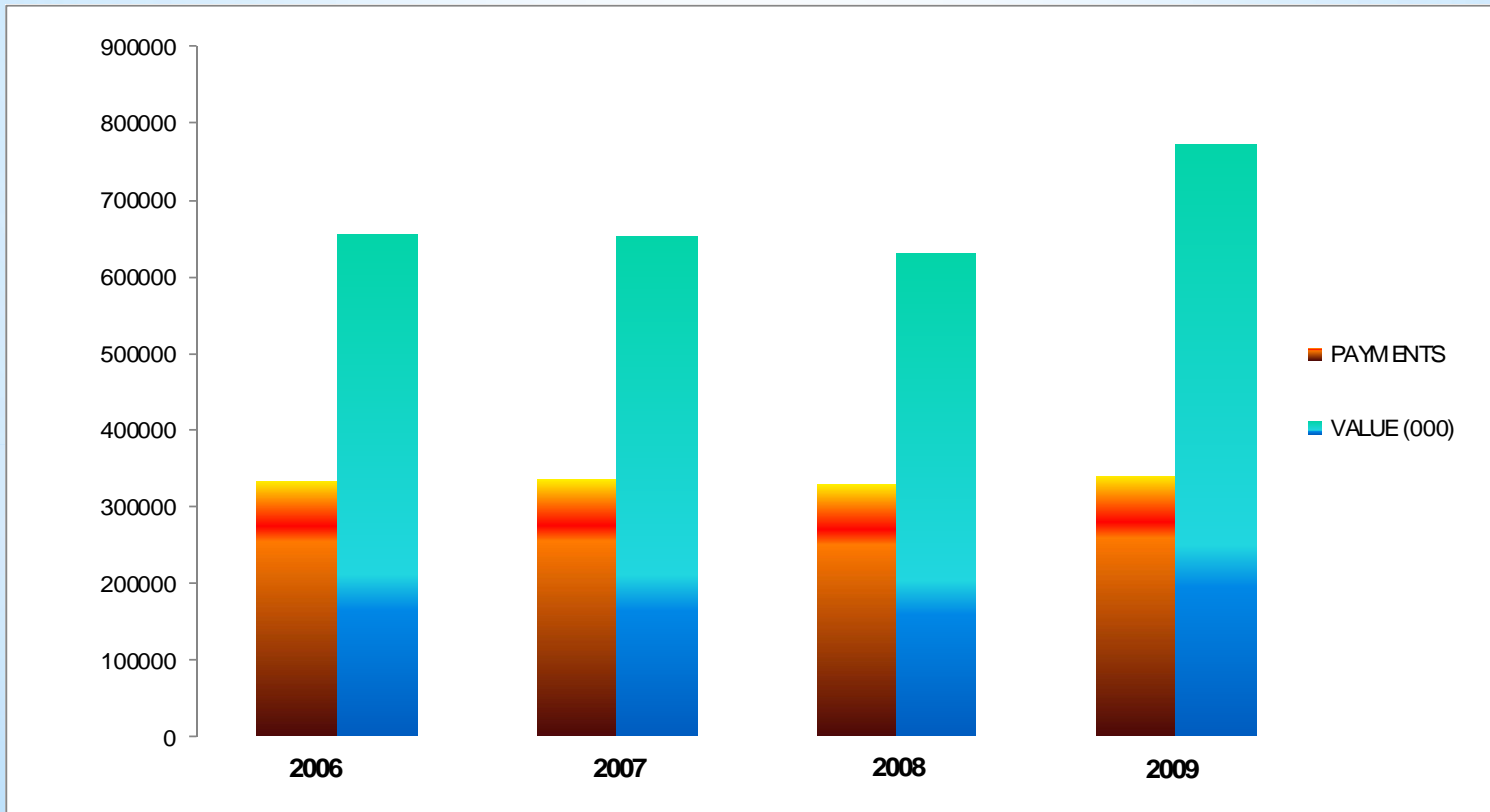
# \* CLAIMS - COMPENSATION



# \* CLAIMS - COMPENSATION

## Temporary Total Disablement, Permanent Disablement and Pension payments

YEAR	NO OF PAYMENTS	AMOUNT PAID
2006	331 672	R 655 000 000
2007	335 345	R 652 466 698
2008	327 647	R 630 708 449
2009	340 159	R771 801 533





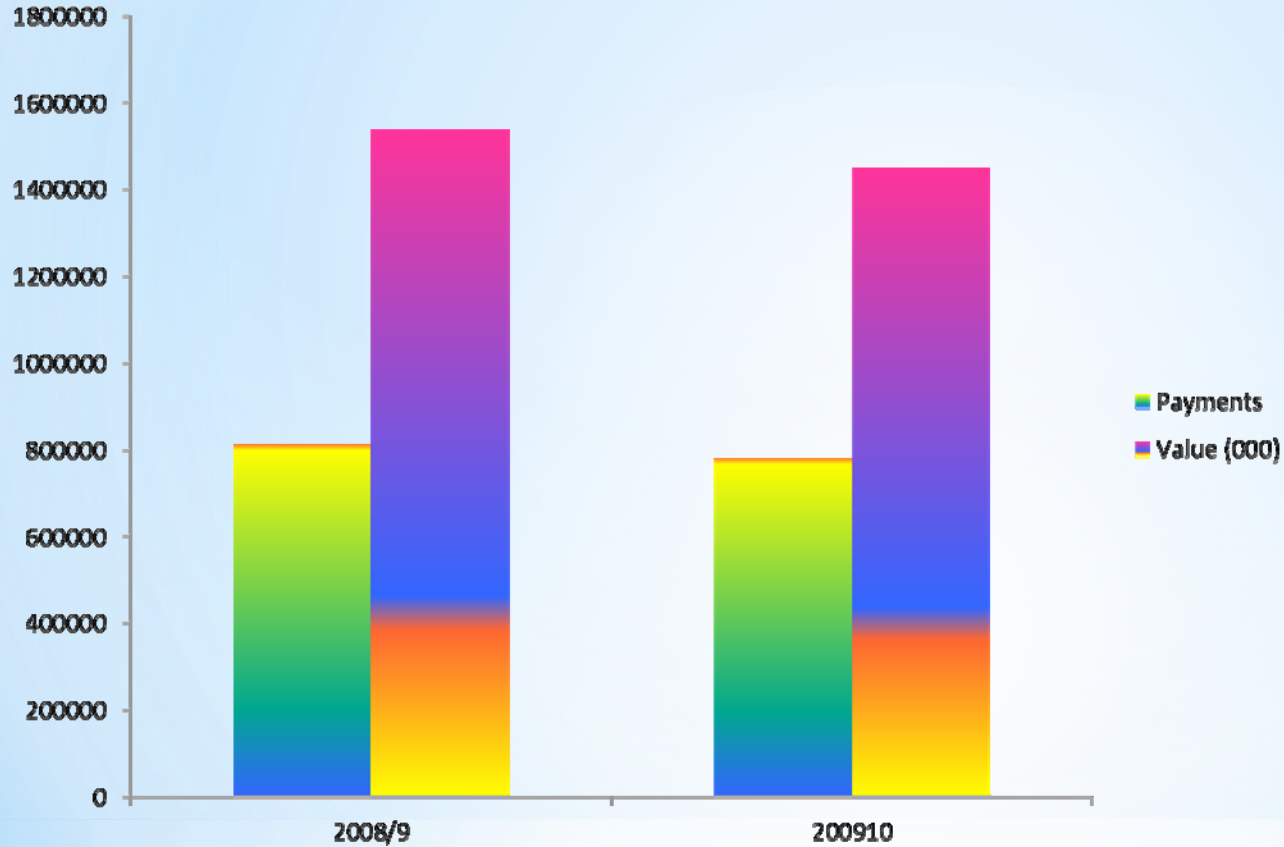
# \* COMPENSATION BENEFIT INCREASES

- \* The Minister of Labour has approved substantial increases on COIDA pensions; lump sums and constant attendance allowance :
  - \* Monthly pension increased by 5% plus 85 % purchasing power to low pension earners
  - \* Constant attendance allowance increased by 9.5% from R1166 per month to R1300 per month
  - \* Minimum earnings increased from R2790 per month to R3055 per month while the maximum earnings increased by 9.5% from R11163 to R 12 223
  - \* Maximum funeral benefits increased by 9.5% from R11155 to R12300
  - \* Maximum lump sum for partial dependency increased by 9.5% from R86 930 to R95 200.

# \* BREAKDOWN OF COMPENSATION BENEFITS

Payment	No. of payments	Amount
Additional compensation	2	825 994.00
Burial expenses	337	2 422 986.58
Constant attendance allowance	6246	6 271 628.00
Lump sum to widows	400	3 886 038.07
Partial dependency	15	164 230.09
PD lump sum payment (30%)	101	7 050 193.27
PD pension payment (<30%)	4329	85 458 303.70
PD pension (>30%)	86818	191 372 912.65
Pension	198059	343 574 258.68
TTD	43475	130 540 529.61
Widow & child pension	240	234 458.93
<b>TOTAL</b>	<b>340159</b>	<b>771 801 533.58</b>

# \* CLAIMS - MEDICAL



	<u>2008/9</u>	<u>2009/10</u>
Payments	815045	781249
Value (000)	1540340	1451516

# \* CLAIMS - MEDICAL

**The difference in claim payments can be attributed to the following reasons:**

**1.+/- R 100 m approved in March was paid in April 2010**

**2.Risk Management initiatives in place – actual fraud detected and awareness – impact on potential fraudsters' lowered medical claims submitted.**

# \* MEDICAL BENEFIT INCREASE

- Tariffs for medical aid expenses - the Compensation Board approved a 13% tariff increase across the board
- Increased adjustments were made in respect of Physiotherapists and Orthotists

# \* ORGANISATIONAL REDESIGN

- \* The organizational re-design process is currently at an advanced stage:
- \* Business processes, service delivery model and the draft organizational structure have been finalised and ready to be submitted to the Minister for approval.
- \* It is envisaged that this process will culminate in a new organizational structure which will be implemented in the next financial year.



# \* ICT AND PROJECT MANAGEMENT

- \* The development of two systems are underway at the Fund :
  - Financial management system
  - Claims management system
  
- \* The financial management system is at an advanced stage of development, while the claims management system is at the blueprint phase
  
- \* These systems are projected to go live in the next financial year

# \* ICT AND PROJECT MANAGEMENT

\* In a parallel process to the systems development, enhancements are being made to the current systems :

- Medical Bill Document Control (Status : implemented)  
This has resulted in the reduction of submission of medical accounts
- Bulk electronic upload (Status : in testing)  
Will facilitate the bulk uploading of medical accounts and reduce the number of paper documents sent to the Fund
- Finalisation of claims status (Status : implemented)  
Allows for improved reporting on status of claims

# \* HUMAN RESOURCE MANAGEMENT

LEVELS 12-15

Rank	No Approved	No Filled	No Vacant	%Vac Rate
CC	1	1	-	
CFO: SR14	1	1	-	
EM: SR13	11	10	1	
M: SR 12	29	25	4	
<b>Total</b>	<b>42</b>	<b>37</b>	<b>5</b>	<b>11.9%</b>

LEVELS 3 -10

Rank	No Approved	No Filled	No Vacant	%Vac Rate
Ass M: SR 10	23	13	10	
Snr P: SR 8	78	76	2	
Pract: SR 7	75	66	9	
Snr Clerk: SR 6&5	461	446	15	
Suport: SR 4&3	31	27	4	
<b>Total</b>	<b>668</b>	<b>628</b>	<b>40</b>	<b>6%</b>

# \*EMPLOYMENT EQUITY PROFILE

Occupational Band	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top Management	1								1
Senior Management SR 13-14	2	1	1	-	6	-	-	-	10
Professionally qualified and experienced specialists and mid-management SR 9- 12	17			2	16		1	1	37
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents SR 5 - 8	177	9	2	4	287	35	2	65	580
Semi-skilled and discretionary decision making SR 1- 4	11				2				13
<b>Total</b>	<b>208</b>	<b>10</b>	<b>3</b>	<b>6</b>	<b>311</b>	<b>35</b>	<b>3</b>	<b>66</b>	<b>642</b>

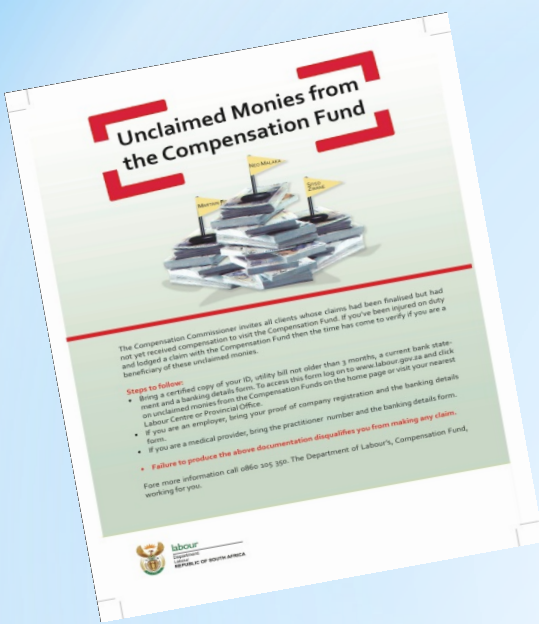
# \* LEGAL SERVICES

## \* Hearings (Section 91 objections)

- \* 841 outstanding previous year;
- \* 467 received current year;
- \* Total objections received: 1308
- \* 575 finalised
- \* 733 outstanding



# \* COMMUNICATIONS



The Unclaimed Monies advertising campaign ran from the 1<sup>st</sup> to the 28<sup>th</sup> February 2010, to call upon beneficiaries whose claims had been finalised but did not receive compensation.

The adverts were run on national, provincial and community newspapers and national and community radio stations.

30 interviews were conducted by COIDA assistant managers on different community radios stations nationally, to outline the purpose of the campaign and the target audience.

Through this campaign, about 2 500 beneficiaries came forward and a payout of R67million has been made.

# \* RADIO INTERVIEWS

RADIO STATION	BROADCAST TIME	AREA
<b>NORTHERN CAPE</b>		
Radio Riverside	8 - 9pm Thursday	Upington
<b>WESTERN CAPE</b>		
Radio Zibonele	8 - 9pm Tuesdays	Khayelitsha
Radio Atlantis	6 - 8pm Mondays	Atlantis
<b>KWAZULU NATAL</b>		
Maputaland Radio	12.30 - 1.30 Sundays	Jozini
Inanda FM	11 -12am Wednesdays	Newcastle
Durban Youth Radio	7 - 8pm Wednesday	Durban
<b>LIMPOPO</b>		
Zebediela Community Radio	7 - 8pm	Zebediela
Botlokwa Community Radio	10 -11am	Dwarsrivier
<b>NORTH WEST</b>		
Star FM	6 - 7pm Tuesdays	Klerksdorp
Qwa-Qwa Community Radio	7.30 - 8.30pm	Phuthaditjhaba

# \*QUESTIONS