INTEGRATED REPORT

2021/22

Pension Funds Adjudicator

Est. 1998

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KEY FIGURES

8 858
(2020/21: 7 014)
Complaints received

2 157
(2020/21: 2 093)
<6 months carried over complaints

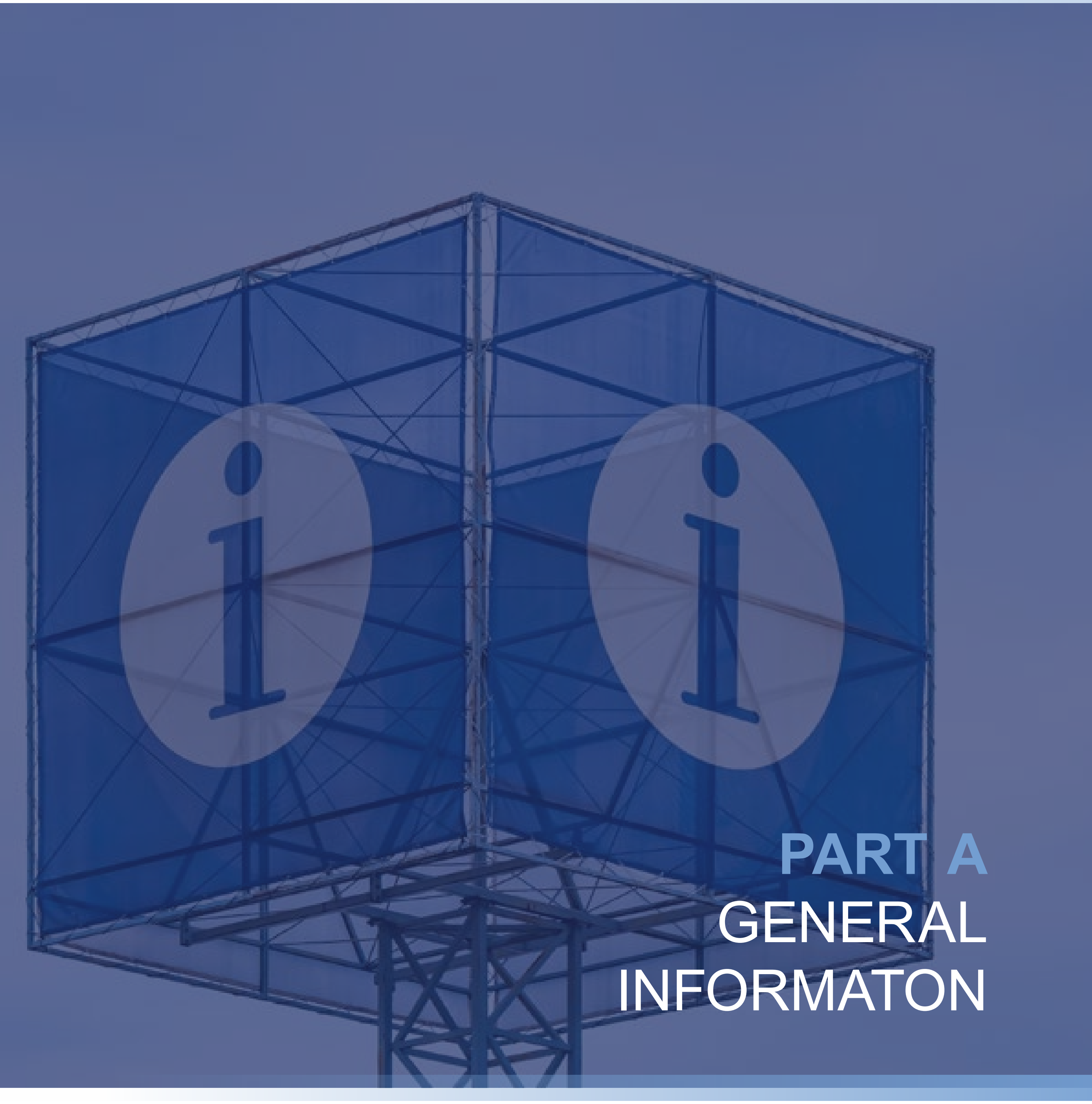
102
(2020/21: 16)
>6 months carried over complaints

8 382
(2020/21: 10 940)
Total complaints disposed of

3 816
(2020/21: 5 245)
Formal determinations

95%
(2020/21: 94%)
in favour of complainants

94%
(2020/21: 56%)
complaints finalised within six months



PART A
GENERAL INFORMATON

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Legal form of entity	The Office of the Pension Funds Adjudicator is a Public Finance Management Act (Act no. 1 of 1999) Schedule 3A public entity and statutory body established in terms of section 30B of the Pension Funds Act, 24 of 1956.
Nature of business and principal activities	The mandate of the OPFA is to dispose of complaints lodged in terms of the Pension Funds Act in a procedurally fair, economical and expeditious manner.
Registered office	Block A, 4th Floor, Riverwalk Office Park 41 Matroosberg Road Ashlea Gardens Pretoria, 0081
Bankers	Standard Bank of South Africa Limited South African Reserve Bank
Website	www.pfa.org.za
E-mail Address	enquiries@pfa.org.za
Telephone	012 748 4000 012 346 1738

LIST OF ABBREVIATIONS

ACT	Pension Funds Act
AGSA	Auditor-General of South Africa
CFO	Chief Financial Officer
FSCA	Financial Sector Conduct Authority
FSR Act	Financial Sector Regulation Act
NT	National Treasury
OC	Ombud Council
OPFA	Office of the Pension Funds Adjudicator
PFA	Pension Funds Adjudicator
PFMA	Public Finance Management Act
SCM	Supply Chain Management
TCF	Treating Customers Fairly
TR	Treasury Regulations

FOREWORD BY THE MINISTER OF FINANCE

The Office of the Pension Funds Adjudicator (OPFA) presents its 2021/22 Annual Report directly after the National State of Disaster in response to the Covid-19 pandemic was terminated by the President. The protracted period it took to effectively manage this novel pandemic introduced a variety of challenges. It had a negative impact on the government's economic recovery plans. The lifting of the National State of Disaster and repeal of Covid-19 management regulations are welcomed and provide us with an opportunity to rebuild our economy. It will free us to fast-track the implementation of economic reforms, and pursue the economic stabilisation and reconstruction plan that will support economic growth and employment recovery.

The financial sector reforms that started over five years ago are well on track. The Financial Sector Regulation Act (FSR Act) which was promulgated in 2017 continues to guide the transition, with the focus on establishing regulations and standards for regulators to strengthen the financial services sector supervision and regulation. The FSR Act established the Ombud Council, which will oversee the effectiveness of financial sector ombud schemes. Its objective is to assist financial customers to have access to affordable, effective, independent and fair alternative dispute resolution when they have complaints about financial institutions. This includes complaints that relate to financial products, financial services and services provided by the pension fund industry to pension fund members. As part of the FSR Act transition project, the Ombud Council members and interim Chief Ombud have been appointed and the entity has commenced discharging its mandate.

The Financial Services Tribunal (FST) which was established in 2019 in terms of section 218 of the FSR Act, replacing the Financial Services Board Appeal Board, is starting to yield tangible outcomes. A big part of its function is to administer appeals by aggrieved persons to the dispute resolution process and reconsider the determinations made by the Pension Funds Adjudicator free of any charge. The FST dismissed 68 (prior year – 40) and remitted 15 (prior year – 14) matters, with the more costly Pension Funds Act section 30P appeals matters reduced to 17 (prior year – 19) from more than double in 2018 prior to the introduction of FST.

The OPFA has successfully integrated the new processes and adapted learnings from the ongoing reforms. It continues to produce commendable organisational performance in discharging its mandate of resolving pension fund-related complaints. During the year under review, the OPFA received 8 858 (prior year – 7 014) complaints and resolved 8 382 (prior year – 10 940) with 94% resolved within 6 months. The high number of complaints remains a concern with withdrawal benefits and section 13A contributions remittance non-compliance attributing to more than 85% of the total complaints. Albeit understandable that financial sustainability for employers and retirement funds has been a challenge in the recent past, it should not be acceptable that pension fund members must bear the brunt. The more extensive and intrusive supervision and regulation objectives seek to address these improper practices and conduct by financial institutions and ensure treating customers fairly objectives are met.

Furthermore, the Conduct of Financial Institutions Bill is at an advanced stage and aims to streamline the legal landscape for conduct regulation in the financial sector, and to give legislative effect to the market conduct policy approach. This includes widening the definition of what constitutes a pension fund-related complaint and also ensuring the scope of the OPFA encompasses all relevant products and services. The resources required to execute these reforms are continuously reviewed with the Financial Sector Levies Bill under review and due for tabling in Parliament.

I would like to take this opportunity to thank the leadership and contribution of the Pension Funds Adjudicator and the former Deputy Pension Funds Adjudicator for playing a key role during this regulatory reform transition journey, which has had a direct impact on the OPFA's mandate and effectiveness. I also commend the OPFA employees for their resilience and agility bar the challenges posed by the changes in legislation and the Covid-19 pandemic.

Mr E Godongwana
Minister of Finance

MESSAGE FROM THE FSCA COMMISSIONER

It is a pleasure to present the 2021/22 Annual Report for the Office of the Pension Funds Adjudicator (OPFA) after a challenging two-year period due to the Covid-19 pandemic. The OPFA, like all other entities, had to be adaptive and find innovative ways to be accessible and effective as a crucial ombud scheme. The OPFA's mandate is to require it to be accessible and dispose of complaints in a procedurally fair, economical and expeditious manner. The post financial year-end termination of the National State of Disaster and repeal of National Health Regulations regarding the management of Covid-19 should release some of the pressures and challenges that the OPFA faced in the course of discharging its mandate over the past two years.

During the year under review, the OPFA received 8 858 new complaints which was a 26% increase from the prior year. However, the number of complaints received was still lower than pre-Covid levels. It was lower than OPFA's estimates which expected increased number of complaints due to job losses and financial difficulties by employers and funds aggravated by Covid-19, which would have had a direct impact on benefit withdrawals and employer contributions. The OPFA finalised 8 382 complaints, 94% of which were closed within six months to ensure timeous relief is provided to complainants.

The majority of these complaints related to withdrawal benefits at approximately 45% and section 13A compliance at approximately 40% (non-payment of contributions by employers and funds not adequately discharging their obligation to ensure collection of these contributions). This is of great concern to the OPFA as fund non-compliance and section 13A matters have been a consistent feature over the years and continue unabated to the detriment of pension fund members. The OPFA continues to engage funds and administrators that contribute the most to these matters and provide them with guidance on how to resolve some of the issues raised. There is regular engagement with the Financial Sector Conduct Authority ("FSCA") management on trends that emanate from the complaints management process and identification of funds that require intervention from the regulator. Participation in pension fund industry conferences and seminars also provided an opportunity to have the critical issues around non-compliance and delays in filing responses ventilated.

Stakeholder engagement was also extended to the public to create awareness and share information, targeting areas outside Gauteng through media articles in national newspapers and magazines, and regular visits to local and national radio stations. This was a priority for the OPFA to find innovative ways to reach a wider audience considering the Covid-19 restrictions that limited movement for both OPFA staff and the public. The focus on digital platforms also addressed the resource and capacity constraints faced by the OPFA and all other ombud schemes in terms of consumer education and outreach programmes. Despite these challenges, the OPFA successfully implemented 92% of its planned stakeholder engagement activities for the 2021-22 review period.

The Financial Services Tribunal which considered appeals of the Adjudicator's determinations by aggrieved persons, received 59 matters for the year under review. The increased use of this avenue which is more economical than the traditional section 30P High Court appeals route is encouraging and remains true to the commitment of providing affordable access to dispute resolution for consumers of pension fund products and services. There were 17 Section 30P appeal matters that were received in the current year, which was an 11% decrease from the prior year.

The Twin Peaks reform transition is taking shape. The Ombud Council was established this year, of which I am also a board member. The Ombud Council was established in terms of the FSR Act as a regulator for ombud schemes. It exists to strengthen the ombud schemes accessibility, effectiveness and independence. The National Treasury has commissioned a World Bank team to investigate an optimal operating model for the South African financial services sector ombud schemes to ensure the above-mentioned objectives are met. At present, the medium-term decision is to leave the OPFA out of the Ombud Council until its peculiarities are resolved. The Conduct of Financial Institutions Bill and the Financial Services Levies Bill are being reviewed and are at an advanced stage. These two bills are critical components to a successful implementation of the financial sector reform objectives underpinned by Treating Customers Fairly principles.

Lastly, I must offer my gratitude to the Audit, Risk, Remuneration, Social and Ethics Governance Committee members who have assisted in providing effective oversight and governance over the OPFA. I would like to further express my sincere appreciation to the Pension Funds Adjudicator, the former Deputy Pension Funds Adjudicator and OPFA staff for the commendable work achieved despite all the challenges of yesteryear. I am assured that the pending changes in the journey ahead will find a healthy organisation with vast experience which will strengthen its resolve of being a trusted dispute resolution mechanism in the retirement funds space.

Mr U Kamlana
FSCA Commissioner

MESSAGE FROM THE PENSION FUNDS ADJUDICATOR

It has been over two years since the world, and our country, had to deal with the effects of the Covid-19 pandemic. While government started easing the lockdown rules in order to balance the safety of the nation with economic activity, some restrictions were not lifted. As the Office of the Pension Funds Adjudicator (OPFA), we had to be agile and find ways to continue with our mandate of disposing of complaints in a procedurally fair, economical and expeditious manner.

In the year under review, the OPFA received 8 858 complaints, an increase of about 26% compared to the previous year when the level 4 and 5 lockdowns were implemented. Out of the total complaints received, 85% were received through electronic and online channels. 2 109 cases were carried over from the previous financial year.

8 382 cases were closed in this period, of which 45% were closed by way of formal determinations. As at 31 March 2022, there were 2 259 active cases and only 102 (4%) were older than six months. We are proud of this achievement, given the challenges that the office has been operating under.

The continuous improvement of our processes brought about by the learnings gained from the Financial Services Tribunal decisions yielded positive results, recording 68 dismissals (prior year – 40) and 15 remitted matters (prior year – 14).

One of the key success factors of the OPFA, is a collaborative engagement with our stakeholders including funds, administrators and industry bodies to share pertinent information; respond to queries; and find better ways to reduce and resolve complaints. To support our outreach and education programmes, we maintained our participation in conferences, webinars, radio and TV interviews. We also responded to calls from individual retirement funds requiring training on specific topics.

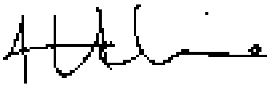
To enhance internal productivity, we continuously improve our complaints processes. The Refer to Fund and Early Resolution processes are now bearing fruit which is well demonstrated by the fact that only 45% of the cases closed required a formal determination. The complaint process was also revised to make it easier for complainants to enforce orders sounding in money by obtaining a writ of execution from the relevant court in the event of non-compliance with the order by an employer or fund.

The OPFA staff are critical for the office to deliver against its strategic goals and annual plans. We aligned and optimised our operating organisational structure to streamline our delivery capability. In collaboration with the Financial Sector Conduct Authority (FSCA), we also compiled a Book of Knowledge to complement our training and development programme for new and existing staff. To promote positive well-being of our staff, we embarked on a multi-dimensional wellness programme.

We continued to invest resources in modernising our digital platforms to enable our organisation to achieve its mandate and strategic goals in a more effective manner. With the hybrid working method of the new norm, we enhanced our ICT systems and security to ensure that OPFA staff deliver services without any interruptions.

As we look forward, we are excited about the progress made in implementing the Twin Peaks model of regulation in South Africa which intends to create a new ombud system that the OPFA will be part of. Our engagements with the World Bank Group, commissioned to conduct a diagnosis of the South African financial ombud system, will also assist in plotting the path forward for greater efficiencies in the financial ombud system. The appointment of the Interim Chief Ombud is a welcomed step. The impending enactment of the Conduct of Financial Institutions (CoFI) Bill is another exciting development that will see the public sector retirement fund members being beneficiaries of OPFA services.

In conclusion, I would like to thank the Minister, the FSCA Commissioner and the OPFA governance committees for providing the OPFA with vital oversight to ensure that we deliver on our mandate. We are grateful to our key stakeholders for collaborating with the OPFA in its endeavor to ensure that everyone involved in the pension fund complaints process receives a fair and just outcome. My heartfelt appreciation goes to the OPFA management team and staff who continue to embrace our high-performance culture and deliver desired results.



Ms MA Lukhaimane
Pension Funds Adjudicator

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE INTEGRATED REPORT

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

All information and amounts disclosed in the Integrated report are consistent with the annual financial statements audited by the Auditor-General of South Africa. The report is complete, accurate and is free from any omissions. The integrated report has been prepared in accordance with the annual report guidelines as issued by National Treasury and the International Integrated Reporting Framework.

The Annual Financial Statements on pages 70 to 98 have been prepared in accordance with the Generally Recognised Accounting Practice standards applicable to the public entity.

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 designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

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

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

Yours faithfully

FSCA Commissioner
Mr U Kamlana

Pension Funds Adjudicator
Ms MA Lukhaimane

BASIS OF PREPARATION FOR INTEGRATED REPORT

This integrated report is prepared according to the guidelines of the International Integrated Reporting Framework issued by the International Integrated Reporting Council and annual report guidelines issued by the National Treasury.

The scope of this integrated report is focused on how the OPFA has created value for all its relevant stakeholders with particular emphasis on value created for complainants through the efficiency and procedural fairness of the complaint's disposal process and how the six capitals were integrated to ensure the OPFA mandate is achieved.

Materiality framework

What is considered material for reporting purposes is informed by the mandate of the OPFA, which is disposal of complaints in a procedurally fair, expeditious and economical manner. The focus of this report is on value created during the year under review. It includes an assessment of the changes in the external environment, key risks and opportunities and strategic responses which affect the complaints management process in the medium term covering a rolling period of five years.

Furthermore, as a public entity governed by the Public Finance Management Act (PFMA), factors that have a material financial impact and/or indicate a significant non-compliance with relevant laws and regulations are disclosed in the annual financial statements. This is based on the materiality and significance framework approved by the Accounting Authority.

ORGANISATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT

Organisational overview

The OPFA was established in terms of the Pension Funds Act, No. 24 of 1956 (ACT) as amended, to dispose of pension fund-related complaints lodged in terms of the ACT and complaints designated to the Pension Funds Adjudicator (PFA) in terms of section 211 of the Financial Sector Regulation Act, No. 9 of 2017 (FSRA). The main objective of the OPFA is to ensure that the rights of consumers of pension products and services are protected, and they are treated fairly within the prescripts of the law.

Legislative and policy mandates

The OPFA is a PFMA Schedule 3A entity established in terms of section 30B of the ACT with effect from 1 January 1998, to investigate and determine complaints lodged in terms of the ACT and those designated to the PFA in the FSR Act. Section 30D of the Act requires that the PFA in disposing complaints:

- Applies, where appropriate, principles of equity;
- Has regard to the contractual arrangement or other legal relationship between complainants and any financial institution;
- Has regard to the provisions of the ACT; and
- Acts in a procedurally fair, economical and expeditious manner.

The OPFA is guided by its mandate and is committed to achieving its strategic goals and contributing to social protection of consumers of pension products and services by:

- Being a trusted, independent and impartial Pension Funds Adjudicator;
- Being an organisation that leads by example and is committed to service excellence;
- Providing access to complainants;
- Creating awareness on the role of the OPFA, and educating and informing consumers of their rights; and
- Establishing meaningful and collaborative relationships with relevant stakeholders.

VISION

To be a respected institution that is the arbiter of choice in pension fund complaints submitted to it in terms of the ACT.

MISSION

The mission of the OPFA is to resolve complaints in terms of the ACT.

STRATEGIC OBJECTIVES

The OPFA's strategic objectives over this period focus on discharging its mandate, improving and maintaining its operations and having informative and value adding interactions with its stakeholders, namely:

- **Strategic goal 1:** Dispose of complaints received – Relates to the mandate of the OPFA and measures success indicators that focus on issuing determinations timeously.
- **Strategic goal 2:** Achieve operational excellence – Relates to the ability of the OPFA to conduct its operations efficiently, through an effective system of internal control and sound governance.
- **Strategic goal 3:** Effective Stakeholder Engagement – Measures the effectiveness of the OPFA in conducting outreach programmes, creating awareness and forging synergistic relationships with relevant stakeholders.

VALUES

The OPFA will act professionally at all times. To this end, the OPFA promotes the following values:

- Professional and technical competence;
- Integrity;
- Collaboration;
- Stakeholder synergy;
- Respect and dignity; and
- Impartiality.

External environment

Covid-19

A few days after our financial year end on 5 April 2022, the National State of Disaster to control the spread of Covid-19 was lifted by the President. This was a welcome development to ensure that the OPFA continues to discharge its mandate and implement its strategy successfully. The OPFA recognises that Covid-19 has not disappeared and its employees, complainants and other stakeholders that visit its offices should remain vigilant and take necessary precautions. The OPFA continues to encourage its employees to get vaccinated and get the necessary booster shots. A high percentage of staff have reported being vaccinated against the virus and the OPFA will continue to encourage staff to be vaccinated. A mandatory vaccination policy is being considered with due regard to the individual rights of staff members.

As reported in the OPFA Annual Report 2020/2021, there has been a correlation between the reduced number of complaints received and the national lockdowns which limited the number of walk-in complainants. Since relaxation of restrictions the number of complaints has ticked upwards but is still less than pre-Covid levels. In the year under review, the OPFA ramped up its efforts to reach communities and increased its visibility on digital media platforms with the main focus on community radio stations and webinars.

The FSCA Annual Report 2020/2021 reported that in June 2020, a survey by the FSCA showed that in nearly 40% of active retirement funds, the employer was in some form of financial distress because they or/and employees approached the fund to ask for a temporary suspension or reduction of retirement contributions due to Covid-19 lockdowns. Several employers have also gone through liquidations, thereby impacting funds and members. The termination of funds is of concern as it places fund members in a precarious future financial position. This is likely to result in an increase in complaints pertaining to exit benefits unless proper communication is put in place by the respective retirement funds. The much-reported upon issue of arrear contributions remains a concern in the short to medium term and requires attention as section 13A contribution-related complaints have increased to more than 40% in 2021/22 (2020/21: 24%).

Legislative changes

i. Financial Sector Regulation Act

South Africa is well underway to implementing a Twin Peaks model of regulation in its financial sector. The introduction of the FSR Act and the establishment of the FSCA was one of the first major steps taken towards achieving this objective. The FSR Act also made consequential amendments to the Pension Funds Act, 1956 and other financial sector legislation, which included amendments of the ACT affecting the OPFA's mandate.

ii. Financial Services Tribunal

The evolution of the Financial Services Appeal Board into the Financial Services Tribunal ("FST") was one such amendment as it brought within the ambit of the FST's jurisdiction decisions made by the PFA. The FST has been in operation since 2018 and has been a welcome process for the quick and cost-efficient review of an aggrieved party's grievance. Decisions made by the FST have shaped some of the OPFA processes to ensure that parties are not unduly prejudiced. It is expected that during the next period, sufficient data will be available to analyse trends arising from FST decisions.

iii. Ombud Council and Interim Chief Ombud

The FSR Act also established the Ombud Council ("OC") and the Chief Ombud position. The OC consists of the Chief Ombud, the Commissioner (of the FSCA), and at least four, but not more than six, other members appointed by the Minister of Finance. The OC is empowered to:

- make rules relating to ombud schemes including governing rules, definitions of types of complaints to be dealt with by specific ombud schemes, dispute resolution processes, and any rule that is appropriate and necessary for ensuring that financial customers have access to, and are able to use affordable and effective independent and fair alternative dispute resolution processes for complaints about financial institutions in relation to financial products, financial services, and services provided by market infrastructures.
- issue directives to a person who is an ombud, or to an ombud scheme, requiring the person to take action specified in the directive if the person has contravened or is likely to contravene a financial sector law in so far as it relates to ombud schemes.
- accept written enforceable undertakings by an ombud scheme regarding the ombud scheme's future conduct in relation to a financial sector law in so far as it relates to ombud schemes.
- commence proceedings against an ombud scheme in the High Court for an order to ensure compliance with a financial sector law in so far as it relates to ombud schemes.
- make a debarment order in respect of a natural person if the person has contravened a financial sector law in so far as it relates to ombud schemes, or an Ombud Council rule; or attempted, or conspired with, aided, abetted, induced, incited or procured another person to contravene a financial sector law in so far as it relates to ombud schemes.
- impose an administrative penalty on an ombud scheme, a member of the governing body of an ombud scheme, or an ombud.

ORGANISATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT *continued*

- It may also conduct supervisory on-site inspections and investigations into ombud schemes, as well as request specified information from an ombud scheme which is relevant to the OC's assessment of compliance by the ombud scheme with a financial sector law in so far as it relates to ombuds; an OC rule; a directive issued by the OC; or an enforceable undertaking accepted by the OC.

In essence, the OC acts inter alia as a regulator of ombud schemes and the OPFA will be subjected to such regulation. It is anticipated that the OC may determine certain reporting requirements to assess compliance by ombud schemes. The OPFA has started engaging with the interim Chief Ombud and making available all requested information to assist the Ombud Council in performing its mandate.

iv. Ombuds Systems Revision and Operating Model

Amendments to the FSR Act have been proposed in the FSR Ombuds Revision which will have a direct effect on the OPFA. It is proposed that Chapter VA of the Act (which established the OPFA), be transferred into the FSR Act. Similar proposals have been made in respect of the FAIS Ombud. The National Treasury is investigating an optimal operating model for the Ombud Schemes including the OPFA to ensure a more effective ombud system in the financial services sector. The OPFA has made submissions to the National Treasury on the proposed models and continues to engage in an effort to ensure challenges in the current system are addressed.

The proposed amendments also enable the sharing of information between ombuds and the regulator. This is positive as it creates an opportunity to establish a system for the exchange of information, the objective of which should be to reduce systemic issues giving rise to common types of complaints in specific retirement funds.

v. Conduct of Financial Institutions Bill

Whilst the FSR Act was intended to legislate for the manner in which the regulators and ombuds conduct themselves, the Conduct of Financial Institutions Bill ("CoFI Bill") is intended to legislate for the manner in which financial institutions such as retirement funds are expected to conduct themselves.

The second draft of the CoFI Bill was published for comment and the OPFA took up the opportunity to submit comments on the draft. In the second draft, certain consequential amendments to the ACT were proposed which if passed would likely have a significant impact on the OPFA's mandate. Of importance were the proposals pertaining to section 37C of the ACT which deals with the manner in which death benefits in a pension fund should be disposed of. The proposed amendments appear to have not been well thought through and if adopted would serve to create significant confusion in the industry and impact on the complaints that would have to be dealt with by the OPFA. In the OPFA comments, it was accordingly proposed that a full consultation process takes place which must include workshops held with relevant stakeholders in the retirement funds industry before any amendments to section 37C are effected. If the proposal is accepted by National Treasury, this will present an opportunity for the OPFA to engage meaningfully with the relevant stakeholders on the appropriate ways in which the issues pertaining to section 37C of the ACT can be addressed.

It is intended that all conduct issues will be exported from the ACT into the CoFI Bill as an overarching piece of legislation that applies to the conduct of all financial institutions, including retirement funds. The sectoral legislations that currently exist are expected to be repealed either in whole or in part. It is also expected that the prudential issues relating to the financial soundness of retirement funds will remain within the ACT. Conduct issues pertaining to specific types of financial institutions are expected to be addressed in conduct standards issued by the FSCA.

Along with the proposed amendments is a name change for the OPFA to be called the "Retirement Funds Ombud" and for the ACT to be renamed the "Retirement Funds Act". This is obviously in line with the project that has been underway at National Treasury and the FSCA to eliminate unnecessary jargon and for all types of pension funds to fall within the umbrella term "retirement fund". If these changes are implemented during the upcoming period, it will present an opportunity for not only rebranding but also for an intensified awareness campaign.

The mandate of the OPFA may also be extended via the expansion of the definition of "complaint". The proposed amendment seeks to carry over the current requirements set out in the definition and also introduce "advice" in relation to a retirement fund and types of complaints that may be specified by the Ombud Council. This will naturally necessitate upskilling of the professional staff to handle the new types of complaints that may be received.

vi. Conduct standards

The publication of conduct standards in terms of both the FSR Act and CoFI Bill will also form part of the legislative framework that retirement funds will be expected to abide by. Naturally, these are also likely to form the basis of complaints received by the OPFA.

The publication of conduct standards for comment are usually published on the FSCA website and a period of at least 30 days is allowed for comment. In the past, the FSCA published a conduct standard pertaining to section 13A and the collection of arrear contributions, which is yet to be finalised. The OPFA made submissions to the FSCA on the proposed conduct standard.

It is anticipated that there will be various other conduct standards issued by the FSCA relating to retirement funds for comment and the OPFA will most likely make submissions to the FSCA for consideration prior to the finalisation of any conduct standards. A similar process will obviously apply for prudential standards and joint standards.

vii. Annuitisation of provident funds

The T-Day reform and changes to the Income Tax Act took effect on 1 March 2021 and provide for the compulsory annuitisation of provident funds. The changes only affect members who are retiring (not withdrawals) and will not affect members who are over 55 years of age on 1 March 2021. Vested rights will not be affected and it is subject to the *de minimus* amount of R247 500. Given that vested rights have been afforded protection, the OPFA is only likely to see complaints pertaining to the T-Day reform arising in the next period.

viii. Protection of Personal Information Act

On 01 July 2021 the Protection of Personal Information Act ("POPIA") became fully effective since Parliament assented to it in 2013. Even though the adjudication work is not affected as it is exempted from POPIA, the OPFA has adapted its policies accordingly and complies with POPIA as far as other corporate records are concerned. The OPFA had embarked on a readiness project since August 2020 and held training and awareness sessions for all its staff members. It also registered the Information Officer (PFA) and Deputy Information Officer (Senior Legal Advisor) within the prescribed timelines. The OPFA is keeping abreast with developments and continues to take steps to embed the POPIA requirements in its processes and work procedures.

The current external environment presents some of the following opportunities and threats for the OPFA:

OPPORTUNITIES

- Participation in legislative reform and standards formulation
- Collaboration and combination of resources amongst ombud schemes to improve visibility, consumer education and awareness
- Establish value-add partnerships with other ombuds and consumer bodies
- Use of more efficient digital channels to reach all communities and actively engage with stakeholders
- Improve quality assurance of OPFA case management processes using feedback from the FST
- Promote use of emails to lodge complaints where there is access to internet connection
- Leverage goodwill of stakeholders to improve complaints response times
- Invest and maximise on IT capabilities

THREATS

- OPFA accessibility challenges to complainants across provinces due to single location based in Gauteng
- Possible inefficiencies during transitioning and teething-phase of legislative reform
- Increased puzzlement from consumers and non-compliance from financial institutions due to scale of reform
- Inadequate or inconsistent interpretation or application of the new requirements due to legislative reforms

BUSINESS MODEL

Our business model is focused on generating value for stakeholders with complainants as the primary stakeholder, through investigating and determining complaints lodged in terms of Section 30D of the ACT. Our mandate mainly creates value for complainants, retirement funds, administrators, employers, employees, Finance Ministry and the FSCA as regulator of pension funds.

Value creation

The OPFA creates value by executing the following for its stakeholders

OUR STAKEHOLDERS

Complainants

- Providing accessibility of the office as an ombud scheme for retirement funds and other prospective complainants via different avenues such as walk-ins to OPFA offices, telephone, email, website and fax.
- Investigating and determining complaints in a procedurally fair, economical and expeditious manner.
- Encouraging mediation and settlements to ensure timeous resolution of disputes.
- Implementing outreach and awareness programmes that educate the public and prospective complainants on our services.
- Providing guidance and direction for complaints outside jurisdiction of the OPFA.
- Seeking continuous feedback about our services and adapting our processes to enhance complainant experience.

Retirement funds, administrators and industry bodies

- Collaborating with the industry to improve the effectiveness and efficiency of dealing with pension fund complaints.
- Contributing to pension fund law educational programmes and information-sharing sessions such as conferences and webinars.
- Issuing practice notes and publishing articles.
- Providing the industry with feedback on their performance in order to improve their service to their members.
- Providing training for individual retirement funds on specific topics

Employers

- Conducting awareness on pension fund law through determinations issued.

Employees

- Providing meaningful employment and opportunities for development and training.
- Providing fair and competitive renumeration and benefits.
- Providing a diversified and relevant employee wellness programme.

Finance Ministry

- Providing performance reports containing detailed information on the effectiveness of the ombud scheme and its mandate in addressing its policy objectives.
- Providing National Treasury with evidence-based input on legislative reform.

FSCA (Regulator)

- Proving data and trends on systemic issues and other matters of concern.

BUSINESS MODEL *continued*

How we create value

The OPFA creates value by executing the following for its stakeholders

OUR INPUT CAPITALS

The actual inputs (capitals) were transformed using people, business processes and technology to produce business outcomes.

Capital	(What was used to deliver on the mandate and strategic plans)
Financial Capital	• Total budget of **R86 126 937** funded from FSCA transfers, interest earned and reserves • Section 30R budgeted funding from the FSCA to the value of **R79 302 000** • Interest income expected from short term deposits in the South African Reserve Bank CPD account of **R384 000** • Reserves to the value of **R6 440 936** utilised • Sound financial management and budgetary controls
Infrastructure Capital	• Operating leases for building and printers at the cost of **R6 251 374** • Property, plant and equipment to the value of **R17 496 844** • Software to the value of **R980 604**
Knowledge/ Intellectual Capital	• Investigation and adjudication of complaints • Issued determinations precedence • Professional legal staff drafting skills and experience • OPFA customised Case Management System and workflow
Human Resource Capital	• Optimised organisational structure with capable management team. • 61 diversified professional and support employees at the cost of **R42 125 266** • Five internships at a cost of **R856 365.83** • Training and bursary expenditure of **R420 512** • Employee wellness expenditure of **R88 616** • Industry subscription/membership to the value of **R38 113**
Social and Relationship Capital	• Collaborative meetings with industry regulator(s), national treasury, governance committees on development and implementation of pension funds laws and policies. • Building and sustaining cooperative relations with funds, administrators and industry bodies to enhance service delivery to complainants. • Proactively participating in conferences, webinars and radio interviews to educate and learn about pension fund law and practices. • OPFA staff participating as guest lecturers to educate students on pension funds law. • Conducting stakeholder survey to understand how best the OPFA can serve its customers. • Sharing pertinent information on the OPFA website. • Engage with governance committees, management team, units and staff in order to deliver on the OPFA mandate and strategic goals. • Continuously embedding the OPFA strategic goals and values by conducting regular value delivery meetings.
Natural Capital	• Electricity and water of **R509 753**

OUR BUSINESS CAPITALS

The OPFA employs relevant input business capitals to achieve its legislative mandate.

FINANCIAL (FC)

OPFA funding sources
- Allocation from the FSCA
- Interest income from short-term investments

INFRASTRUCTURE (MC)
- Building and office space
- ICT infrastructure and systems

INTELLECTUAL (K/IC)
- Determination orders filed with the High Court
- Knowledge and experience in pensions law

HUMAN (HRC)
- OPFA staff skills, unique pension law knowledge and experience
- OPFA values, culture and ethics
- Continuous development and training

SOCIAL AND RELATIONSHIP (SRC)
- Relationships with oversight entities and governance committees
- Collaboration with stakeholders
- OPFA outreach and education programmes with the public

NATURAL (NC)
- OPFA impact of business activities on natural resources including land, electricity and water

OUR BUSINESS PROCESSES

In order to achieve its mandate, the OPFA uses its business processes guided by its three core strategic goals:

Core business (Case management) processes

- Receive and register complaints
- Refer complaints to Funds/ Administrators or Employers
- Adjudicate complaints
- Post adjudication and closure
- Reconsider complaints as per the Financial Services Tribunal rulings

Support processes

- Collaboration and engagement with stakeholders
- Human resources management
- Finance and supply chain management
- Legal services
- Information and communication technology
- Information and records management

Management controls

- Policy, processes, standards, workflow and methodologies
- Strategy and monitoring systems
- Governance, risk and compliance management
- Transformation management
- Ethics management

OUR STRATEGIC OUCOMES

SG1

STRATEGIC OUTCOME ORIENTED GOAL 1
Resolve complaints in accordance with our mandate

SG2

STRATEGIC OUTCOME ORIENTED GOAL 2
Achieve operational excellence

SG3

STRATEGIC OUTCOME ORIENTED GOAL 3
Effective stakeholder engagement

OUR BUSINESS OUTCOMES

The actual inputs (capitals) were transformed using people, business processes and technology to produce business outcomes.

Capital	(What outcomes were achieved)
Financial Capital	• Total spend of **R81 724 389** • **R42 779 598** spent on employee costs • Capital expenditure of **R7 777 343** • Administration (general expenditure) of **R38 944 791** • Deficit of **R2 021 472** funded from reserves and **R400 917** from interest earned • Current balance of reserves of **R18 900 000** • Unqualified audit opinion
Infrastructure Capital	• Redesigned office space to use workspace more efficiently and improve collaboration. • Utilised ICT as one of the strategic resources to increase internal productivity and improve service delivery to stakeholders. • Implemented ICT projects to modernise and secure OPFA digital platforms. • Capital expenditure of **R7 777 343**
Knowledge/ Intellectual Capital	• Revised case management processes to include referring complaints to funds before adjudication • **8 858** complaints received and registered. • **8 382** complaints closed of which **94%** was within six months • **3 816** complaints were disposed through formal determinations
Human Resource Capital	• High performance culture with **94%** of complaints being finalised within the target time of six months. • Streamlined organisational structure with diversified and effective workforce • Highly developing ethical culture maturity score of **90%** as per the OPFA Annual Ethics Maturity Survey • Retention of key high-performing employees with two employees promoted, two positions revised upwards and two interns absorbed into permanent positions • Staff turnover of nine with four regrettable resignations and two contracts expiring • Upskilled workforce supported by training and development spend
Social and Relationship Capital	• Maintained collaborative relations with industry regulator, national treasury and governance committees to improve the implementation of the OPFA mandate • Continued building cooperative relations with funds, administrators and industry bodies to enhance service delivery to complainants • Engaged various stakeholders using different media and platforms to educate the public about OPFA services

BUSINESS MODEL *continued*

Outlook

The OPFA is part of a larger system of financial services ombudsmen that resolve consumer complaints against financial institutions. As the financial sector embraces the implementation of the Twin Peaks model of regulation in South Africa, the role of the OPFA continues to evolve to meet the strategic objective of treating customers fairly. The current reform initiatives under Twin Peaks regime seek to address the shortcomings of the current system.

The mandate execution of the OPFA will be positively influenced by the establishment of the Ombud Council in terms of the FSR Act to oversee the operations and governance of ombuds in the financial services industry. The objective of the Ombud Council is to assist in ensuring that financial customers have access to affordable, effective, efficient, independent and fair alternative dispute resolution processes for complaints about financial institutions in relation to financial products and services. The outcomes of these reforms are expected to significantly improve the embedding of TCF principles throughout the financial services industry.

The OPFA is heavily reliant on its human resources capacity to deliver on its mandate. The OPFA will continue to strive to provide a preferred employer climate and promote diversity through consideration of employment equity outcomes. The office had conducted a complaints management process re-engineering exercise to ascertain possible opportunities for more efficiencies, including improving its systems and processes. Recommendations of that project are being implemented in phases to ensure managed transition and change management.

Over the medium term, the key strategic priorities for the OPFA are in the main to reduce the administration related to complaints by improving stakeholder engagements and encouraging complainants to use internal dispute resolution processes; find innovative ways to intensify outreach programmes for more consumer awareness; develop service standards in order to measure the impact of the service offering to complainants and other stakeholders; and optimise the resources of the office to meet the amended mandate and increasing number of complaints.

KEY RISKS AND MITIGATION

Programme/objective	Key risk	Risk mitigation
STRATEGIC GOAL 1: Dispose of complaints received **STRATEGIC GOAL 3:** Effective Stakeholder Engagement	**Ineffectiveness and inability to meet the OPFA mandate** Risk cause: • Inability of the regulator to enforce regulations and rules • Persistent governance issues with specific pension funds not addressed timeously • Ineffective partnership between FSCA and OPFA • No feedback loop from the FSCA on matters addressed or challenges experienced by the OPFA Risk consequence: • Reputational damage for the OPFA and FSCA • Ineffective complaints handling and inadequate TCF outcomes **Inherent risk rating: Critical**	• Periodic reporting and escalation to the FSCA of matters of concerns, trends and challenges • Periodic engagements with FSCA Divisional Executive for Retirement Funds • Real time access by FSCA pensions department to OPFA determinations **Residual risk rating: Critical** – Continue to treat/mitigate
STRATEGIC GOAL 1: Dispose of complaints received **STRATEGIC GOAL 2:** Achieve operational excellence **STRATEGIC GOAL 3:** Effective Stakeholder Engagement	**Increased funding risk** Risk cause: • Decrease in levies collected due to negative impact of Covid-19 on jobs and financial sustainability of employers/ funds/administrator’s • Delayed enactment of the Levies on Financial Institutions Bill Risk consequence: • Reduction in levy income collected from industry and depletion of reserves • Funding uncertainty leading to lack of long-term planning and efficient disposal of complaints **Inherent risk rating: Critical**	• Regular budget reviews and realignment • Funding by the FSCA as per the ACT • Regular engagements with the National Treasury • Cost containment measures • Establishment of a contingency reserve to fund operations **Residual risk rating: High** – Continue to treat/mitigate
STRATEGIC GOAL 1: Dispose of complaints received **STRATEGIC GOAL 2:** Achieve operational excellence **STRATEGIC GOAL 3:** Effective Stakeholder Engagement	**Uncertainty from changes in legislative framework with regards to pension funds and Ombud schemes** Risk cause: • Transitional implementation of the FSR Act • Additional “Equity” mandate for the OPFA from the FSR Act • Proposed changes in the Conduct of Financial Institutions Bill Risk consequence: • Changes in OPFA name and extended scope that may require new resources • Changes in the definition of complaints which require staff training and amendment of processes **Inherent risk rating: Major**	• Engagements with other stakeholders such as the National Treasury on effective ways to implement changes • Constant monitoring of developments to ensure readiness • Update to staff on key developments **Residual risk rating: Medium** – Tolerate and monitor

Risk management and governance

The OPFA regards good governance and risk management as core factors in the way it conducts its affairs. As such the OPFA has implemented a risk management strategy that provides for a coherent and structured approach in identifying, reviewing and managing the risks of the OPFA. This process is regulated by the establishment of a Governance Risk Committee that meets quarterly and a management committee that meets monthly. Risks identified to the organisation are documented in operational risk registers which culminate in an organisational risk register. All risks identified are assessed for their potential impact on the organisation and mitigation plans implemented thereon. The OPFA has also implemented a Fraud and Corruption Prevention strategy and plan in line with its undertaking not to tolerate fraudulent and corrupt activities. The strategy and plan are monitored in line with OPFA’s risk management policy.

PART B
GOVERNANCE

GOVERNANCE REPORT

Governance structure

NATIONAL TREASURY
(Executive Authority)

FSCA COMMISSIONER
(Accounting Authority)

Audit Committee | Risk Committee | Human Resources, Social and Ethics Committee | Remuneration Committee

Executive Authority

The National Treasury (Ministry of Finance) is the Executive Authority responsible for administrative oversight and direction of the OPFA as a PFMA national public entity. Albeit the OPFA is categorised as a Schedule 3A PFMA national public entity, it does not receive grants or any other form of funding from the Executive Authority in terms of the vote. It is funded by the FSCA in terms of section 30R of the ACT. The following significant reports were submitted to the Executive Authority as required by the PFMA and related regulations and guidelines issued by the Executive Authority:

4 x Quarterly reports FY2021/22 – In year reports submitted after end of each quarter

AFS	Audited Annual Financial Statements **FY2020/21**	MTEF	Medium Term Expenditure Framework **FY2021/22–FY2024/25**
APIR	Audited Annual Performance Information Report **FY2020/21**	SP	Strategic Plan (Rolling plan) **FY2022/23–FY2025/26**
AR	Annual Report **FY2020/21**	APP	Annual Performance Plan **FY2022/23**
AB	Annual Budgets **FY2022/23**	APP	Annual Procurement Plan **FY2022/23**

Accounting Authority

The FSCA Commissioner is the designated Accounting Authority of the OPFA in accordance with the provisions of the FSR Act and for the purposes of PFMA. The Commissioner is responsible for the strategic direction, organisational performance, and financial and risk management of the OPFA. The Commissioner exercises leadership, integrity and professional judgement in directing the OPFA in a manner based on transparency, accountability and responsibility. The Commissioner is also the focal point of corporate governance system within OPFA and is the ultimate responsible and accountable authority for the public entity as set out in Chapter 6 of the PFMA.

Delegations of Authority

The accounting authority has established a governance structure that consists of four (4) oversight committees namely Human Resources, Social and Ethics Committee, Audit Committee, Risk Committee and Remuneration Committee. The Commissioner has delegated some of the oversight responsibilities to the governance committees where submissions from management are reviewed and discussed. Furthermore, the Commissioner has a comprehensive delegation-of-authority framework in terms of section 56 of the PFMA, that delegates the authority to manage day-to-day business activities of the OPFA to the Pension Funds Adjudicator who is the Accounting Officer, and to some of members of the management committee. The delegation of authority assists in effective and efficient decision-making and delivery of strategic objectives without exonerating the accounting authority of his responsibility.

GOVERNANCE REPORT *continued*

Governance committees

The OPFA shares governance committees with the FSCA that were established and appointed by the Director-General from the National Treasury as the executive authority and the FSCA Commissioner as an Accounting Authority in terms of the FSR Act section 68. The governance committees were established to review, monitor and advise on submissions made by management to the Accounting Authority. Each committee has its own terms of reference, which is reviewed annually in line with best practice.

Committee members

Audit Committee	Risk Committee	Human Resources, Social and Ethics Committee	Remuneration Committee
Mr N Esterhuizen* Chairperson	**Mr H Ratshefola^** Chairperson	**Ms D Msomi^** Chairperson	**Prof PJ Sutherland^** Chairperson
Members Mr S Gounden# Ms J Mogadime^ Ms P Mvulane## Ms L Senne* Mr H Ratshefola^ Dr P Mokgobu#	**Members** Adv S Malatji# Mr P Koch# Prof T Ajam# Mr S Gounden# Mr N Esterhuizen*	**Members** Ms J Mogadime# Dr P Mokgobu# Mr H Ratshefola^ Prof PJ Sutherland^	**Members** Ms L Molebatsi# Ms T Randall# Ms V Balgobind# Ms D Msomi^

** Appointment 13/09/2021 # Appointment 1/08/2020 ^ Appointment 1/04/2018 ## Appointment 1/11/2020*

Audit Committee

The committee assists the institution in its responsibility of safeguarding assets, operating control systems, combined assurance, finance functions, internal and external audit services, and advises the institution on the adequacy of risk management processes and strategies. The committee met five times in the previous year, with attendance shown below.

Member	28/5/21	26/7/21	23/9/21	2/12/21	18/3/22
Mr N Esterhuizen – Chairperson	N/A	N/A	✓	✓	✓
Mr S Gounden	✓	✓	R	R	R
Ms J Mogadime	✓	✓	✓	✓	✓
Ms P Mvulane	✓	✓	✓	A	✓
Ms L Senne	N/A	N/A	✓	✓	✓
Mr H Ratshefola	✓	✓	✓	✓	✓
Dr P Mokgobu	✓	N/A	N/A	N/A	N/A

✓: Attendance A: Apology R: Resigned N/A: Not applicable

Risk Committee

The committee ensures that the institution implements effective policies and plans for risk management that will enhance its ability to achieve strategic objectives. It advises the institution on the adequacy of risk management processes and strategies. It met four times in the period under review, with attendance reflected below.

Member	2/6/21	1/9/21	30/11/21	2/3/22
Mr H Ratshefola – Chairperson	✓	✓	✓	✓
Adv S Malatji	✓	✓	✓	✓
Mr P Koch	✓	A	✓	✓
Prof T Ajam	✓	✓	✓	A
Mr S Gounden	✓	R	R	R
Mr N Esterhuizen	N/A	N/A	✓	✓

✓: Attendance A: Apology R: Resigned N/A: Not applicable

Human Resources, Social and Ethics Committee

The function of this committee is to ensure that the institution's human resources strategy and policies are implemented. The committee also fulfils the duties of an ethics and social committee as per the requirements of King IV. It met four times in the review period, with attendance shown below.

Member	02/06/21	01/09/21	30/11/21	02/03/22
Ms D Msomi – Chairperson	✓	✓	✓	✓
Ms J Mogadime	✓	✓	✓	✓
Dr P Mokgobu	N/A	✓	✓	✓
Mr H Ratshefola	✓	✓	✓	✓
Prof PJ Sutherland	✓	✓	✓	✓

✓: Attendance A: Apology R: Resigned N/A: Not applicable

Remuneration Committee

The committee ensures that the institution's remuneration strategies and policies are implemented. It reviews compensation matters and ensures that salaries of staff are benchmarked. The committee met four times in the review period, with attendance reflected below.

Member	2/6/21	1/9/21	30/11/21	2/3/22
Prof PJ Sutherland – Chairperson	✓	✓	✓	✓
Ms L Molebatsi	✓	A	✓	✓
Ms T Randall	✓	✓	✓	✓
Ms V Balgobind	✓	✓	A	✓
Ms D Msomi	✓	✓	✓	✓

✓: Attendance A: Apology R: Resigned N/A: Not applicable

GOVERNANCE REPORT *continued*

OPFA Management Committee

MUVHANGO LUKHAIMANE
Pension Funds Adjudicator
(9 years)
LLB, LLM, MBA

BULELANI MAKUNGA
Chief Financial Officer (4 years)
CA (SA)

(VACANT)
HR Business Partner

(VACANT)
Deputy Pension Funds Adjudicator

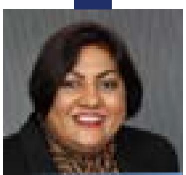
NAHEEM ESSOP
Senior Legal Advisor (2 years)
LLB Degree

SERATI NTSIMANE
ICT Senior Manager (2 years)
MBA Degree

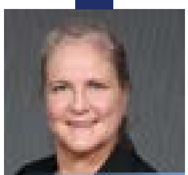
TSHEPO DOOKA-RAMPEDI
SAA – Team Leader (14 years)
LLM degree

SILAS MOTHUPI
SAA – Team Leader (15 years)
LLM degree

NNDWAKHULU KUTAMA
SAA – Team Leader (1 year)
LLB degree



LALITA JADOONANDAN
Early Resolution Manager (10 months)
LLB degree



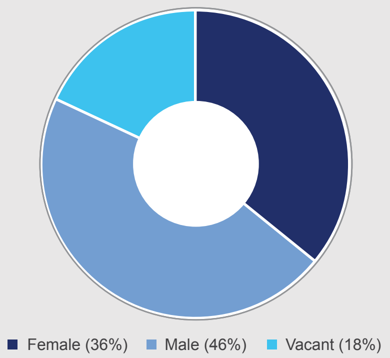
WILANA GROENEWALD
New Complaints Supervisor (7 years)
BProc degree

The PFA is the accounting officer appointed by the Minister of Finance in terms of section 30C of the Act. The DPFA and/or Acting PFA, also appointed by the Minister, are included in the definition of the Adjudicator for the purposes of the ACT. The powers of the Adjudicator are detailed in section 30Q which include acquisition of resources, employment of persons and risk management. This is supplemented by the Delegation of Authority framework mentioned above by the Accounting Authority in terms of section 56 of the PFMA.

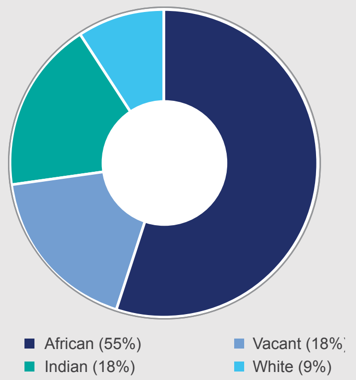
The PFA appoints the rest of the MANCO members to assist in decision-making and managing the day-to-day activities of the OPFA. MANCO has a balance of different expertise, skill, experience and diversity to ensure the OPFA achieves its strategic objectives. The composition of MANCO is as follows:

11-MEMBER COMMITTEE (PFA AS CHAIRPERSON)

Gender composition

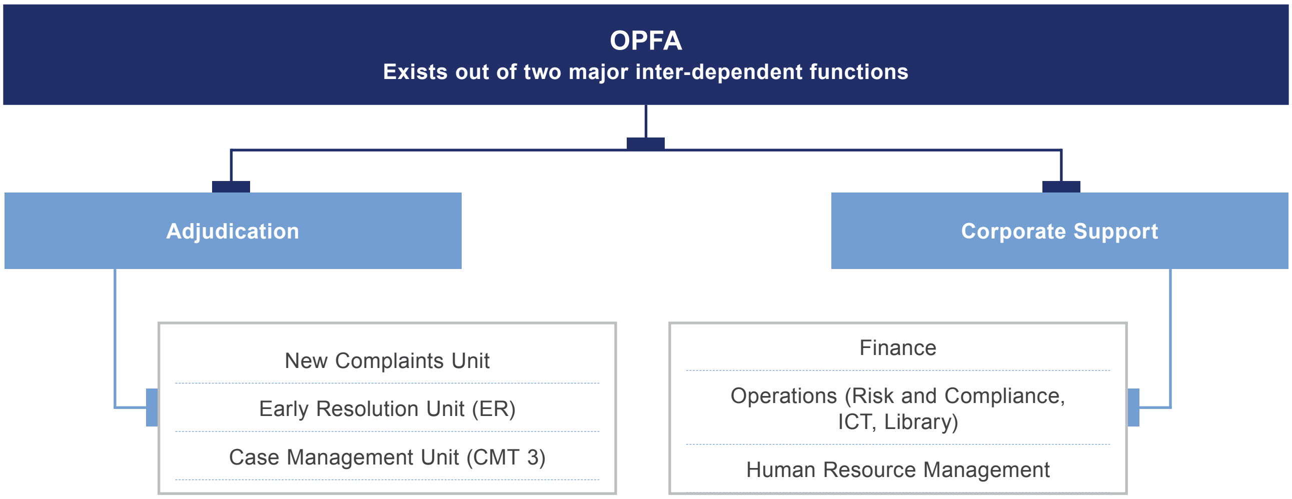


Racial diversity



GOVERNANCE REPORT *continued*

OPFA operating structure, functions and strategic objectives



STRATEGIC GOAL 1: *Dispose of complaints received* SG1

PURPOSE: To resolve complaints in a procedurally fair, economical and expeditious manner by complying with the ACT

NEW COMPLAINTS UNIT (NCU) – to acknowledge receipt of and processes new complaints, do jurisdiction assessment and refer premature complaints to respondents for direct resolution with the complainant and/or allocate Out of Jurisdiction (OJ) complaints to ER and/or allocate to CMT if no referral required.

EARLY RESOLUTION TEAM (ER) – to assess responses and close as Resolved by Fund or allocate formal complaints to Case Management Teams (CMT) for further investigation and possible adjudication.

THE CMT – investigates complaints, where possible pursues settlements, refers matters for Conciliation and drafts determinations in terms of section 30M of the ACT. Where determinations are drafted, these are then submitted to the Adjudicator for consideration and finalisation. The investigation phase is aimed at soliciting further information in respect of complaints from the parties concerned. The Adjudicator reviews and signs off determinations.

Corporate support has an equally important role to play in the execution and achievement of this strategic objective:

HR – ensures that people management and development is linked to organisational goals and outcomes. It provides a framework regarding recruitment and hiring of staff, training and development, talent management, succession planning, remuneration and rewards, employer-employee relations, performance management and organisational culture.

ICT – provides necessary information system, through establishing hardware and software that supports critical aspects of the business such as communication, data analysis, decision making, record-keeping and reporting.

FINANCE – responsible for allocating and directing financial resources to ensure that organisational mandate is achieved in an efficient and economic manner.

LIBRARY – ensures effective and useful information and knowledge management processes. It provides relevant and reliable information to enable the business to executive its mandate effectively.

STRATEGIC GOAL 2: Achieve operational excellence SG2

PURPOSE: To ensure clean administration and build capacity to optimally deliver on the mandate of the OPFA

FINANCE, RISK AND COMPLIANCE – promotes clean administration by achieving unqualified audit opinion with no significant findings on performance information and compliance. Furthermore this objective measures the amount time taken to settle supplier invoices to support supplier development and economic participation by SMMEs.

The finance department is responsible for the management of financial resources of the OPFA in terms of the ACT, the PFMA and Treasury Regulations, and Supply Chain Management.

HR – promoting equal opportunities, fair treatment and redress in the workplace and sticking to the employment equity plan in place for specific areas such as the percentage of African, female employees, and employees with disabilities. HR, as custodians of various labour legislation, has a responsibility to assist the OPFA to be compliant and above board in relation to the Labour Relations Act, Basic Conditions of Employment Act (BCEA), Employment Equity Act, Skills Development Act, etc.

CORPORATE SUPPORT DEPARTMENT – responsible for all operations that include HR, ICT and Risk and Compliance.

STRATEGIC GOAL 3: Effective stakeholder engagement SG3

PURPOSE: To educate consumers and establish meaningful and collaborative relationships with stakeholders

The OPFA conducts awareness programmes to educate the public about its services. It collaborates with its stakeholders to ensure value adding engagements that will improve its outcomes whilst creating value for all stakeholders. This includes radio and TV shows; visiting universities to engage with law students interested in a career in pensions and to encourage taking up of internship opportunities; meeting with stakeholders upon invitation; scheduling interaction with stakeholders to facilitate the complaints resolution process.

A stakeholder satisfaction survey is done once every three years to ensure that the OPFA monitors with customer service expectations and impactful stakeholder engagement.

Feedback from these surveys and activities guide our stakeholder plan, with a focused and structured approach.

GOVERNANCE REPORT *continued*

4 Ps

Corporate governance affects the operational risk and, hence, sustainability of an organisation. It involves **people**, **processes**, **performance** and **purpose**.

To attract and retain the talent/skills needed in the successful execution of the OPFA's objectives, remuneration of staff is market- related. Good performance gets acknowledged and rewarded. Upskilling/training, encouraging learning and creativity are at the forefront to ensure the organisation's sustainability.

Starting with top management living out the OPFA's values in our day-to-day functions, and filtering downwards to all staff, we offer transparency, legitimacy, good performance and security.

Our zero tolerance for fraud ensures that there is no abuse of resources, from use of telephones, stationery and internet to issuing of tenders or stakeholder projects.

Ethical and effective leadership, as per the principles set out in the King IV Report on corporate governance, result in the four good governance outcomes: adequate and effective controls and oversight; value creation in a sustainable manner; trust and confidence in the entity; and building an ethical culture within the organisation.

The characteristics of good corporate governance, viz., rule of law, moral integrity, transparency, participation, responsibility and accountability, effectiveness and efficiency, are aligned to the OPFA's own values of professional and technical competence, integrity, collaboration, stakeholder synergy, respect and dignity, and impartiality. These values are critical in successfully managing the organisation and forming solid professional relationships among stakeholders which include audit members, managers, employees, funds and administrators, and most importantly, complainants.

Commitment

The Accounting Authority and the management team fully endorse the application of the recommendations of the King IV giving assurance to stakeholders that the operations of the OPFA are conducted ethically within prudent risk parameters in pursuit of best practice.

The management team remains committed to strengthening and adopting applicable policies that emphasise integrity and compliance. Consistent monitoring takes place and policies, procedures, operational plans and governance structures get reviewed at least once a year.

To the best of the accounting authority's knowledge, information and belief, the OPFA complied with applicable legislation, policies and procedures, and codes of governance in the financial period under review.

Assurance

Internal Auditors

The OPFA obtains assurance regarding internal controls, systems of risk and financial management from an outsourced internal audit firm Ngubane Incorporated. The externally sourced internal audit functions promote independence and objectivity and enhance the level of assurance obtained from the internal audit process. The internal audit takes place throughout the year and issues identified are reported to management to resolve and to the Audit Committee to enable them to provide oversight.

External Auditors

As a PFMA national public entity the OPFA is audited by the Office of the Auditor-General South Africa (AGSA) as required by the PFMA and Public Audit Act (No. 25 of 2004). The AGSA provides assurance on the preparation and fair presentaton of financial statements; reliability and usefulness of the reported organisational performance information; and compliance with relevant legislation and regulations. The external audit occurs annually and findings identified are communicated to managemenent for their responses. The final audit report is then presented to the Audit Committee and the Accounting Authority and forms part of the organisational Annual Report that is tabled in Parliament.

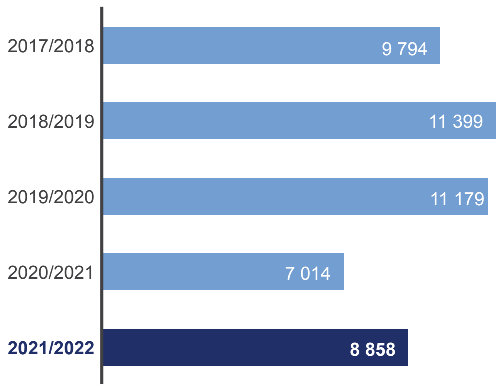
PART C ORGANISATIONAL PERFORMANCE INFORMATION

OPERATIONAL REPORT

New complaints

The OPFA received 8 858 new complaints during the financial year. Some funds with a high volume of complaints did not submit responses timeously, resulting in delays in the finalisation of complaints. New complaints, therefore, represent an increase of 26.29% from the previous year. Most of the complaints were received through electronic mail and walk-in. Complaints lodged through electronic mail and website showed a welcome increase as it indicates improved access through electronic platforms. In the later months of the lockdown, the volume of new complaints increased as regulations were relaxed. Thus, with the gradual easing of restrictions, the number of complaints normalised to pre-COVID-19 levels.

New complaints



From October 2021, the OPFA implemented a revised complaints' management process in order to make it easy for complainants to enforce orders by obtaining a writ of execution from the relevant court in the event of non-compliance with the order by an employer or fund. From this date the OPFA commenced conducting investigations pertaining to arrear contributions in a manner that enables it to make orders sounding in money. From March 2022, the office also revised its timeframes for filing responses to complaints by requiring parties to file responses within 20 days (instead of 30) if a complaint was not resolved at the refer-to-fund stage (RTF). The parties are granted a further 10 days if a response was not received within the initial 20 days. The revised timeframe is due to the fact that the parties are afforded enough time to resolve complaints at the RTF stage, which affords them 30 days to resolve a complaint. However, most funds continue to fail to take advantage of the opportunity to resolve administrative issues at the RTF stage as they do not make any attempt to engage the complainant to resolve a complaint and merely file responses in the previous manner. The OPFA has been conducting engagements with identified stakeholders in this regard to explain the RTF process.

Most complainants are still unaware that they may first seek clarity from the fund before approaching the OPFA for relief. Further, in instances where they have done so, there is either lack of trust with the employer/fund administrator. We will strengthen our stakeholder engagement in this regard to ensure that funds remind complainants of their internal complaints management processes on a regular basis.

Some funds that have internal complaints resolution processes continue to fail to use this process adequately. This is due to the fact that complaints that are referred for internal resolution by funds are not followed through and members are not informed of the process. As a result, these members approach the OPFA with similar complaints that were referred for internal resolution by funds as there is no communication regarding the recovery of arrear contributions or payment of their benefits. The OPFA should not be investigating complaints that can be easily resolved through the fund's internal complaints' resolution process. It is only in instances where a dispute remains unresolved after the fund has attempted to deal with same, that the OPFA should get involved.

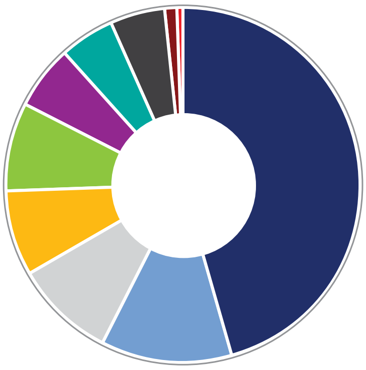
The Private Security Sector Provident Fund (PSSPF) remained the biggest contributor to new complaints. However, following various engagements, their turnaround times continue to improve. The only outstanding concern remains the quality of responses that notably require follow-ups and the fact that the fund has failed to take advantage of the revised complaints' management process as there is no attempt at all on its part to resolve complaints directly with members. The quality of some of the responses continues to raise systemic problems with fund governance and administration. The Chemical Industries National Provident Fund has also contributed to a delay in finalising some of the complaints. During several meetings with the principal officer of the fund, concerns were raised ranging from data issues, poor service and failure of the previous administrator to issue proper benefit statements to members. However, the fund or its board has a duty to exercise an oversight function over its administrator and to keep proper records of the operations of the fund. Further, the fund has to conduct due diligence when appointing an administrator, especially when there have been persistent issues relating to an administrator. The fund's lapses in this regard were reported to the FSCA and there is continued engagement concerning the matter.

How complaints were received

Email	Letter	Fax	Web site	Walk-in	Total
5 395	266	116	1 121	1 960	8 858

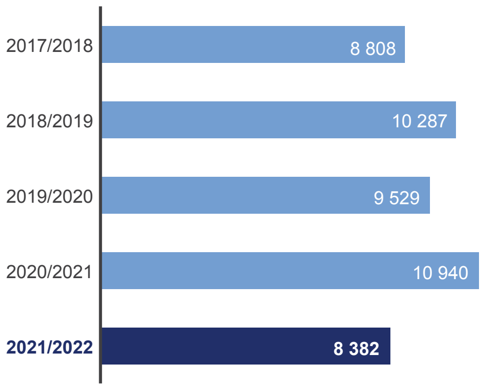
The number of complaints received by electronic mail increased to 5 395 and 1 121 were received through the website. This is a welcome development as it shows improvement in access through electronic platforms. The number of complaints lodged through walk-in increased to 1 960, which was due to the relaxation of lockdown restrictions.

Geographical area of residence



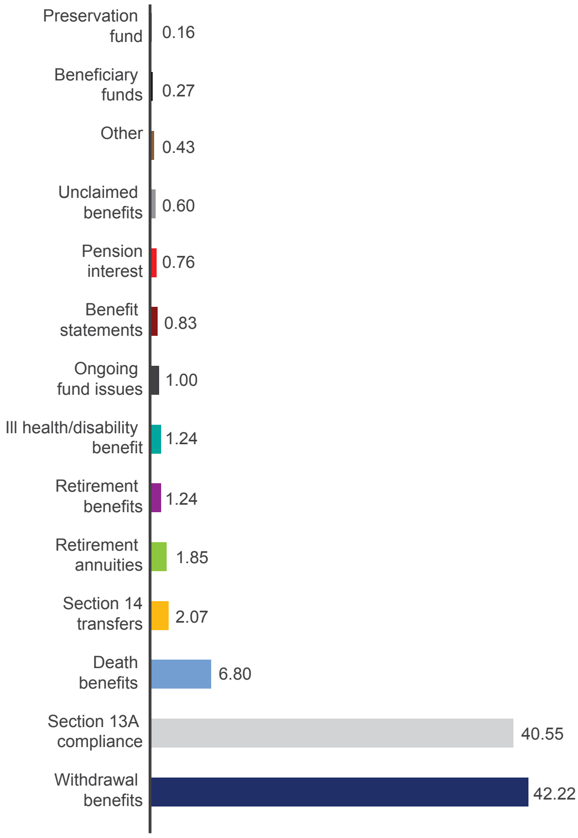
The majority of the complaints (46%) were received from Gauteng largely due to the geographical location of the OPFA and the location of most of the funds. This is followed by KwaZulu-Natal at 12%.

Total complaints finalised



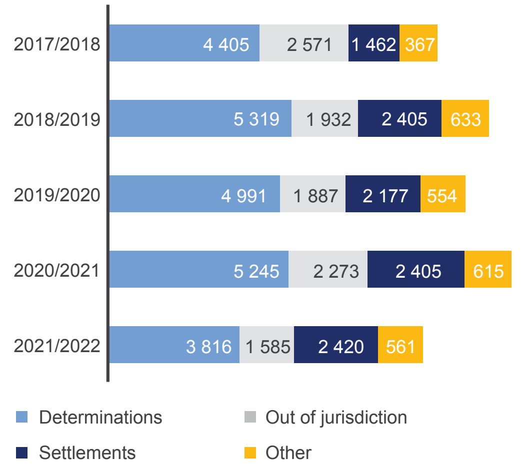
8 382 complaints were closed in the period. The reduction is due to the revised complaint management process. This closure rate represented a decrease of 23.38% from the previous period. Withdrawal benefits remained the highest category of complaints at 45%. Complaints relating to the non-payment of retirement fund contributions (section 13A compliance) came in second at 40%. Complaints relating to withdrawal benefit and section 13A complaints are caused by failure of employers to pay contributions and delays in payment of withdrawal benefits. The number of complaints relating to payment and distribution of death benefits have also increased.

Nature of benefits for complaints closed (%)



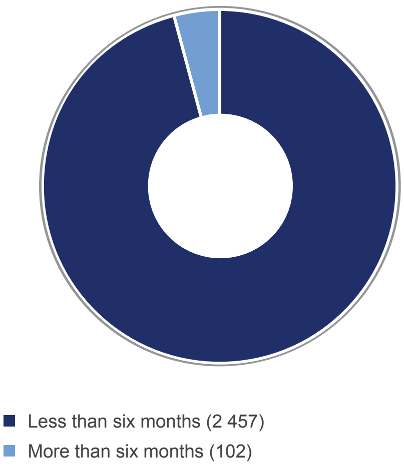
OPERATIONAL REPORT *continued*

Total complaints finalised



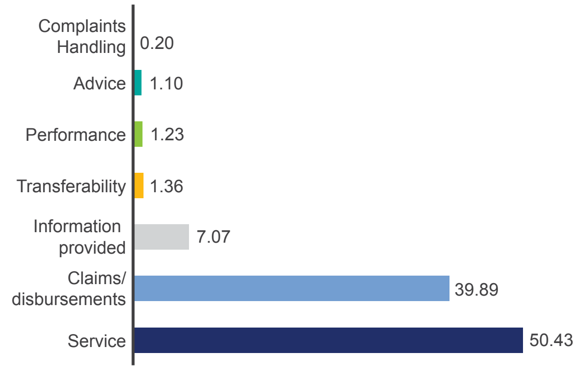
3 816 complaints were closed by way of formal determinations, 2 420 matters were settled, whilst 561 were closed for other reasons. 1 585 complaints were deemed as out of jurisdiction and, therefore, could not be investigated further by the OPFA. Determinations decreased by 27.25% year-on-year whilst settlements increased marginally by 0.63%. The decrease in determinations and increase in settlements are mainly due to the revised complaints' management process that introduced RTF. The decrease in the number of complaints considered out of jurisdiction is a welcome trend and seen as a good indicator of the effectiveness of the OPFA outreach programmes.

Age of active complaints – 31 March 2022



As at 31 March 2022, the OPFA had 2 559 active complaints remaining unresolved. Of those, 102 were older than six months. This is largely due to delays by some funds in filing responses timeously.

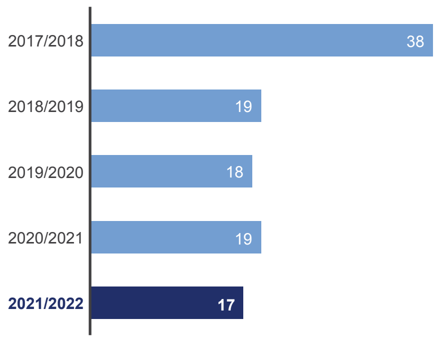
Treating customers fairly (TCF) outcomes (%)



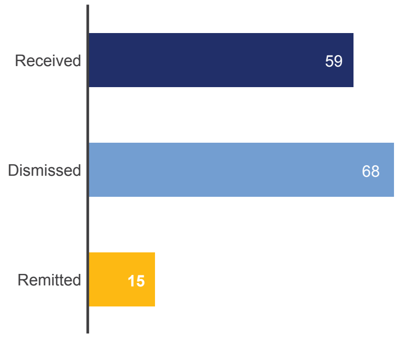
The number of complaints received in relation to poor service is a concern. These represent 50.43% of complaints. This mostly relates to poor or inadequate communication by funds in relation to payment of contributions and benefits. The RTF process aims to encourage communication between funds and members in relation to issues that form the subject matter of complaints to the OPFA.

The next highest outcome is related to non-payment or late payment of claims. This is followed by information provided and performance of products. These are outcomes that are within the control of funds and administrators if they take advantage of the RTF process. Therefore, there is a need for funds/administrators/employers to improve on TCF outcomes.

Section 30P appeals and financial services tribunal applications



Financial Services Tribunal applications



The increase in the number of dismissals and reduction in remitted matters can be attributed to the success of the FST process i.e., the OPFA has implemented learnings gained from previous years' decisions handed down by the FST which are reflected by the number of OPFA determinations referred for consideration. The process of learning is ongoing and the OPFA will continue to strive for more improvements. The ultimate result is a strengthening of the complaints resolution process for the retirement funds industry.

Stakeholder management

As the COVID-19 restrictions were relaxed, the OPFA gradually opened its doors to walk-in complainants that visited our office. The OPFA started publishing quarterly newsletters from December 2020 to inform stakeholders of complaint trends and changes in our processes and procedures. The newsletter received positive feedback from the industry and has proved to be an effective tool of engagements and communication. The office also conducted various training with a number of funds and trustees on selected topics including the distribution of death benefits in terms of section 37C of the Act and deductions from benefits in terms of section 37D of the Act. A number of funds requested training on various topics, which is highly welcome as it promotes awareness and knowledge on how to handle complaints.

Over the year, the OPFA held interactions with the following stakeholders:

FUNDS

- Chemical Industries National Provident Fund
- Eskom Pension and Provident Fund
- Momentum Retail Funds
- Municipal Employees Pension Fund
- N-e-FG Retirement Fund Administrators (Pty) Ltd
- Old Mutual Superfund Provident Fund
- Private Security Sector Provident Fund
- Security Employees National Provident Fund

ADMINISTRATORS

- Akani Retirement Fund Administrators
- Alexander Forbes Financial Services (Pty) Ltd
- Liberty Group Limited
- NBC Holdings (Pty) Ltd
- Old Mutual Life Assurance Company (SA) Ltd
- Salt Employee Benefits (Pty) Ltd

INDUSTRY BODIES/ CONFERENCE WEBINARS HOSTED

- Allan Gray Virtual Pension Fund Conference
- Batseta Winter Virtual Conference
- INFO Virtual "Hot Topics" Session
- Institute of Retirement Funds Africa Annual Conference
- Institute of Retirement Funds Africa Webinars
- Pension Lawyers Association Virtual Conference

OTHERS

- Bargaining Council for the Electrical Industry
- Legal Aid SA

RADIO AND TV INTERVIEWS

- ENCA
- Ikwekwezi FM
- Jozi FM
- Lotus FM
- Motsweding FM
- Munghana Lonene FM
- Phalaphala FM
- Thobela FM
- Ukhozi FM
- Vuma FM

OPERATIONAL REPORT *continued*

Human resources

The OPFA had an approved staff establishment of 71 as at 31 March 2022, including positions on fixed term contracts, with 59 filled positions. During the year under review 13 appointments were made as follows: two senior managers, three middle managers, five administrative staff and one legal Intern. Two of the five administrative staff members appointed were legal interns that were absorbed permanently into the workforce.

Nine employees were terminated during this period of which four of the resignations were regrettable. The length of service within the different age groups varies from five months to three years.

The OPFA had twelve vacant positions as at 31 March 2022, varying in length from 3-13 months. The only key management position that is vacant is that of the Deputy Pension Funds Adjudicator which is currently in the process of being filled. Due to the variety of skills required at professional level, filling vacancies for professional staff remains a challenge and the OPFA continues to adjust its processes to ensure it attracts talent at the right level. Headhunting agencies were enlisted to assist with sourcing of candidates. More effort will be put into the operational structure and processes in order to successfully improve performance at management level.

One employee attained five years of service and 10 employees reached their ten- employment milestone with the organisation in 2022. A token of appreciation was paid in recognition of this.

Employment equity

The Employment Equity Forum meets quarterly to present targets and plan initiatives. The EE forum is involved in the development of the EE plan and the ratification of processes where the selection panel is unable to shortlist an EE candidate. Employment Equity reports were timeously submitted to the Department of Labour. The OPFA has exceeded the target of 79% African employees with 85% of the staff being African, as well as the target of 45% female employees with the staff being 56% female. It is in the area of persons living with a disability where the OPFA has not achieved the target in that only two percent of the staff complement are designated as persons living with a disability which is short of the five percent target. The HR department is planning to engage with different not-for-profit organisations that work with persons living with disabilities in order to forge mutually beneficial partnerships and better awareness/visibility of OPFA's mandate and available career opportunities.

Population group/ category	Female	Male	Total
African	26	24	**50 (85%)**
Coloured	2	1	**3 (5%)**
Indian	3	1	**4 (7%)**
White	2	0	**2 (3%)**
Total	**33 (56%)**	**26 (44%)**	**59**
PLWD		1	**1(2%)**

Representation at management level

	Executive management		Senior/middle management	
	Female	**Male**	**Female**	**Male**
African	1	1	1	4
Coloured	0	0	0	0
Indian	0	0	1	1
White	0	0	1	0
Total	**1**	**1**	**3**	**5**
PLWD	0	0	0	0

Learning and development

The OPFA invests in the development and training of its employees which forms a significant component of the success of the OPFA. The majority of the training plan was implemented in the period which assisted staff with different technical and soft skills required for their roles.

During the year under review, the OPFA developed a training plan and managed to roll out training as per the table below.

Training type	Targeted group
Basic Microsoft	Case Management Teams and Corporate Support
PFMA and Regulations	MANCO and Corporate Support
Effective Business Writing	Case Management Teams
Assertiveness Training	MANCO
Problem Solving and Critical Thinking	Case Management Teams
Respond System New User training	Case Management Teams
Tip-offs Awareness Session	Case Management Teams and Corporate Support
Ethics Awareness Sessions	Case Management Teams and Corporate Support
B-BBEE	Transformation committee members
SCM/PFMA	Corporate Support/Legal
Records Management	System users
Executive Coaching and Mentoring	MANCO (PFA, DPFA & CFO)

Furthermore, as at 31 March 2022, 11 employees registered for formal qualifications and were provided with study assistance as per the table below. These qualifications are relevant to the area of work for each employee and should translate in improved overall quality of the OPFA product.

Name	Course	Status
Wonder Dila	Postgraduate in Risk Management	In Progress
	SAIPA	Completed
Lufuno Balibali	BCom SCM	In Progress
Tintswalo Shibambu	MBA	In Progress
Bulelani Makunga	MBA	In Progress
Lindelani Mkhize	LLB	In Progress
Magadi Tshitannye	CIPS, Diploma in procurement and supply – Level four	In Progress
Pamela Mpofu	Pension Funds Law	In Progress
Ayanda Twaku	SAICA	In Progress
Thembelihle Mabuza	Bachelor of Accounting Science	In Progress
Fortunate Mashoene	Pension Funds Law	In Progress
Gomotsegang Magaseng	Bachelor of Accounting Science	In Progress

OPERATIONAL REPORT *continued*

Wellness activities

The OPFA continued to drive a wellness-conscious environment to create a positive workplace where employees can do meaningful work that taps into their greatest strengths and help them achieve their most important goals. A wellness calendar was developed and implemented during the year. Most activities were virtual owing to the pandemic. Management continues to have one-on-one sessions with staff members to ensure wellness challenges are identified early and the necessary personalised intervention to support the individual are initiated timeously. Free wellness services remain accessible to all employees and reports thereon are monitored regularly and inform the adaptive personalised management response.

Covid-19 Management

Covid-19 vaccination awareness and education sessions were held frequently with subject matter experts invited to speak to OPFA staff. The OPFA Covid-19 protocol was reviewed regularly to take into account relevant developments during the year. An assurance project was embarked on with a Covid-19 compliance consultant on the adequacy of the OPFA Covid-19 protocol and controls, considering the nature of OPFA business and that it receives a sizeable number of walk-in complainants daily. The assurance report showed that the OPFA's workplace is not considered a high-risk environment but could benefit from further mitigating measures.

As at 31 March 2022, there were 15 cumulative confirmed cases of Covid-19 and all staff had fully recovered. The OPFA had a successful vaccination drive, with 89% of its staff fully vaccinated. It was decided that the organisation should embark on drafting a Covid-19 vaccination policy in order to detail the organisation's stance and approach to enforcing mandatory vaccinations.

Information and communication technology

The ICT unit continued with the journey of implementing and modernising digital platforms that enable the OPFA to achieve its mandate and strategic goals. During the year under review, new digital platforms were introduced, and several existing ones upgraded. With the hybrid working method still in place due to Covid-19 lockdown restrictions, ICT security was enhanced to ensure that the OPFA staff use ICT tools of trade to deliver services without disruptions. In the year under review, the ICT system availability index was recorded at over 99%.

ICT objectives

To support the OPFA's key strategic goals of operational excellence and stakeholder engagement, the email system was upgraded to the latest version which is more resilient. The office telephone software was upgraded, and softphones introduced. These ICT communication tools enabled the OPFA users to be accessible to stakeholders whilst working away from the office. To support the strategic goal of disposing of complaints, the website which is one of the key channels to receive complaints, was upgraded to a more stable and secure SharePoint 2019 platform. The core business system, Respond, was also upgraded to improve back-end functionality and security. The business requirement for the project to introduce an enhanced and secure eChannel which includes a more stable self-service channel and the functionality for complainants to check the progress of their complaints on the website were signed off. The implementation of the project will take place in the next financial year.

The modernisation of the underlying ICT infrastructure and platforms remains the cornerstone of maintaining a highly resilient and available ICT environment. To this end, new ICT servers and storage infrastructure for the development and testing environments were procured and implemented. The implementation of business systems in the new testing infrastructure will be concluded in the next financial year in line with the project plan.

Several servers were procured and implemented at the ICT production and disaster recovery environments. All old laptops were replaced. These implementations resulted in achieving the ICT goal of having all ICT servers, storage and laptops being in warranty thus providing for predictable mean time to repair in case of hardware breakages.

ICT operational environment

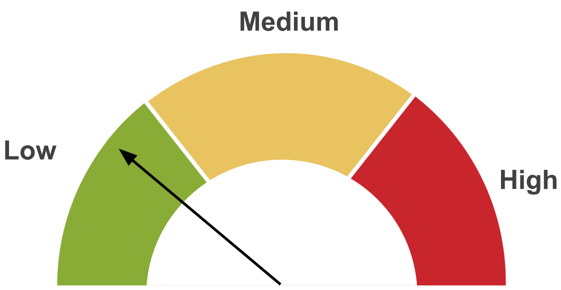
In order to achieve optimal ICT operational environment and reduce minimum business disruption, monthly maintenance weekends were scheduled to implement the necessary enhancements and patching of systems. Day-to-day incidents were managed timeously in line with the agreed service level agreements (SLA). The availability of ICT systems was maintained at plus 99% against a target of 90%.

Security and business continuity

In the face of the ever-changing cyberthreats, the Information and Cyber Security policy was updated and approved. To give effect to this policy, the OPFA procured and implemented a unified threat management solution which includes firewalls, and functionalities such as intrusion protection systems, anti bot, client to site virtual private network, etc. The antivirus was implemented in all end points and encryption was enabled for all computers. These ICT security controls aim to mitigate against business disruptions in case of cybersecurity attacks. Over and above these controls, the OPFA conducted monthly ICT security vulnerability assessments and implemented remediations, where required.

As per the ICT continuity policy, backups were undertaken accordingly. The restoration of backups was tested regularly. Two ICT disaster recovery (DR) tests were conducted successfully during the course of the financial year.

The dashboard below depicts an assessment of the ICT security risk in March 2022.



OPFA ICT security risk rating assessment = Low
Assessment: March 2022

ICT governance

The OPFA continued to implement good governance of ICT. To this end, the OPFA ICT governance framework was revised and approved. All major ICT policies (e.g., Information and cyber security policy) were updated to align with the current OPFA business operating environment and to address some of the emerging risks. The ICT team followed a risk-based phased approach to implement these policies. This implementation was monitored by various governance structures, including the ICT Steering Committee and Management Committee. The Risk and Audit Committee also provided oversight on implementation of ICT plans, mitigation of risks and resolution of audit findings.

OPERATIONAL REPORT *continued*

B-BBEE compliance performance information

Based on the verification conducted for the year under review, the OPFA received a non-compliant B-BBEE status level of contributor a regression from the prior year. The development areas are primarily due to the Skills development where the current OPFA traineeship programme does not meet the criteria for obtaining points and inadequate supplier development initiatives.

The OPFA is embarking on a transformation plan to address the compliance and performance.

Element	Weighting points	Score achieved
Ownership	N/A	N/A
Management control	20	18.08
Skills development	25	1.95
Enterprise and supplier development	50	23.39
Socio-economic development	5	5
Overall score	**100**	**48.42**

Component indicator	Indicator weightings	Indicator target	Score
MANAGEMENT AND CONTROL			**18.08**
Board participation			
Exercisable voting rights of black board members as a percentage of all board members	2.00	50.00%	2.00
Exercisable voting rights of black female board members as a percentage of all board members	1.00	25.00%	1.00
Black executive directors as a percentage of all executive directors	2.00	50.00%	2.00
Black female executive directors as a percentage of all executive directors	1.00	25.00%	1.00
Other executive management			
Black executive management as a percentage of all executive management	4.00	60.00%	4.00
Black female executive management as a percentage of all executive management	2.00	30.00%	1.67
Senior management			
Black employees in senior management as a percentage of all senior management (included under top management)	0.00	60.00%	0.00
Black female employees in senior management as a percentage of all senior management (Included under top management)	0.00	30.00%	0.00
Middle management			
Black employees in middle management as a percentage of all middle management	2.00	75.00%	1.33
Black female employees in middle management as a percentage of all middle management	1.00	38.00%	0.33
Junior management			
Black employees in junior management as a percentage of all junior management	2.00	88.00%	1.59
Black female employees in junior management as a percentage of all junior management	1.00	44.00%	0.98
Employees with disabilities			
Black employees with disabilities as a percentage of all employees	2.00	2.00%	1.54

Component indicator	Indicator weightings	Indicator target	Score
SKILLS DEVELOPMENT			**1.95**
Skills development expenditure			
Skills development expenditure on any learning programmes for black people as a percentage of leviable amount	9.00	6.00%	1.95
Skills development expenditure on any learning programmes for black employees with disabilities as a percentage of leviable amount	4.00	0.30%	0.00
Learnerships, apprenticeships and internships			
Number of black people participating in learnerships apprenticeships and internships as a percentage of total employees	6.00	2.50%	0.00
Number of black previously unemployed people participating in learnerships apprenticeships and internships as a percentage of total employees	6.00	2.50%	0.00
Bonus points			
Number of black people absorbed by the measured and industry entity at the end of the learnership, internship and apprenticeship programme	5.00	100.00%	0.00
ENTERPRISE AND SUPPLIER DEVELOPMENT			**23.39**
Preferential procurement			
B-BBEE procurement spend from all empowering suppliers based on the B-BBEE procurement recognition levels as a percentage of total Measured procurement spend	5.00	80.00%	4.24
B-BBEE procurement spend from all empowering suppliers that are qualifying small enterprises based on the applicable B-BBEE procurement Recognition levels as a percentage of total measured procurement spend	4.00	15.00%	0.63
B-BBEE procurement spend from all empowering exempted micro-enterprises based on the applicable B-BBEE procurement recognition levels as a percentage of total measured procurement spend	5.00	15.00%	5.00
B-bbee procurement spend from empowering suppliers that are at least 51% black owned based on the applicable B-BBEE procurement recognition levels as a percentage of total measured procurement spend	11.00	40.00%	8.52
B-BBEE procurement spend from empowering suppliers that are at least 30% black women owned based on the applicable B-BBEE procurement recognition levels as a percentage of total measured procurement spend	5.00	12.00%	5.00
Bonus points			
Bonus points: B-BBEE procurement spend from empowering designated group suppliers that are at least 51% black owned	2.00	2.00%	0.00
Supplier development			
Annual value of all supplier development contributions made by the Measured entity as a percentage of the target	15.00	2.00% of NPAT	0.00
Enterprise development			
Annual value of enterprise development contributions and sector specific programmes made by the measured entity as a percentage of the target	5.00	1.00% of NPAT	0.00
Bonus points			
Bonus point for graduation of one or more enterprise development beneficiaries to graduate to the supplier development level	1.00	Yes	0.00
Bonus point for creating one or more jobs directly as a result of supplier Development and enterprise development initiatives by the measured entity	1.00	Yes	0.00
SOCIO ECONOMIC DEVELOPMENT			**5.00**
Annual value of all socio-economic development contributions by the measured entity as a percentage of the target	5.00	1.00% of NPAT	5.00
TOTAL			**48.42**

MESSAGE FROM THE LEGAL DESK

It has been an eventful year for lawyers serving in the retirement funds industry. The Courts and the Financial Services Tribunal have provided good guidance on several legal issues shaping the path for retirement funds to implement TCF principles which are yet to be codified by the FSCA into a regulatory instrument applicable to retirement funds. The policymakers at National Treasury have also been busy with the Conduct of Financial Institutions Bill ("CoFI Bill") and consequential amendments to the Pension Funds Act, 1956 soon to be renamed the Retirement Funds Act. The long-awaited annuitisation of provident funds also took effect a month prior to the year under review on 1 March 2021. Covid-19 too has had its say and its effect on the employment space has forced Treasury's hand to consider the two-pot system intended to allow early access to retirement savings by members who may find themselves in financial distress.

An important decision with the potential to affect retirement funds by the Constitutional Court was handed down on 31 December 2021 in the matter of **Bwanya v Master of the High Court, Cape Town and Others** [2021] ZACC 51. In this matter, the Constitutional Court found that its own previous decision in **Richard Gordon Volks NO v Ethel Robinson and Others** 2004 (6) BCLR 671 (CC) had been incorrectly decided. The Volks decision was relied upon by the OPFA previously to justify the different treatment of partners in a permanent life partnership for the purposes of spouses' pensions. The Bwanya judgment however found that Volks should not be followed and that certain provisions of the Intestate Succession Act, 1987 and Maintenance of Surviving Spouses Act, 1990 are unconstitutional insofar as it excluded partners in a permanent life partnership with reciprocal duties of support, from the definition of "spouse". The effect of this is that the Adjudicator must now adopt a new approach to disputes pertaining to spouses' pensions and include permanent life partners.

The Constitutional Court also had occasion to pronounce on another matter affecting retirement funds. On 14 March 2022, the Court handed down its unanimous judgment in the matter **of Municipal Employees Pension Fund and Another v Mongwaketse** [2022] ZACC 9. In this matter, the Constitutional Court reiterated the binding nature of the rules of a fund and confirmed that the doctrine of ultra vires applies to retirement funds. When the rules of the fund do not permit a fixed-term employee to become a member of the fund, the board of the fund is not entitled to admit such a person to membership and accept contributions on their behalf. The employee is entitled to a full refund of their contributions – such was the finding of the Adjudicator. The High Court and Supreme Court of Appeal agreed but the fund, still dissatisfied, approached the Constitutional Court. The Court was satisfied that the requirements of condictio indebitii were met and that the fund had been enriched. Leave to appeal was granted but the appeal itself was dismissed.

Section 37C has always presented challenges for retirement fund trustees, not so much because of the wording of the section but rather because of the duties that it places on boards of retirement funds to conduct a proper investigation and to effect an equitable distribution.

At the OPFA, we believe that steps need to be prescribed as to what exactly constitutes a proper investigation and that certain limitations need to be placed on who can be can be considered a beneficiary. This should be done without removing the social purpose for which section 37C was enacted. The CoFI Bill has attempted to make consequential amendments to section 37C but in our view the proposed amendments fall short of addressing the problem. Accordingly, in our comments provided to National Treasury on the CoFI Bill, the OPFA has proposed that the amendments to section 37C be postponed and that proper consultation be held with all stakeholders before seeking to amend the law relating to this very important aspect of retirement fund benefits.

Section 37D and the withholding of retirement fund benefits for purposes of compensation to employers has also come under spotlight. The Financial Services Tribunal has been consistent in its approach that a request to withhold a member's benefit solely supported by criminal charges is not consistent with the finding of the Supreme Court of Appeal in **Highveld Steel and Vanadium Corporation Ltd v Oosthuizen** [2009] 1 BPLR 1 (SCA). The Tribunal has held on several occasions that civil proceedings must be pending or imminent. Although the Adjudicator has in the past held that a criminal charge would be sufficient because of the potential of a compensation order in terms of section 300 of the Criminal Procedure Act, 1977, the Adjudicator has now adjusted her approach to be consistent with that of the Tribunal after being satisfied that the Tribunal's reasoning is sound. Notwithstanding, it appears that certain actors in the retirement funds industry, not happy with the Tribunal's findings and the Adjudicator's new approach, have managed to successfully lobby National Treasury to include a provision in the consequential amendments to section 37D that seeks to permit the withholding of a benefit pending a compensation order granted in terms of section 300 of the Criminal Procedure Act. This move appears to have been answered (perhaps unwittingly) by the Tribunal in the matter of **Tape Aids for The Blind vs AA Palhad and 3 Others** (PFA3/2022) by raising doubts as to whether fraud is covered by section 300. This will necessitate employers seeking a withholding of benefits to justify whether the conduct complained of is covered by the provisions of section 300. The OPFA's view on section 37D is that the decision to withhold should not be left to the board of a retirement fund and that decision should rather be made by a court of law given the technical nature of the factors to be considered. Such submissions have been made to National Treasury.

Ultimately, it is desired that retirement funds should be actively pursuing the fair treatment of their members. This can only be achieved if trustees themselves are educated on what is expected of them. The FSCA has taken the first step by making the completion of the Trustee Toolkit compulsory and it has indicated an intention to introduce the next phase of the compulsory Toolkit. At the 2022 Pension Lawyers Association Conference, the FSCA representative also indicated that they will introduce a pass mark for the Toolkit – currently it is only completion that is required. This is welcomed and will go a long way to improving the quality of retirement fund trustees available to serve on boards, ultimately to the benefit of retirement fund members. However, as an industry we need more independent educational opportunities to be made available to the industry. The OPFA has played its part in this by introducing a quarterly newsletter and providing training to several retirement funds on topics relating to the OPFA's functions. It is hoped that other independent institutions and academics take up the opportunity to fill this void that exists in our industry.

This year's message from the legal desk is that we need to maintain the objective of treating members of retirement funds fairly. The TCF principles are helpful but they are not binding nor are they applicable to retirement funds in all respects. We need a codification of the principles applicable to retirement funds that will empower the Adjudicator to make binding determinations consistent with such principles. We understand that a conduct standard is planned to be issued under the auspices of the CoFI Act. We are hopeful that this will speak to needs of retirement fund members and the specific challenges that retirement funds face.

Key determinations issued by the OPFA during the period under review will be discussed in the next section of the report.

Mr Naheem Essop
Senior Legal Advisor

SUMMARY OF IMPORTANT DETERMINATIONS

From left: *Carmen Kotshoba, Lucas Flink, Muvhango Lukhaimane, Naheem Essop*

Death benefits payable to major beneficiaries paid to beneficiary fund

Upon the death of its member, the board of the Old Mutual Superfund Provident Fund ("fund") resolved to make payment to Fairheads Independent Beneficiary Fund ("beneficiary fund"), the benefits payable in respect of two of the deceased's major sons, who were 20 years old at the time. Dissatisfied with the board's decision pertaining to the mode of payment, the sons lodged a complaint with the Adjudicator requesting relief that the benefits be paid into their respective bank accounts. The complainants submitted that the monthly income received from the beneficiary fund was insufficient to cover their daily expenses and was only enough to pay for rent payable to their father who was also their landlord. They submitted that together with their father they had engaged with the beneficiary fund for the termination of the trust held therein but achieved no success.

In response to the complaint, the fund submitted that it had received submissions from the complainants' older brother that indicated that the complainants intended to squander their benefits on luxury items such as cars and overseas holidays and that they were not mature enough to handle their own financial affairs. A special condition was attached to the payment to the beneficiary fund in terms of which the fund stipulated that neither the complainants nor their father were allowed to withdraw their capital until the complainants completed their schooling or reached the age of 23. The reason for the condition was mainly because the complainants were not deemed mature enough to handle their own financial affairs. The fund stated that it had informed the complainants of its decision to safeguard their benefits in the beneficiary fund until they completed their schooling or reached the age of 23 years. In this regard, the complainants had indicated their desire to complete their schooling.

The fund had also received submissions from the complainants' father indicating that the complainants signed a lease to rent a cottage on his property and they were in arrears with their rental payments. Further, that failure to pay the arrear amount will result in summons being issued against them. He further stated that it was not up to the fund and beneficiary fund to pronounce on whether the complainants have completed their schooling and that the complainants completed grade 10, just like him, who runs a successful business. The fund stated that when it informed the complainants' father that it could not contact the complainants, the complainants' father advised the fund that he is taking care of the administration of the beneficiaries as they do not have email addresses.

The fund submitted that section 37C (2)(a)(iii) of the Act provides that payment by a registered fund for the benefit of a dependant shall be deemed to be a payment to such dependent if payment is made to a beneficiary fund.

The beneficiary fund stated that in all their dealings with the complainants, the complainants themselves have never requested that the trust set up for them be terminated. All requests for termination of the trust have always been received from the complainants' father. It provided a copy of the latest correspondence received from the complainant's father which read as follows:

"…I would like for you to ignore their request for paying their outstanding R120 000.00 rental that is owed. They signed a contract with me that they will pay me 10% interest per month on outstanding money owed to me which amounts to R12 000.00 per month. There are 28 months left before they receive their trust so the interest will be R336 000.00 excluding the R120 000.

I will never get revenue like that from any financial institution, so I am happy to wait!

I also informed them that they cannot go for any courses or studies until they receive their pay out because I don't think there will be much left after they pay me their R446 000.00."

The beneficiary fund submitted that, according to its rules, clause (a) of the definition of "termination date" is the date that "a member requests his fund credit… unless … the transferor entity concluded that the member is not able to properly manage the fund credit, in which case the termination date is extended until … the board determines that the member is able to properly manage the fund credit". It agreed with the fund that the complainants would not be able to properly manage their fund credit if paid to them as a lumpsum now. It stated that the requirements for termination have not been met and that it currently pays the complainants a monthly income which covers their rent (which they have indicated is paid to their father) and other basic requirements including clothing, toiletries and living expenses. Should the complainants further their studies, same will be paid from their fund credit held by it.

In determining the matter, the Adjudicator held that the preferred method of payment must be duly cognisant of a beneficiary's best interests. There must also be a link between the preferred method of payment and the rationale behind such preferred payment. As a general principle, in instances where a major dependant's benefit allocation will not be paid in a lump sum, written prior consent should be given. It appeared that the board of the fund simply relied on submissions received from the older brother. The board failed to conduct further interviews with independent individuals to corroborate those submissions. The board also failed to carry out its own independent investigations to probe the complainants' living circumstances and assess their ability to manage lumpsum benefits.

In this case, there was no evidence to suggest that the complainants were mentally incapacitated nor had a curator been appointed to administer their financial affairs and the board, therefore, incorrectly relied upon the Adjudicator's previous decision in **Mahomed v Argus Provident Fund** [2016] JOL 35406 (PFA).

Accordingly, the fund's decision on the mode of payment was set aside and it was ordered to conduct a proper investigation into the complainants' ability to administer their own financial affairs and thereafter decide on the mode of payment.

Adjudicator cautions Old Mutual about its failure to comply with TCF principles

Upon reaching retirement, a member of the South African Retirement Annuity Fund ("RA fund") instructed its administrator, Old Mutual Life Assurance Company (SA) Limited ("Old Mutual"), via his broker to commute no more than R400 000.00 as a cash lump sum (even though one-third of his benefit would have entitled him to more) and for the remainder to be utilised to purchase an annuity from two policies held with the RA fund. The instruction was specifically designed to avoid tax implications arising from withdrawing more than R500 000.00 as a lump sum benefit. Despite the instruction being received, Old Mutual incorrectly processed the member's instruction by selecting a cash commutation amount equal to the full one-third value on both policies, which was in excess of the amount of R400 000.00 requested by the complainant and applied for tax directives on both policies based on the incorrect cash commutation amount. Old Mutual then took certain steps to attempt to rectify its error and thereafter applied for new tax directives but in doing so failed to cancel the previous incorrect directives. It appeared that SARS considered the various directives (including those applied for and not cancelled) when it issued the final tax directive and requested tax amounting to R31 570.79.

A complaint was lodged by the member with the Adjudicator. It was clear that the tax directive issued by SARS was based on an incorrect request from Old Mutual. The tax directives further did not reflect any IT88 tax (arrear tax) indicating that the tax deducted was likely as a result of the complainant exceeding his R500 000.00 tax-free threshold. The complainant requested and expected a net cash commutation of R400 000.00. However, due to the tax that was deducted from his benefit, he was only paid a cash lumpsum of R367 624.25. He suffered a shortfall of R32 375.75 representing tax paid to SARS on both policy proceeds.

The Adjudicator held that the tax paid in terms of the directives issued by SARS is a result of the incorrect tax directives applied for by Old Mutual and that Old Mutual ought to place the complainant in the position he would have been in had Old Mutual applied for tax on the correct lumpsum commutation amounts. The Adjudicator stated that she was cognisant of the response received from SARS wherein it indicated that Old Mutual may not cancel the tax directives and that the complainant will be refunded upon assessment of his tax, which was in direct response to the reluctance by Old Mutual itself to embark on a process to rectify the situation. However, this was not a suitable for solution as the complainant did not have access to the remaining amount of the R32 375.75 paid in tax

SUMMARY OF IMPORTANT DETERMINATIONS *continued*

Standing from left: *Neo Mashigo, Polo Shwaepane, Tsebiso Makgabo and Gift Mudau*
Seated from left: *Khutso Mafokwane, Tshepo Dooka-Rampedi and Mashudu Matovheke*

to SARS and may only have access to same upon assessment by SARS at a later stage. Thus, the Adjudicator held that she must order Old Mutual to refund the complainant directly.

Old Mutual also failed to inform the complainant about a Plan Amendment Charge which resulted in the complainant not being placed in a position to make an informed choice about his retirement. The Adjudicator pointed out that this is not the first complaint involving Old Mutual's failure to provide a policyholder with a quotation in respect of early retirement charges (otherwise known as causal event charges) in recent times. As seen in this complaint and others received by the Adjudicator, it is only through the persistence of some policyholders that Old Mutual admits to its failure and attempts to place the policyholder in the correct position. The Adjudicator strongly condemned the conduct of Old Mutual as same defeats the inherent purpose for which retirement funds have been established. Thus, the Adjudicator referred the conduct of Old Mutual to the FSCA for consideration.

Further, it was held that there were delays in transferring the benefit to Glacier. The transfer was only finalised approximately three months following receipt of the complainant's instruction for policy 1 and approximately five months late in respect of policy 2. Old Mutual did not provide details pertaining to the date of disinvestment of the complainant's retirement benefit under Policy 1 and 2. Further, it failed to indicate whether the holding account, following disinvestment, earned any interest. Thus, it is unknown whether the complainant suffered loss of investment return that he would have earned in the Glacier fund had Old Mutual timeously transferred his benefit thereto. Therefore, Old Mutual was ordered to place the complainant in the position he ought to have been in had the transfer taken place timeously and in accordance with its service level agreement. In doing so, Old Mutual was ordered to calculate the loss suffered by the complainant on Policy 1 and Policy 2, if any, by its failure to transfer his retirement benefit timeously and make good on this loss by transferring same to the Glacier fund on behalf of the complainant.

The conduct of the Old Mutual was held to be inconsistent with what customers expect to experience from financial institutions entrusted with their retirement savings. The Adjudicator stated that it is this type of conduct that is not expected to survive after the enactment of TCF legislation (such as the CoFI Bill). Old Mutual failed to act in accordance with TCF principles by failing to process the complainant's retirement claim correctly and timeously, failing to provide him with a quote to enable him to make an informed decision, and by its recalcitrant attitude towards rectifying same. The Adjudicator cautioned Old Mutual from creating barriers to claiming and transferring benefits as same does not accord with the principles of TCF.

Finally, Old Mutual offered the complainant an ex-gratia payment of R2 500.00 as a gesture of goodwill for the delay in processing his retirement instruction. The complainant requested guidance from the Adjudicator. The Adjudicator stated that whilst she normally does not comment on ex-gratia offers as same is not a benefit payable in terms of the rules of the fund nor in terms of the Act, given the behaviour of Old Mutual in this matter and the time spent plus aggravation endured by the complainant and his consultants, an amount of R2 500.00 is a mere pittance and a slap in the face for the complainant. The offer remains at the discretion of Old Mutual and the acceptance of same is entirely the complainant's decision.

No risk benefit payable in terms of the rules due to non-payment of contributions

The Maluti A Phofung Municipality ("employer") was a participating employer in the Sanlam Umbrella Pension Fund and Sanlam Umbrella Provident Fund ("funds"). Due to the employer's failure to pay contributions in terms of section 13A of the Act, the funds decided to terminate the employer's participation on 27 February 2018 with effect from 1 October 2017. The funds informed the employer and the members that the reinsured group risk benefits (such as death and disability benefits) were no longer applicable and that should a claim arise during the period of non-payment, the funds will not be able to pay the insured benefits. The funds indicated that it was made clear in the communication that members and their dependants would have to approach the employer to recover any damages suffered as a result of the employer's failure to make payment of the contributions.

The employer requested that the termination of its participation be cancelled. The funds stated that although the funds accepted the employer's request to cancel the termination, it was reiterated to the employer that risk benefits have been terminated and no claims will be admitted. As the risk benefits terminated on 1 October 2017, the special rules applicable to the employer had to be amended to remove the risk benefits. The employer's special rules were amended with effect from 1 October 2017 to remove all risk benefits. The employer commenced paying contributions including arrear contributions. The employer then provided to its employees a group life assurance benefit of four times annual salary which became effective from 1 October 2018, a year later.

The complainant is the son of a member of the fund who died on 14 September 2018 i.e., before the group life assurance benefit became effective. On 8 August 2021, the complainant submitted a complaint to the Adjudicator alleging that due to the employer's non-compliance, the deceased's beneficiaries forfeited the risk benefit.

The Adjudicator held that the rules of the fund are binding and that the special rules applicable at the time of the deceased's death provided that the death benefit is equal to the member share i.e., the risk benefit portion had been removed. The deceased passed away before the effective date of the group life assurance benefit and his family members were precluded from claiming such benefits.

Standing from left: *Thabang Mabule, Lindelani Mkhize, Sibongile Nkabinde, Weaven Ngobeni, Ntokozo Mbatha and Atlegang Tshidi*
Seated from left: *Thabiso Lesufi, Silas Mothupi, Shridhi Baijnath and Thamsanqa Mbambo*

SUMMARY OF IMPORTANT DETERMINATIONS *continued*

Standing from left: *Tinyiko Shihundla, Hulisani Neluheni, Sandile Mthethwa and Pamela Mpofu*
Seated from left: *Nontobeko Bhila, Ndwakhulu Kutama and Yolande Van Tonder*

The Adjudicator held that the employer cannot be held liable for a benefit that was no longer provided for in the rules of the fund and the special rules applicable to it. This was a matter beyond the jurisdiction of the Adjudicator and it was for the employer and the deceased's family members to resolve via other means. The complaint was accordingly dismissed.

Estate Agency Affairs Board's CEO goes rogue

In a bizarre complaint lodged with the Adjudicator, the board of directors of the Estate Agency Affairs Board South Africa ("employer") complained *inter alia* about the conduct of its own CEO in relation to the employer's failure to deduct and remit pension contributions to the Estate Agency Affairs Board Pension and Life Assurance Scheme ("fund") in respect of certain affected employees.

Notwithstanding that the rules of the fund provides that every permanent employee must be registered as a member of the fund, the CEO instructed the human resources department of the employer to not make deductions in respect of five of its employees. This was done apparently to afford the affected employees an opportunity to consider their financial position and whether they could afford the deductions. The CEO's instructions to the HR department were in direct conflict with instructions given to her by the board of directors and it is not clear whether disciplinary action ensued. However, there was an exchange of legal opinions and legal memoranda expressing different views on the issue.

Obviously concerned about the implications of such conduct, the board of the employer approached the FSCA for guidance. The FSCA *inter alia* guided that the matter be referred to the Adjudicator and that a criminal complaint be laid. The matter was trite – the employer is bound by the rules of the fund and section 13A of the Act. Further, section 37(1)(a) of the Act makes non-compliance with section 13A a criminal offence for which one can be held liable on conviction to a fine not exceeding R10 million or to imprisonment for a period not exceeding 10 years, or to both.

After a proper analysis of the facts and the law, including the rules of the fund, the Adjudicator ordered registration of the affected employees with the fund, payment of arrear contributions, and the submission of all schedules to the fund.

FSCA Interpretation Ruling 1 of 2020

On 25 March 2022, the FSCA issued FSCA Interpretation Ruling 1 of 2020 (RF): Interpretation and Application of Section 37C of the Pension Funds Act, 1956. One of the purposes of the said Interpretation Ruling was to clarify when a benefit should be dealt with in terms of section 37C as opposed to being paid into the deceased estate of the member. In this regard, the Interpretation Ruling states: *"Reference to "payable …upon the death of a member" in section 37C means that it is the death of the member that resulted in the benefit becoming payable. If the fund received a written instruction from the member to pay out or to transfer the benefit prior to the member's death, then it is that written* *instruction that caused the benefit to be payable (not the death of the member) and accordingly section 37C will not be applicable."*

In a complaint lodged with the Adjudicator, the deceased's son complained that the Corporate Selection Umbrella Pension Fund ("fund") intended to pay the deceased's benefit into the deceased's estate instead of dealing with it in terms of section 37C of the Act. He wanted the proceeds of the benefit to be used to purchase a living annuity for the deceased's surviving spouse. He was informed by a financial adviser that the benefit from the fund (approx. R7 million) was payable to the deceased's estate after tax. The letter from the financial adviser stated that taxation of the benefit as a retirement benefit would have a negative impact. He requested the Adjudicator to investigate the matter and order the fund to purchase a living annuity for the surviving spouse with the proceeds of the benefit.

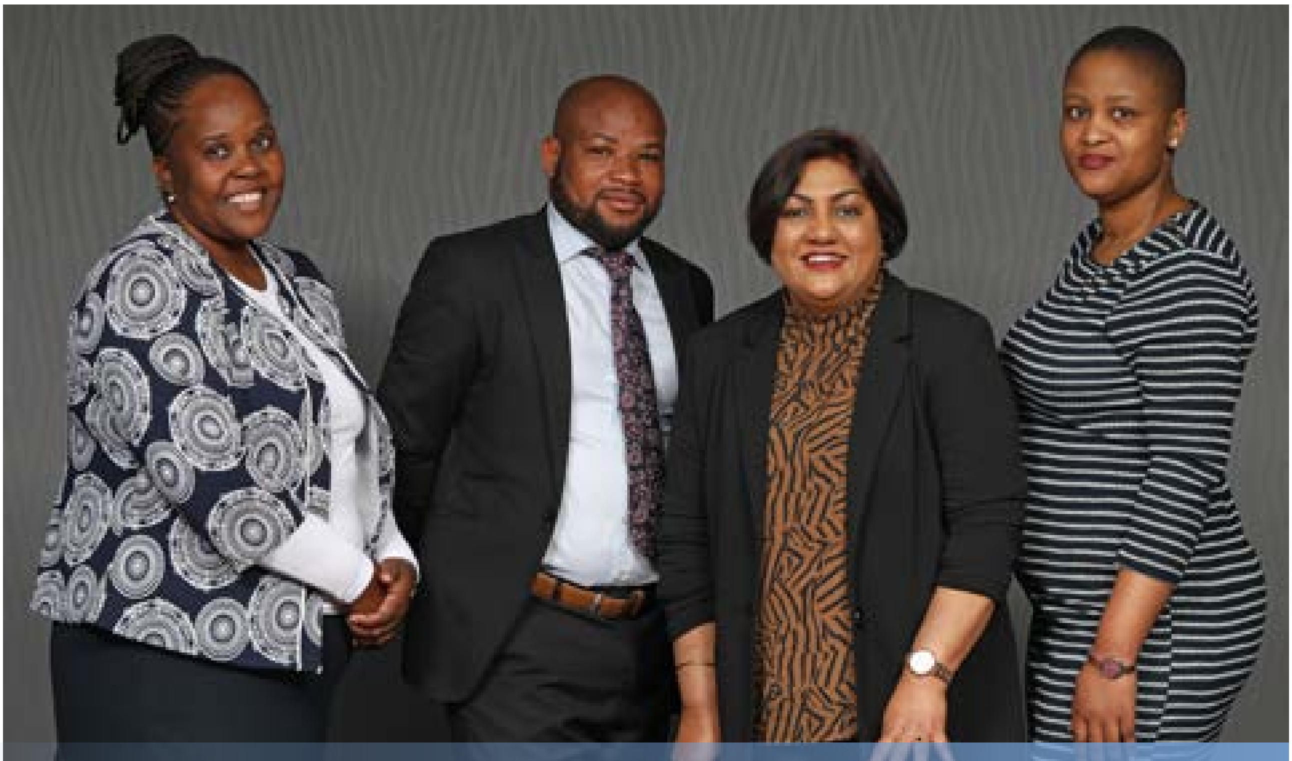
The fund submitted that the deceased was its member because of his employment with the employer. He was registered as a member from 1 December 2004 to 28 February 2019 when he elected to retire. The retirement election was communicated by his financial adviser wherein he also indicated the intention to transfer his benefit to a preservation fund. The fund attached an email from the deceased's financial adviser dated 1 April 2019 reflecting that the deceased was transferring his benefit to a preservation fund. The deceased passed away on 1 May 2019 whilst his request was being processed.

Accordingly, the Adjudicator held that section 37C was not applicable since an instruction had been received from the deceased member prior to his death to transfer, and it was correct for the fund to hold that the benefit would be paid to the deceased's estate. The complaint was dismissed.

Payment to a beneficiary fund

In another complaint relating to the payment of a section 37C benefit to a beneficiary fund, the surviving spouse of a deceased member lodged a complaint on behalf of her two minor children who had been allocated 15% and 25% of the benefit respectively. The issue raised in the complaint was the chosen mode of payment by the board of the Fundsatwork Umbrella Provident Fund ("fund") which was to pay the benefits to the Momentum Umbrella Beneficiary Fund ("beneficiary fund").

The complainant was aggrieved with the board's decision to transfer the benefits allocated to the two minor children to the beneficiary fund alleging that same occurred without first obtaining her consent. She stated that the benefits do not earn interest in the beneficiary fund.



From left: *Busisiwe Dhlamini, Given Maswanganye, Lalita Jadoonandan and Fortunate Mashoene*

SUMMARY OF IMPORTANT DETERMINATIONS *continued*

Standing from left: *Madumetja Mogale, Wilana Groenewald, Lerato Lebogo, Hlayisani Makhubele, Sibongile Jamekwane, Sylvia Arendse, Tonny Kedikilwe and Lerato Mokoena*
Seated from left: *Refilwe Mokone, Nhlayisi Mangwani and Dolly Sibanda*

The fund submitted that the law does not specify the factors that should be considered when deciding whether to pay a minor's benefit to a beneficiary fund or to their guardian. However, in general, it considers the following factors prior to deviating from paying the benefit to a guardian:

- The amount of the benefit payable to the minor;
- Cost efficiency of using a trust or beneficiary fund;
- The ability and qualification of the guardian to administer the funds;
- Other gains or bequests and the mode of payment of such benefits;
- The age of the minor and the need to ensure that the benefit can be sustained until the age of majority;
- The household circumstances of the minor that may potentially lead to the lumpsum payment not being used for the exclusive use of the minor.

The fund stated that it considered the share of the death benefit allocated to the minor children and that it includes provision for dependency up to age 23. Further that there should be a balance when each of the minors reach age of majority. This estimation was based on the total household income considering the deceased's salary and the complainant's unemployment status. The deceased's nomination form nominated the minor children a year before his death.

The fund also disputed that the complainant did not provide her consent for payment to the beneficiary fund and stated that the complainant approved the application and payment method in respect of the minor children.

The beneficiary fund referred to its rules and stated that the termination date for the minors' benefits had not been reached. It further provided tables demonstrating that the benefits had indeed earned interest and that the administration costs were not more than the interest earned.

The Adjudicator held that payment in respect of a minor child's benefit to a guardian should occur in the normal course of events unless there are cogent reasons for depriving the guardian of the duty to administer the financial affairs of his/her minor child. Referring to the case of **Ramanyelo v Mine Workers Provident Fund** [2005] 1 BPLR 67 (PFA), the Adjudicator reiterated that the board must consider the following factors in determining whether to pay a benefit to the guardian or a beneficiary fund:

- The amount of the benefit;
- The ability of the guardian to administer the monies;
- The qualification (or lack thereof) of the guardian to administer the monies; and
- The benefit should be utilised in such a manner that it can provide for the minor until she attains majority.

In this matter, it did not appear that the board assessed the complainant's ability to administer the benefit on behalf of the minor children. Her unemployment status did not automatically mean that she could not administer the funds if same was paid to her. Thus, the reasons advanced by the board were not in line with the factors set out in the Ramanyelo matter.

However, the fund notified the complainant of the mode of payment in respect of the minor children's benefits i.e., the fund informed her that the said benefits would be paid to a beneficiary fund and the complainant agreed to this. Having obtained the complainant's consent, the fund transferred the benefit to the beneficiary fund. Section 37C(2)(a)(iii) of the Act states that payment to a beneficiary fund is deemed to be payment to the relevant dependant. The Adjudicator held that the fund discharged its duty in terms of section 37C.

The complaint was dismissed on the basis that the complainant consented to the payment of the minor children's benefits to the beneficiary fund. However, the Adjudicator stated that the beneficiary fund should not manage the funds in a manner that current needs are sacrificed to ensure that there is a pay out to the beneficiaries when they attain majority. The funds should be used to defray current legitimate needs especially as the complainant (their mother) is unemployed.

Benefit cannot be withheld in favour of Makro based on a criminal complaint alone

In several decisions by the Financial Services Tribunal ("FST"), it has consistently held that the withholding of a benefit in favour of an employer by reason of alleged theft, fraud, dishonesty or misconduct on the part of the member cannot be sustained on the basis of a criminal complaint alone. There must be imminent or pending civil proceedings that allow a fund the discretion to withhold. In a recent decision, the FST went on to clarify this point further when it stated in **Tape Aids For the Blind vs AA Palhad and 3 Others** (PFA3/2022 – Financial Services Tribunal – 16 May 2022) as follows:

"30. There is no basis on which the Fund or the PFA could have been satisfied that TAB has instituted or will institute civil legal proceedings against the complainant within a reasonable period.

31. Section 300 of the Criminal Procedure Act 1977 provides that where a person is convicted of an offence which has caused damage to or loss of property (including money) belonging to some other person, the court in question may, upon the application of the injured person or of the prosecutor acting on the instructions of the injured person, forthwith award the injured person compensation for such damage or loss. Such an award has the effect of a civil judgment.

Standing from left: *Gomotsegang Magaseng, Zanele Zwane, Wonder Dila, Tintswalo Shibambu, Yonela Mapini, Thembelihle Mabuza, Lufuno Balibali and Sthembiso Shabalala*
Seated from left: *Magadi Tshitannye, Bulelani Makunga and Malakia Raedani*

SUMMARY OF IMPORTANT DETERMINATIONS *continued*

From left: *Serati Ntsimane, Nana Ntenga and Qabuka September*

32. *It would follow that such an award by a criminal court may entitle the Fund to withhold payment of pension benefits, but we do not have such an award and it is unlikely that there will be one before the claim becomes prescribed.*

33. *The next question is whether fraud as alleged by TAB is covered by Section 300. That is doubtful if regard is had to the judgment of Didcott J in* ***S v Liberty Shipping and Forwarding (Pty) Ltd and Others*** *[1982] 4 All SA 141 (D) 1982 (4) SA 281 (D).*

34. *Assuming that it is, the final issue is whether laying a criminal complaint amounts to the institution of legal proceedings ("instituted or will institute legal proceedings"). Criminal proceedings are instituted by the State through the prosecuting authorities. Laying a charge has no legal consequences. It does not begin legal proceedings. Legal proceedings may or may not follow depending on the decision of the prosecutor. See* ***Kader v Minister of Police 1989*** *(4) SA 11 (C)."*

In a complaint lodged with the Adjudicator, the Massmart Provident Fund ("fund") withheld a withdrawal benefit due the complainant based on fraud allegations levelled against the complainant by Makro (Pty) Ltd ("employer").

The fund submitted that it had been informed by the employer that the complainant was placed on precautionary suspension whilst the employer conducted its own internal investigation. Whilst still on suspension, the complainant resigned on 14 September 2021. The fund submitted that on 3 November 2021 it received a request to withhold the complainant's benefit pending the submission of a formal request to withhold the benefit. The fund was also informed by the employer on 6 May 2022 that it had laid a criminal complaint against the complainant during April 2022. Further, the fund informed the Adjudicator that it was processing the difference between the amount requested to be withheld and the complainant's withdrawal benefit.

The Adjudicator found that the employer had not instituted a civil action to obtain a judgment in value against the complainant and that the fund was, therefore, not entitled to withhold the complainant's benefit. The Adjudicator stated that it appeared that the fund had been lackadaisical in its approach. The fund's decision to withhold was supported solely by criminal proceedings against the complainant which was insufficient to afford the fund a discretion to withhold the complainant's benefit. As a result, the Adjudicator found that there was no legal justification to withhold the complainant's benefit and ordered that the complainant's benefit be paid forthwith together with fund return calculated from the date on which the complainant elected to withdraw.


Busi
Biggest riser
NMC Health
1557½p
Biggest faller
Pearson
588⅝p
Dow Jones
29348.10
+524.33 (+1.82pc)
FTSE 250
21886.08
FTSE All Share
4257.93
FTSE All Share Yield
FTSE Eurotop 100
Nikkei 225
EURO STOXX 50
S&P 500
Nasdaq
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ANNUAL PERFORMANCE INFORMATION REPORT

Programme 1: Dispose of complaints received

Outcome	Output	Output indicator	Audited actual performance 2019/2020	Audited actual performance 2020/2021
1.1 New Complaints Unit (NCU) to finalise matters received expeditiously	1.1.1 Acknowledge receipt of complaints within two working days of such receipt	1.1.1 Time taken in days for NCU to acknowledge receipt of complaints Note: KPI was subsequently amended from 2020/21 and further refined in 2021/22	Achieved 11 179 new complaints were successfully processed within three months	Not achieved 93% of complaints allocated within five working days
	1.1.2 Refer premature complaints to respondents for resolution directly with the complainant within five working days of receipt)	1.1.2 Time taken in days for NCU to refer premature complaints to respondents Note: KPI was introduced in 2020/21 and amended in 2021/22	New KPI	Achieved Within two days
	1.1.3 Assess and allocate complaints to early resolution and case management teams within two working days of receipt of replies from the respondents	1.1.3 Time taken in days for NCU to assess and allocate complaints to early resolution and case management teams	New KPI	New KPI

	Planned annual target 2021/2022	Actual achievement 2021/2022	Deviation from planned target to actual achievement 2021/2022	Reasons for deviations
	Within two working days	**Not achieved** 90% acknowledged within two days	10% of complaints received were not acknowledged within two days	• Complaints sent via letters and faxes were not all acknowledged within two days from date of receipt. This was only where outstanding information was due. **Remedial action:** • To phone all complainants to confirm receipt of their complaints sent via fax or letter and where no contact numbers are available, we will post a letter to this effect and keep a record of this.
	Within five working days	**Not achieved** 94% referred to respondents within five working days	6% not referred to respondents within five working days	• Lack of capacity at NCU to effectively deal with volumes of complaints received and assessment of responses. • Intermittent downtime of outlook system that affected timeous registration of complaints. • Delay in receipt of further information needed for referral purposes. **Remedial action:** • As this was a new process, some functions were shared with ER Team to increase capacity at NCU (OJ and RtF cases with responses, excluding PSSPF). • Robust engagement with ICT to solve any system issues impacting on workflow delivery. • There was active follow up on outstanding information to minimise age of complaints at the time of referral The non-achievement was in quarter 1 and the subsequent quarters were achieved after remedial actions were implemented.
	Within two working days	**Achieved** 100% allocated within two working days	Not applicable	Not applicable

ANNUAL PERFORMANCE INFORMATION REPORT *continued*

Programme 1: Dispose of complaints received				
Outcome	**Output**	**Output indicator**	**Audited actual performance 2019/2020**	**Audited actual performance 2020/2021**
	1.1.4 Close all complaints that are: abandoned, withdrawn, duplicates and out of jurisdiction within two working days of the response period expiring, or upon receiving further correspondence	1.1.4 Time taken in days for NCU to close complaints as: abandoned, withdrawn, duplicates and out of jurisdiction	New KPI	Not achieved 99.8% of cases closed within 60 working days – 2 143 cases, were closed as follows: 431 abandoned 21 withdrawn 74 duplicates 1 617 out of jurisdiction
1.2 Dispose of complaints in a procedurally fair, expeditious resolution of complaints in terms of the ACT	1.2.1 Finalised complaints with time taken to resolve them	1.2 .1. Percentage of complaints finalised within set timeframes	Not achieved 7 737 matters finalised as follows: 4 991 determinations, 2 170 settlements, and 576 deemed to be out of jurisdiction 28% of complaints finalised within six months of receipt, 88% within nine months of receipt and 94% within eleven months of receipt	Not achieved 8 708 cases were finalised as follows: 5 245 determinations, 2 807 settlements, and 656 out of jurisdiction 56% of the complaints finalised within six months of receipt, 83% within nine months of receipt, and 92% within eleven months of receipt Furthermore, 89 cases were finalised at case management as follows: 65 withdrawn, 6 abandoned, and 18 duplicates
	1.2.2 Case management unit to close complaints allocated for closure within two working days as: abandoned, withdrawn, duplicates and out of jurisdiction	1.2.2 Time taken to close matters allocated for closure at CMU as: abandoned, withdrawn, duplicates and out of jurisdiction	New KPI	New KPI

	Planned annual target 2021/2022	Actual achievement 2021/2022	Deviation from planned target to actual achievement 2021/2022	Reasons for deviations
	Within two working days	**Achieved** 100% closed within two working days: 392 abandoned 30 withdrawn 65 duplicates, zero out of jurisdiction and two reformulations	Not applicable	Not applicable
	To finalise 85% of the complaints within six months of receipt, 100% within nine months with the exception of cases that are under curatorship and/or reopened due to reasons not within the OPFAs control.	**Not achieved** 94% complaints finalised within six months, 99% complaints finalised within nine months 7 821 cases were finalised as follows: 3 816 determinations, 2 420 settlements, 1 585 out of jurisdiction	Within six target was achieved, however, within nine months target was missed by 1%	**Reasons for non-achievement:** • Late filling of responses • Failure to properly investigate complaints timeously • Poor quality responses requiring further queries • Inadequate monitoring of case movement **Remedial action:** • Consequence management for failure to investigate complaints timeously • Strengthening of stakeholder engagements • Line managers to closely monitor case movement
	Within two working days	**Not achieved** 99% closed within two working days	1% not allocated within two working days	• Failure to comply with time frames stated in Workflow Policy • Lack of proper and effective management of caseload • Lack of continuous monitoring of case movement and planning. **Remedial action:** • Case Managers to effectively manage caseload according to Workflow Policy and Case Management plan • Effective monitoring of case movement according to case management system (Respond

ANNUAL PERFORMANCE INFORMATION REPORT *continued*

Programme 2: Achieve operational excellence

Outcome	Output	Output indicator	Audited actual performance 2019/2020	Audited actual performance 2020/2021
2.1 Achieve operational excellence and clean administration	2.1.1 Management and Audit Report with no material findings that will lead to a qualified opinion.	2.1.1 Unqualified audit opinion	Achieved Unqualified audit opinion with no material findings	Achieved Unqualified audit opinion with no material findings
	2.1.2 A percentage of Suppliers paid within 30 days	2.1.2 A percentage of OPFA suppliers paid within 30 days	New KPI	Achieved 99.7%
2.2 Achieve operational excellence and promote equal opportunity, fair treatment and redress in the workplace	2.2 Percentage implementation of the employment equity plan	2.2 Percentage implementation of employment equity plan for the specific areas: Percentage African employees Percentage female employees Percentage disabled employees	Not achieved 86% black employees 58% female employees 0% disabled employees	Not achieved African employees – 82.76% (48 of the 58 employees) Female employees – 56.90% (33 of the 58 employees) Disabled employees – 1.72% (1 of the 58 employees

Planned annual target 2021/2022	Actual achievement 2021/2022	Deviation from planned target to actual achievement 2021/2022	Reasons for deviations
Unqualified audit opinion	**Achieved** Unqualified audit opinion with material findings relating to compliance	Not applicable	Not applicable
100% except in cases where the invoice is under a dispute process or requires an approval outside the approved delegation of authority	**Achieved** 100%	Not applicable	Not applicable
79% African employees 45% female employees 5% employees with disabilities	**Achieved** 85% (50 of 59) African employees 56% (33 of 59) female employees **Not achieved** 2% (1 of 59) employees with disabilities	Disabled employees – 5% planned target, and 2% achieved (3% less employees).	Reasons for non-achievement: There have been no suitable disabled candidates that applied for the positions advertised Ineffective tracking and monitoring of target for recruitment of persons with disabilities. Remedial action: Reach out to NGOs that work with disabled communities and make them aware of the OPFA as a possible employer Adverts templates updated to include a standard statement that encourages persons with disabilities to apply.

ANNUAL PERFORMANCE INFORMATION REPORT *continued*

Programme 3: Effective stakeholder engagement

Outcome	Output	Output indicator	Audited actual performance 2019/2020	Audited actual performance 2020/2021
3.1 Conduct impactful awareness programmes; build meaningful and collaborative stakeholder relationships.	3.1 Implemented activities on the stakeholder engagement plan	3.1 Percentage implementation of activities in the approved stakeholder engagement plan	Not achieved 55% of activities were implemented. Of the 31 approved activities on the Stakeholder Plan, the following were achieved: 11 stakeholder meetings; 5 conferences and 1 breakfast session.	Not achieved 63% implementation of activities in the approved engagement plan. 3 x industry conferences 1 x Group breakfast session with stakeholders 1 x visit to North West University 8 x media releases 1 x annual report issued 3 x internal staff meetings
3.2 High quality customer service experience and impactful stakeholder engagement	Stakeholder satisfaction survey percentage	3.2 Overall percentage of stakeholder satisfaction survey – the survey will be conducted once every three years	Not achieved 64.14% Stakeholder satisfaction rate	Not achieved 69.22% Stakeholder satisfaction from the employee wellbeing survey.

	Planned annual target 2021/2022	Actual achievement 2021/2021	Deviation from planned target to actual achievement 2021/2022	Reasons for deviations
	80% implementation of activities for stakeholder engagement (As listed below): 4 x webinars industry conferences and seminars participation 2 x determination releases per month 4 x media releases 1 x annual report issued 4 x internal staff meetings	**Achieved** 92% implementation of activities for stakeholder engagement implemented 12 x webinars/industry conference 2 x determination releases 15 x media engagements 1 x annual report 4 x staff meetings	Not applicable	Not applicable
	Not applicable this year. Survey conducted once every three years. Target is 75% satisfaction rate from stakeholder satisfaction survey	Not applicable	Not applicable	Not applicable

PART D FINANCIAL INFORMATION

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ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

The accounting authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting authority to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

The accounting authority has reviewed the entity's cash flow forecast for the year to 31 March 2023 and, in the light of this review and the current financial position, he is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The entity is wholly dependent on the Financial Sector Conduct Authority for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the entity has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Mr U Kamlana
FSCA Commissioner

Ms MA Lukhaimane
Pension Funds Adjudicator

AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2022. The committee provides oversight on behalf of the accounting authority of the Office of the Pension Funds Adjudicator, the Commissioner of the Financial Sector Conduct Authority, in terms of section 77(c) of the Public Finance Management Act, Act No 1 of 1999 and consists of only non-executive members. The committee is a statutory sub-committee of the accounting authority and does not perform any management functions or assume any management responsibilities. The committee's role is to review, monitor and advise the accounting authority in his responsibility to ensure effective financial, performance and risk management systems at the OPFA. The committee also evaluates, monitors and advises on the system of internal control and their operating effectiveness. The committee ensures that identified financial risks are monitored and appropriate measures are put in place and implemented to manage such risks. Members of the OPFA management, internal auditors and Auditor-General attend Audit committee meetings by invitation. We are pleased to present our report for the financial year ended 31 March 2022.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet four times per annum as per its approved terms of reference. During the current year five meetings were held.

Name of member	Number of meetings attended
Mr S Gounden (Resigned 31/7/2021)	2/2
*Dr P Mokgobu (transfered to HR committee on 30/6/2021)	1/1
Ms J Mogadime	5/5
Mr H Ratshefola	5/5
Ms P Mvulane	4/5
Mr N Esterhuizen (Chairperson from 13/9/2021)	3/3
Ms L Senne (started 13/9/2021)	3/3

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 55(1)(a) of the PFMA and Treasury Regulation 27.1.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

F.N. Esterhuizen

Mr N Esterhuizen
Chairperson

REPORT OF THE AUDITOR GENERAL

To Parliament on the Office of the Pension Fund Adjudicator

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Office of the Pension Funds Adjudicator (OPFA) set out on pages 70 to 98, which comprise the statement of financial position as at 31 March 2022, 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 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 OPFA as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.

4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other 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.

Responsibilities of the accounting authority for the financial statements

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

7. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

8. 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.

9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the annual performance report

10. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the usefulness and reliability of the reported performance information against predetermined objectives presented in the annual performance report. . The accounting authority is responsible for the preparation of the annual performance report.

11. I performed procedures to evaluate the usefulness and reliability of the reported performance information on selected performance indicators in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice.

12. I performed the procedures in accordance with the AGSA audit methodology. This engagement is not an assurance engagement. Accordingly, I do not express an opinion or an assurance conclusion.

13. My procedures address the usefulness and reliability of the reported performance information on the selected performance indicators, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or 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.

REPORT OF THE AUDITOR GENERAL *continued*

14. I performed procedures to determine whether the reported performance information was properly presented and whether the performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the selected performance 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.

15. I selected the following material performance indicators contained in Dispose of complaints received presented in the public entity's annual performance report for the year ended 31 March 2022 set out on pages 54 to 57 I selected the indicators that measure the public entity's performance on its primary mandated functions and which are of significant national, community or public interest.

Performance indicators Programme1: Dispose of complaints received	
1.1.1.	Time taken in days for new complaints unit NCU to acknowledge receipt of complaints
1.1.2.	Time taken in days for NCU to refer premature complaints to respondents
1.1.3.	Time taken in days for NCU to assess and allocate complaints to Early Resolution and Case Management teams
1.1.4.	Time taken in days for NCU to close complaints as: • Abandoned • Withdrawn • Duplicates • Out of Jurisdiction
1.2.1.	Percentage of complaints finalised within set timeframes
1.2.2.	Time taken to close matters allocated for closure at CMU as: • Abandoned, • Withdrawn, • Duplicates, • Out of jurisdiction

16. I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected material performance indicators.

Other matters

17. I draw attention to the matters below.

Achievement of planned targets

18. Refer to the annual performance report on pages 54 to 61 for information on the achievement of planned targets for the year and management's explanations provided for the under achievement of targets.

Report on compliance with legislation

19. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.

20. I performed procedures to test compliance with selected requirements in key legislation in accordance with the AGSA audit methodology. This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

21. I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and adequately available to report in an understandable manner. The selection is done through an established AGSA process. The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999 (PFMA)	Sections 51(1)(a)(iv); Sections 51(1)(b)(i); 51(1)(b)(ii); Section 51(1)(e)(iii); Sections 53(4); 54(2)(c); 54(2)(d); Sections 55(1)(a) – (b); 55(1)(c)(i); Sections 57(b)
Treasury regulations	TR 16A3.2(a); 16A 3.2 (fairness); TR 16A6.1; 16A6.2(a) & (b); TR 16A6.3(a) – (c); 16A6.4; TR 16A6.5; 16A6.6; TR 16A.7.1; 16A.7.3; 16A.7.6; TR 16A.7.7; 16A8.3; 16A8.4 TR 16A9.1(b)(ii); 16A9.1(d) – (f); TR 16A9.2(a)(ii); TR 30.1.1; 30.1.3(a) – (b); TR 30.1.3(d); TR 30.2.1; 31.2.1; TR 31.2.5; 31.2.7(a) TR 32.1.1(a) – (c); 33.1.1; 33.1.3
Construction Industry Development Board Act 38 of 2000 (CIDB)	Section 18(1)
CIDB regulations	Regulations 17; 25(7A)
Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA)	Sections 1(i); 2.1(a),(b) and (f)
Preferential Procurement regulations (PPR), 2011	Regulations 4.1; 4.3; 5.5; 6.1; 6.5; 7.1; Regulations 9.1; 9.5; 11.2; 11.5
Preferential Procurement regulations (PPR), 2017	Regulations 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; Regulations 6.1; 6.2; 6.3; 6.5; 6.6; 6.8; Regulations 7.1; 7.2; 7.3; 7.5; 7.6; 7.8; Regulations 8.2; 8.5; 9.1; 10.1; 10.2; Regulations 11.1; 11.2
Prevention and Combating of Corrupt Activities Act 12 of 2004 (PRECCA)	Section 34(1)
NT SCM Instruction Note 05 of 2009/10	Par 3.3
NT SCM Instruction Note 04 of 2015/16	Par 3.4
NT SCM Instruction Note 03 of 2016/17	Par 8.1; 8.2; 8.3; 8.5
NT SCM Instruction Note 4A of 2016/17	Par 6
NT SCM Instruction Note 07 of 2017/18	Par 4.3
NT SCM Instruction note 03 of 2019/20 [Annexure A – FIPDM]	Par 5.5.1(vi); 5.5.1(x)
NT SCM Instruction Note 08 of 2019/20	Par 3.1.1; 3.6; 3.7.2; 3.7.6(i) – (iii)
NT SCM Instruction Note 03 of 2020/21	Par 3.6; 3.7; 5.1(i); 6.1; 6.3
NT SCM Instruction Note 05 of 2020/21	Par 3.2; 3.7; 4.3; 4.6; 4.8; 4.9; 5.3
Erratum NT SCM Instruction Note 05 of 2020/21	Par 1; 2
Second Amendment to NT SCM Instruction Note 05 of 2020/21	Par 1
NT Instruction Note 11 of 2020/21	Par 3.1; 3.4(b); 3.9
NT SCM Instruction Note 02 of 2021/22	Par 3.2.1; 3.2.4(a); 3.3.1; 4.1
SCM Practice Note 8 of 2007/08	Par 3.3.1; 3.3.3; 3.4.1; 3.5
SCM Practice Note 7 of 2009/10	Par 4.1.2

REPORT OF THE AUDITOR GENERAL *continued*

22. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements

23. The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework, as required by section 55(1) (b) of the PFMA. Material misstatements of non-current assets, expenditure and disclosure items identified by the auditors in the submitted financial statements were corrected subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

24. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R39 293 as disclosed in note 26 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA.

Other information

25. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

26. 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 on it.

27. 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 material indicators in the scoped-in programme presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

28. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

29. 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, and the findings on compliance with legislation included in this report

30. The accounting authority has exercised oversight regarding compliance and related internal controls, however it was not effective to prevent repeat findings in the current year audit cycle as adequate corrective action was not taken to address the matters previously raised through the audit process

31. Management's review processes were not effective resulting in material misstatements being identified during the audit process, which were subsequently corrected.

Auditor General

Pretoria

31 July 2022

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 selected programmes 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 this auditor's report, I also:
   - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority.
   - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Office of the Pension Funds Adjudicator to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine 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 provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

STATEMENT OF FINANCIAL POSITION

as at 31 March 2022

Figures in Rand	Note(s)	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	4	20 900 428	20 905 948
Receivables from exchange transactions	5	784 997	368 857
Statutory receivables from non-exchange transactions	6	3 318 912	2 742 399
Prepayments	7	597 758	1 132 285
		25 602 095	**25 149 489**
Non-current assets			
Property, plant and equipment	8	17 496 844	13 502 844
Intangible assets	9	980 604	429 520
		18 477 448	**13 932 364**
Total assets		**44 079 543**	**39 081 853**
LIABILITIES			
Current liabilities			
Payables from exchange transactions	22, 10	4 677 621	5 978 956
Total liabilities		**4 677 621**	**5 978 956**
Net assets		**39 401 922**	**33 102 898**
Accumulated surplus		39 401 922	33 102 898
Total net assets		**39 401 922**	**33 102 898**

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2022	2021
Revenue from exchange transactions			
Interest revenue		400 917	149 398
Revenue from non-exchange transactions			
Transfers from the Financial Sector Conduct Authority	12	79 302 000	75 392 408
Total revenue	11	**79 702 917**	**75 541 806**
Expenditure			
Auditor's remuneration – external		(1 703 401)	(1 654 837)
Auditor's remuneration – internal		(787 463)	(493 044)
Consulting and professional fees		(1 928 732)	(1 156 781)
Depreciation and amortisation	13	(3 911 374)	(2 213 315)
Information technology, maintenance and support		(8 732 522)	(7 197 457)
Operating lease rentals	14	(6 251 374)	(6 310 764)
Legal expenses		(603 462)	(1 575 950)
Other operating costs	15	(6 828 372)	(6 967 436)
Personnel costs	16	(42 657 193)	(41 187 228)
Total expenditure		**(73 403 893)**	**(68 756 812)**
Surplus for the year		**6 299 024**	**6 784 994**

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Accumulated surplus	Total net assets
Restated Balance at 1 April 2020	**26 317 905**	**26 317 905**
Changes in net assets Surplus for the year	6 784 993	6 784 993
Total changes	6 784 993	6 784 993
Balance at 1 April 2021	**33 102 898**	**33 102 898**
Changes in net assets Surplus for the year	6 299 024	6 299 024
Total changes	6 299 024	6 299 024
Balance at 31 March 2022	**39 401 922**	**39 401 922**

The opening balance of 1 April 2020 has been restated. Refer to note 22 for Prior period error adjustment

CASH FLOW STATEMENT

Figures in Rand	Note(s)	2022	2021
Cash flows from operating activities			
Receipts			
Transfer		78 756 307	80 004 281
Interest		400 917	149 398
		79 157 224	80 153 679
Payments			
Employees		(43 739 293)	(39 520 014)
Suppliers		(27 154 222)	(25 782 386)
		(70 893 515)	(65 302 400)
Net cash flows from operating activities	17	**8 263 709**	**14 851 279**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(7 419 263)	(9 412 206)
Purchase of intangible assets	9	(849 966)	(249 745)
Net cash flows from investing activities		**(8 269 229)**	**(9 661 951)**
Net (decrease)/increase in cash and cash equivalents		(5 520)	5 189 328
Cash and cash equivalents at the beginning of the year		20 905 948	15 716 621
Cash and cash equivalents at the end of the year	4	**20 900 428**	**20 905 949**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on cash basis

Figures in Rand	Approved budget	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of financial performance					
Revenue					
Revenue from exchange transactions					
Interest received	384 000	384 000	400 917	16 917	
Revenue from non-exchange transactions					
Transfer revenue					
Levies	79 302 000	79 302 000	79 302 000	–	
Total revenue	**79 686 000**	**79 686 000**	**79 702 917**	**16 917**	
Expenditure					
Auditor's remuneration – external	(1 522 324)	(1 522 324)	(1 703 401)	(181 077)	
Auditor's remuneration – internal	(602 293)	(602 293)	(787 463)	(185 170)	
Consulting and professional fees	(1 667 682)	(1 667 682)	(1 928 732)	(261 050)	
Depreciation and amortisation	(2 465 315)	(2 465 315)	(3 911 374)	(1 446 059)	Note 28
Information technology maintenance and support	(5 583 101)	(5 583 101)	(8 732 522)	(3 149 421)	Note 28
Lease rentals on operating lease	(7 590 001)	(7 590 001)	(6 251 374)	1 338 627	Note 28
Legal services	(1 053 894)	(1 053 894)	(603 462)	450 432	Note 28
Other operating costs	(9 281 809)	(9 281 809)	(6 828 372)	2 453 437	Note 28
Personnel cost	(46 760 518)	(46 760 518)	(42 657 193)	4 103 325	Note 28
Intangible assets acquisitions	(1 700 000)	(1 700 000)	(849 966)	850 034	Note 28
Property, plant and equipment acquisitions	(7 900 000)	(7 900 000)	(7 698 909)	201 091	Note 28
Total expenditure	**(86 126 937)**	**(86 126 937)**	**(81 952 768)**	**4 174 169**	
Deficit	**(6 440 937)**	**(6 440 937)**	**(2 249 851)**	**(3 704 921)**	
Actual amount on comparable Basis as presented in the budget and actual comparative statement	**(6 440 937)**	**(6 440 937)**	**(2 249 851)**	**(3 704 921)**	
Reconciliation					
Basis difference					
Acquisition of property, plant and equipment			7 698 909		
Acquisition of intangible			849 966		
Actual amount in the statement of financial performance			**6 299 024**		

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with section 89(1) of the Public Finance Management Act (Act 1 of 1999).

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

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

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months. The accounting authority and management are of the view that the economic impact of the Covid-19 will not significantly affect the operations of the OPFA and cash reserves currently available will provide a buffer to ensure the entity meets its short-term commitments as they fall due. The transition and implementation of the Financial Sector Regulation Act No.9 of 2017 will not materially impact the mandate or going concern of the OPFA.

1.2 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions. The materiality level used to assess whether an omission or mistatement could influence the user's decision, based on the approved OPFA materiality and significance Framework is R366 000 (2020: R355 000)

1.3 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 judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgments include:

Significant assumptions, judgment made by management, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Impairment testing of receivables from exchange and non-exchange transactions

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

The impairment for receivables from exchange and non-exchange transactions is calculated individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), an entity includes assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Impairment testing for non-financial assets

The OPFA has judged all non-financial assets to be non-cash generating based on the entity's objective of using these assets to deliver a service and not to generate a commercial return. The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. The recoverable service amount is the higher of fair value less costs to sell and value in use. These calculations require the use of estimates and assumptions.

ACCOUNTING POLICIES *continued*

1. Presentation of Annual Financial Statements *continued*

1.3 Significant judgments and sources of estimation uncertainty *continued*

Useful lives and residual values of intangible assets

The OPFA reassesses the useful lives and residual values of intangible assets on an annual basis. In reassessing the useful lives and residual values of intangible assets, management considers the condition and the use of the individual assets to determine the remaining period over which the asset can and will be used. The change is accounted for as a change in accounting estimate.

Useful lives and residual values of property, plant and equipment

The OPFA reassesses at each reporting date whether there is any indication that entity expectations about the residual values and the useful lives of its property, plant and equipment 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 accounted for as a change in accounting estimate.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current 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 in 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 entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is 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, its 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.

Costs include 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.

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.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value. Depreciation for PPE commences when the date is available for use

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Property, plant and equipment is not utilised as security by the OPFA for any debt or credit

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

Item	Depreciation method	Useful life
Plant and machinery	Straight-line	10 years
Furniture and fixtures	Straight-line	5 to 10 years
Motor vehicles	Straight-line	5 years
Office equipment	Straight-line	3 to 7 years
IT equipment	Straight-line	3 to 5 years
Library books	Straight-line	4 to 8 years
Leasehold improvements	Straight-line	Lease period
Signage	Straight-line	Lease period

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 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 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.

1.5 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 entity 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 entity; and
- the cost or fair value of the asset can be measured reliably.

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

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.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

ACCOUNTING POLICIES *continued*

1. Presentation of Annual Financial Statements *continued*

1.5 Intangible assets *continued*

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.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows: Armotisation Amortisation commences when the intangible asset is available for use

Item	Depreciation method	Useful life
Computer software	Straight-line	3 to 5 years

1.6 Financial instruments

Classification

The entity classifies financial assets and financial liabilities into the following categories:

- Financial assets measured at amortised cost which comprise of receivables from exchange and non-exchange transactions and cash and cash equivalents.
- Financial liabilities measured at amortised cost which comprise of trade and other payables from exchange transactions.

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is reassessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and subsequent measurement

Financial instruments are recognised initially at fair value when the OPFA becomes a party to the contractual provisions of the instruments plus transaction cost.

The OPFA classifies financial instruments, or their component parts, on initial recognition as a financial asset or a financial liability in accordance with the substance of the contractual arrangement.

Transaction costs are included in the initial measurement of the financial instrument. Purchases of financial assets are accounted for at trade date.

Receivables from exchange and non-exchange transactions

These financial assets at amortised cost are subsequently measured at amortised cost, using the effective interest rate method, less accumulated impairment losses.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the 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.

Cash and cash equivalents

These financial assets at amortised cost are subsequently measured at amortised cost, using the effective interest rate method, less accumulated impairment losses.

Cash and cash equivalents comprise of cash at bank and cash on hand that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially measured at fair value, and subsequently at amortised cost using the effective interest rate method.

Trade and other payables from exchange transactions

These financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method.

Impairment of financial assets

At each end of the reporting period the OPFA assesses all financial assets, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Trade receivables and payables are subject to a 30-day collection or payment terms, which is consistent with the terms used in the public sector. Short-term receivables and payables are consequently not discounted and any time value of money is considered immaterial.

Derecognition of financial assets

An entity shall derecognise a financial asset only when:

(a) the contractual rights to the cash flows from the financial asset expire, are settled or waived;

(b) the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

(c) the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity shall:

    (i) derecognise the asset; and

    (ii) recognise separately any rights and obligations created or retained in the transfer.

    The carrying amounts of the transferred asset shall be allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations shall be measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised in accordance with this paragraph shall be recognised in surplus or deficit in the period of the transfer

1.7 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

ACCOUNTING POLICIES *continued*

1. Presentation of Annual Financial Statements *continued*

1.7 Statutory receivables *continued*

Recognition

The entity recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

The entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Impairment losses

The entity assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the entity considers, as a minimum, the following indicators:

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

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the entity measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, an entity considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

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

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The entity derecognises a statutory receivable, or a part thereof, when:

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

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.8 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 both land and buildings 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.

1.9 Impairment of cash-generating assets

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

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).the Impairment loss is recognised immediately in the Statement of Financial Perfomance as an expense.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised an income.

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 used 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 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 entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

ACCOUNTING POLICIES *continued*

1. Presentation of Annual Financial Statements *continued*

1.9 Impairment of cash-generating assets *continued*

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

- The OPFA is a public entity and similarly to other 3A public entities, it renders services as mandated by law and not for a commercial return. Funding obtained is only determined based on the cost of operating and not for a purpose of furthering an enterprise. in result, the OPFA is designated a non-cash generating unit.

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted. 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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Retirement benefits

Payments to defined contribution retirement benefit plans and pension fund are charged as an expense as they fall due. Payments made to industry managed retirement benefit schemes and pension fund are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement plan.

1.11 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

A constructive obligation to restructure arises only when an entity:

- 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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 20.

1.12 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.13 Revenue from exchange transactions

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

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

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

The OPFA is funded by the FSCA which is a regulatory body that impose levies to regulated industries in terms of legislation.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest revenue

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

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

ACCOUNTING POLICIES *continued*

1. Presentation of Annual Financial Statements *continued*

1.13 Revenue from exchange transactions *continued*

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.14 Revenue from non-exchange transactions

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

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

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

Non-exchange transactions are transactions that are not exchange transactions. Non-exchange revenue consists of funding transferred from the FSCA to the OPFA.

Recognition

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

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

1.15 Comparative figures

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

1.16 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Irregular expenditure

Irregular expenditure is defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

(a) this Act; or

(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

All expenditure relating irregular 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.

1.18 Budget information

Schedule 3A Public 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 a accrual basis and presented by economic classification The approved budget covers the fiscal period from 2021/04/01 to 2022/03/31.

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

The annual financial statements and the budget are on the same basis of accounting and a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.19 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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 those family members who may be expected to influence, or be influenced by that person in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity’s legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its annual financial statements.

1.20 Events after reporting date

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

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

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event has occurred. If the identified event is a non-adjusting,the entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, provided non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.21 Prepayments

Prepayments are payments made in advance for services or goods that have not been delivered for which the OPFA expects the delivery in the next financial period.

Prepayments are recognised as current assets and are not discounted as the discounting effect thereof is considered immateria

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice on a basis consistent with the prior year.

3. New standards and interpretations

3.1 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 2022 or later periods:

Standard/interpretation	Effective date: Years beginning on or after	Expected impact:
GRAP 25 (as revised): Employee Benefits	No effective date	Unlikely there will be a material impact
GRAP 104 (as revised): Financial Instruments	No effective date	Unlikely there will be a material impact

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in Rand	2022	2021
Cash at bank and on hand	10 063 232	10 469 670
Short-term deposits	10 837 196	10 436 278
	20 900 428	**20 905 948**

Included in the Cash and Cash equivalents is an amount of R10 055 308 held with Standard SA for operations and a short term deposit of R10 837 195 held with the South African Reserve Bank

5. Receivables from exchange transactions

Figures in Rand	2022	2021
Study Assistance	784 997	368 857

6. Statutory receivables from non-exchange transactions

Figures in Rand	2022	2021
FSCA Debtor	3 318 912	2 742 399

Statutory receivables from non-exchange transactions

The FSCA funds the operations of the OPFA according to section 30R of the Pension Funds Act 24 of 1956. The transfer is based in a total operating budget of the OPFA, which is paid in tranches during the year. The non-exchange statutory receivables are due to payments not received from the FSCA as at year end.

Statutory receivables past due but not impaired

Statutory receivables which are less than three months past due are not considered to be impaired. At 31 March 2022, R3 318 912 (2021: R2 742 399) were past due but not impaired.

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

Figures in Rand	2022	2021
One month past due	3 318 912	2 742 399

7. Prepayments

Prepayments are payments made in advance for services that have not been delivered for which the OPFA expects the delivery in the next financial period. Prepayments are recognised as current assets and are not discounted as the discounting effect thereof is considered immaterial.

Figures in Rand	2022	2021
Prepayments		
Subscriptions	48 984	169 392
Computer Licences	247 775	194 074
Licences	309	309
Computer Support	294 944	763 002
Membership fees	5 746	5 508
	597 758	**1 132 285**

8. Property, plant and equipment

	2022			2021		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Leasehold property	6 812 097	(5 614 351)	1 197 746	6 329 812	(5 126 176)	1 203 636
Plant and machinery	276 849	(251 471)	25 378	276 849	(223 786)	53 063
Furniture and fixtures	1 873 053	(1 339 662)	533 391	1 995 446	(1 386 874)	608 572
Motor vehicles	386 533	(232 592)	153 941	386 533	(185 285)	201 248
Office equipment	255 761	(241 687)	14 074	401 316	(360 413)	40 903
IT equipment	22 649 856	(7 109 154)	15 540 702	18 474 962	(7 122 477)	11 352 485
Library Books	73 497	(43 991)	29 506	348 725	(308 946)	39 779
Signage	39 877	(37 771)	2 106	39 877	(36 719)	3 158
Total	**32 367 523**	**(14 870 679)**	**17 496 844**	**28 253 520**	**(14 750 676)**	**13 502 844**

Reconciliation of property, plant and equipment – 2022

	Opening balance	Additions*	Disposal/ scrapped	Depreciation	Total
Leasehold property	1 203 636	482 284	–	(488 174)	1 197 746
Plant and machinery	53 063	–	–	(27 685)	25 378
Furniture and fixtures	608 572	103 577	(101)	(178 657)	533 391
Motor vehicles	201 248	–	–	(47 307)	153 941
Office equipment	40 903	–	(17)	(26 812)	14 074
IT equipment*	11 352 485	7 113 048	(92 021)	(2 832 810)	15 540 702
Library Books	39 779	–	(278)	(9 995)	29 506
Signage	3 158	–	–	(1 052)	2 106
	13 502 844	**7 698 909**	**(92 417)**	**(3 612 492)**	**17 496 844**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

8. Property, plant and equipment *continued*

Reconciliation of property, plant and equipment – 2021

	Opening balance	Additions	Disposal/ scrapped	Depreciation	Total
Leasehold property	612 726	765 588	–	(174 678)	1 203 636
Plant and machinery	80 748	–	–	(27 685)	53 063
Furniture and fixtures	725 672	52 587	(123)	(169 564)	608 572
Motor vehicles	248 555	–	–	(47 307)	201 248
Office equipment	78 290	–	–	(37 387)	40 903
*IT equipment	4 087 741	8 590 923	(27)	(1 326 152)	11 352 485
Library Books	48 840	3 108	–	(12 169)	39 779
Signage	4 211	–	–	(1 053)	3 158
	5 886 783	**9 412 206**	**(150)**	**(1 795 995)**	**13 502 844**

Additions*

The balance of R7 698 909 for 2021/22 additions include a R279 646 non-cash trade-in value for old firewall equipment traded in for new one.

9. Intangible assets

	2022			2021		
	Cost/ valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/ valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	5 518 398	(4 537 794)	980 604	4 668 432	(4 238 912)	429 520

Reconciliation of intangible assets – 2022

	Opening balance	Additions	Amortisation	Total
Computer software	429 520	849 966	(298 882)	980 604

Reconciliation of intangible assets – 2021

	Opening balance	Additions	Disposals/ scrapped	Amortisation	Total
Computer software	597 096	249 745	(1)	(417 320)	429 520

Figures in Rand	2022	2021
10. Payables from exchange transactions		
Trade payables	556 677	585 470
Sundry payables	191 863	30 000
Operating lease acrual	1 803 712	2 023 954
Accrued leave pay	2 125 369	3 339 532
	4 677 621	**5 978 956**

Figures in Rand	2022	2021
11. Revenue		
Interest received	400 917	149 398
Transfers received from the FSCA	79 302 000	75 392 408
	79 702 917	**75 541 806**
The amount included in revenue arising from exchanges of goods or services are as follows:		
Interest received	400 917	149 398
The amount included in revenue arising from non-exchange transactions is as follows:		
Transfer revenue		
Transfers from the FSCA	79 302 000	75 392 408
Revenue: The FSCA funds the operations of the OPFA according to section 30R of the Pension Funds Act 24 of 1956. The transfer is based in a total operating budget of the OPFA, which paid in tranches during the year.		
12. Transfer revenue		
Transfers from the FSCA	79 302 000	75 392 408
13. Depreciation and amortisation		
Property, plant and equipment	3 612 492	1 795 995
Intangible assets	298 882	417 320
	3 911 374	**2 213 315**
14. Lease rentals on operating lease		
Premises		
Contractual amounts	5 907 792	5 907 792
Equipment		
Contractual amounts	343 582	402 972
	6 251 374	**6 310 764**

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.

The operating lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished.

The operating lease assets are derecognised when the entity no longer anticipates economic benefits or service potential to flow from the asset.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

Figures in Rand	2022	2021
15. Other operating expenses		
Advertising and recruitment	89 689	349 719
Bank charges	24 541	52 602
Building services	73 025	97 374
Call centre	–	10 988
Car track	2 768	2 768
Cellphone expenses	63 969	55 093
Cleaning	314 733	279 738
Office plants	25 079	29 737
Consumables under R5 000	–	1 418
Courier Services	3 282	8 250
Covid-19 expenses	75 349	224 344
Electricity and water	509 753	564 769
Flowers and gifts	41 918	27 234
Foreign exchange loss	340	–
Fuel, parking, mileage, toll fees and car wash	24 146	18 392
Insurance	549 349	573 494
Library expenses	9 850	1 520
Licenses	10 328	1 855
Membership fees	38 113	29 836
Off-site storage	748 485	230 302
Consumables	220 499	328 181
Postage	217 968	329 797
Printing	105 810	112 535
Printing and stationery	676 566	957 001
Promotions	–	119 800
Rates and taxes	798 035	686 179
Gain or/(loss) on sale of assets	(215 757)	152
Refuse and sewerage	50 418	86 514
Repairs and maintenance	87 914	57 160
Secretariat fees	15 640	15 640
Staff welfare	79 871	14 856
Stakeholder engagement	56 281	47 929
Strategic planning and workshop	8 656	–
Study assistance	30 219	55 319
Subscriptions	273 643	312 879
Telephone	747 684	565 636
Internet expenses	864 599	565 487
Training and workshop	146 878	147 363
Travel and accomodation	49 981	5 575
Executive medicals	8 745	–
	6 828 372	**6 967 436**

Figures in Rand	2022	2021
16. Personnel costs		
Salaries	34 849 989	32 944 516
Incentive scheme	2 379 900	1 629 267
Retirement annuity and pension fund contributions	3 248 698	2 052 840
UIF	142 758	103 350
SDL	353 378	230 959
Leave pay provision charge	107 967	2 926 654
Workmen's Compensation	28 894	19 897
Employee group scheme	483 447	347 760
Other short term costs	188 144	85 995
Long-service awards	116 500	26 000
13th Cheques	103 186	96 868
	42 002 861	**40 464 106**
Remuneration of non-executive directors		
Committee fees	568 685	449 467
Other	85 647	273 655
	654 332	**723 122**
	42 657 193	41 187 228
17. Cash generated from operations		
Surplus	6 299 029	6 784 994
Adjustments for:		
Depreciation and amortisation	3 911 374	2 213 315
Gain/loss from sale of assets and liabilities	(215 757)	(152)
Other non-cash items	28 524	141 798
Changes in working capital:		
Receivables from exchange transactions	(416 140)	(96 179)
Statutory receivables from non-exchange transactions	(576 513)	4 523 390
Prepayments	534 527	(371 364)
Payables from exchange transactions	(1 301 335)	1 655 477
	8 263 709	**14 851 279**

18. Taxation

The Office of the Pension Funds Adjudicator is exempt from income tax in terms of section 10(1)(cA)(i)(bb) of the Income Tax Act 58 of 1962.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

Figures in Rand	2022	2021
19. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
– Property, plant and equipment	1 654 260	1 813 467
– Intangible assets	–	63 563
	1 654 260	**1 877 030**
Total capital commitments		
Already contracted for but not provided for	1 654 260	1 877 030
Authorised operational expenditure		
Already contracted for but not provided for		
– General expenses	385 150	1 222 522
Total operational commitments		
Already contracted for but not provided for	385 150	1 222 522
Total commitments		
Total commitments		
Authorised capital expenditure	1 654 260	1 877 030
Authorised operational expenditure	385 150	1 222 522
	2 039 410	**3 099 552**
Operating leases – as lessee (expense)		
Minimum lease payments due		
– within one year	6 830 929	6 647 083
– in second to fifth year inclusive	6 678 161	13 162 644
	13 509 090	**19 809 727**

Operating lease payments represent rentals payable by the entity for its office premises and photocopy machines. Leases are negotiated for an average term of seven years for premises and for an average term of three years for photocopy machines. No contingent rent is payable.

20. Contingencies

Previously 12 section 30P applications relating to prior periods were reported on, wherein the applicants sought cost orders against the OPFA. Of the 12 matters, only one remains and the remaining matter the first bill was of this matter was settled, the second bill for 1st rescission application is estimated at R95,935.65 and R88,611.35 for second rescission application which are still to be taxed. The OPFA has R526 947 budgeted for legal fees for the next financial year to cover these costs.

21. Related parties

Relationships

Financial Sector Conduct Authority
Schedule 3A Public Entity and under common control of the National Treasury

Related party balances

Figures in Rand	2022	2021
Amounts included in Trade receivable regarding related parties		
Already contracted for but not provided for		
Financial Sector Conduct Authority	3 318 911	2 742 399
The FSCA funds the operations of the OPFA according to section 30R of the Pension Funds Act 24 of 1956. The transfer is based in a total operating budget of the OPFA, which is paid in tranches during the year. The non-exchange statutory receivables are due to payments not received from the FSCA as at year end.		
Transfers revenue		
Financial Sector Conduct Authority	(79 302 000)	(75 392 408)
Shared services costs incurred		
Financial Sector Conduct Authority	4 596 674	5 141 706

The OPFA shares services with the FSCA as it relates to ICT infrastructure and maintenance, governance, language and secretariat services which are billed on a periodic basis. All transactions between the FSCA and OPFA are considered to be at arms length.

Remuneration of management

Management class: Non-executive committee members

Name	Committee fees	Other remuneration received	Total
2022			
S Gounden	19 398	–	19 398
J Mogadime	66 277	–	66 277
P Mokgobu	30 713	–	30 713
P Mvulane	25 864	–	25 864
H Ratshefola	95 374	24 786	120 160
N Esterhuizen	38 796	–	38 796
D Msomi	64 337	57 628	121 965
P Sutherland	54 961	19 398	74 359
V Balgobind	17 781	–	17 781
L Molebatsi	19 398	–	19 398
TL Randall	25 864	–	25 864
T Ajam	19 398	–	19 398
P Koch	22 631	–	22 631
S Malatji	29 097	–	29 097
L Senne	22 631	–	22 631
	552 520	**101 812**	**654 332**
2021			
S Gounden	46 878	4 850	51 728
J Mogadime	46 878	18 169	65 047
P Mokgobu	19 398	4 850	24 248
P Mvulane	12 932	–	12 932
H Ratshefola	67 893	23 019	90 912
L Mathlabe	11 316	–	11 316
D Msomi	50 192	136 317	186 509
P Sutherland	43 646	44 033	87 679
V Balgobind	17 781	–	17 781
L Molebatsi	17 781	–	17 781
TL Randall	17 781	–	17 781
H Wilton (contract expired)	14 548	42 417	56 965
T Ajam	27 481	–	27 481
P Koch	27 481	–	27 481
S Malatji	27 481	–	27 481
	449 467	**273 655**	**723 122**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

21. Related parties

Remuneration of management *continued*

Other remuneration received, relate to adhoc services that committee members render to the OPFA including assistance with interviews of key management, investigations and similar engagements.

Management class: Executive management

Name	Emoluments	Incentive bonus	Post-employment and other benefits	Commutation	Total
2022					
M Lukhaimane, PFA	2 586 223	450 000	130 077	274 496	3 440 796
M Thulare, DPFA (Resigned January 2022)	1 807 125	158 400	91 040	265 886	2 322 451
B Makunga, CFO	1 699 605	356 400	85 359	80 477	2 221 841
S Mothupi, SAA	1 540 033	149 773	118 145	63 385	1 871 336
S Dooka-Rampedi, SAA	1 342 326	118 712	67 941	–	1 528 979
V Brancken (Resigned May 2021)	131 599	–	5 020	48 521	185 140
L Jadoonandan (Re-appointed July 2021)	1 006 698	–	14 607	–	1 021 305
NG Kutama	987 284	–	50 004	–	1 037 288
	11 100 893	**1 233 285**	**562 193**	**732 765**	**13 629 136**
2021					
M Lukhaimane, PFA	2 604 513	232 000	73 675	156 622	3 066 810
M Thulare, DPFA	2 201 603	52 000	62 247	45 653	2 361 503
B Makunga, CFO	1 571 192	446 740	45 450	34 423	2 097 805
S Mothupi, SAA	1 427 406	140 743	8 984	58 186	1 635 319
S Dooka-Rampedi, SAA	1 246 591	91 655	36 742	51 744	1 426 732
V Brancken	610 427	–	30 664	–	641 091
L Jadoonandan (Resigned June 2020)	373 951	–	–	149 021	522 972
J Buthane (Resigned August 2020)	615 424	–	–	116 478	731 902
L Mphahlele-Ntsasa (Resigned)	386 091	–	–	27 930	414 021
M Lindhorst (Resigned)	325 558	–	5 136	–	330 694
	11 362 756	**963 138**	**262 898**	**640 057**	**13 228 849**

Employees of the OPFA are paid on a total cost to company basis, where applicable, salaries include retirement fund contributions, medical aid contributions and travel allowance. Total cost to company used for key management's total emoluments is the most reliable estimate as the total cost of direct and indirect benefits received are not always determinable. The OPFA benefit structure is both retirement fund and defined contribution pension fund. The OPFA also provides a comprehensive death benefit for all its staff including key management. The amounts are disclosed under Post employment and other benefits. Other short term and post-employment benefit payable by employer for a member of key management are not considered material.

PFA – Pension Funds Adjudicator

DPFA – Deputy Pension Funds Adjudicator

SAA – Senior Assistant Adjudicator

HR – Human Resources

CFO – Chief Financial Officer

22. Prior period errors

During the prior year audit, an error in the composition of the trade payables was identified wherein old balances that were cleared in the financial year preceding the prior, were suddenly carried forward in the system resulting in a misstatement of the trade payables balance. A process to investigate and clear the errors was undertaken by management and adjustments were made to correct the error.

The prior period balances for trade payables and accumulated profit account in the statement of financial position was restated due to this prior period error on the trade payables account. The adjustment was effected accordingly and it resulted in a increase in closing balance of trade payables for 2021 from R5 548 551 to R5 978 956, a decrease in retained earnings by R288 911 as the balances were prior year and further.

The impact of the correction of the error(s) on prior year 2020/21 financial statements and respective line items is as follows:

Figures in Rand	2022	2021
Statement of financial position		
Decrease trade payables	288 911	340 438
Decrease in sundry payables	–	346 619
Decrease opening accumulated surplus or deficit	288 911	394 889
Statement of financial performance		
Decrease in operating lease expense	–	292 168

23. Comparative figures

To improve presentation of the AFS, in the cash flow statement, revenue received was classified as transfer, interest received as interest, cash paid to personnel as employees and cash paid to suppliers as suppliers.

In the statement of financial performance,the net gain or/(loss) was moved to other operating expenses as it is considered immeterial.

24. Risk management

Financial risk management

In the course of its day-to-day operations the OPFA is exposed to credit, liquidity and market risk.The OPFA has developed a comprehensive risk strategy in order to monitor and control these risks.The Internal Audit function reports on a quarterly basis to the Audit and Risk Committees, independent governance committees that monitor risks and policies implemented to mitigate risk exposure. The risk management process relating to each of these risks is discussed under the headings below.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, other liquid financial instruments and the ability to settle debts as they become due. The entity endeavours to maintain adequate resources by monitoring rolling cash flow forecasts of the cash and cash equivalents on the basis of expected cash flow movements during the year.

The entity's financial liabilities mainly consist of Trade Creditors and Accruals which are presented in the statement of financial position for the year ended 31 March 2022 is R4 677 621 (2021: R5 978 956). The entity's financial assets mainly consist of cash and cash equivalents, statutory receivables and receivables from exchange at R20 900 428 (2021: R20 905 948), R3 318 912 (2021: R2 742 399) and R784 997 (2021: R368 857) respectively. All these financial assets and liabilities matured or will mature in less than 12 months and the impact of discounting is considered insignificant and immaterial. The entity has sufficient liquid resources to settle its creditors as and when they fall due. Leave accrual has been included to take into account maximum possible exposure, though management sees the risk as less likely. Consistency was maintained with prior year reporting for users to be able to compare year on year.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The OPFA only deposits cash with major banks with high quality credit standing and that are approved by the National Treasury.

Trade receivables from non-exchange transactions consist of funds owed by the FSCA and that had not been deposited to the OPFA's bank account. The credit risk is limited as the OPFA is funded by the FSCA which is a regulatory body that impose levies to regulated industries in terms of legislation. The effect of Covid-19 on the collection of levies is not fully quantifiable and management continues to measure and manage the risk to ensure minimal impact on the operations of the OPFA.

The OPFA investment policy limits the entity to invest with the Reserve Banks' Corporation for Public Deposits (CPD). Management does not expect the credit risk exposure to materialise in the medium term, if conditions change, then the risk will be mitigated at such a time. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

24. Risk management *continued*

Credit risk *continued*

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

Figures in Rand	2022	2021
Financial instrument		
Standard Bank Limited	10 055 308	10 465 293
Corporation for public deposits	10 837 195	10 436 278

Market risk

Interest rate risk

As the OPFA has no interest-bearing borrowings or significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates. The assumption is that the only item that will be impacted by changes in interest rate is the cash and cash equivalents balance. If it is further assumed that the market interest rate applied by banks in accruing interest income on credit balances is proportionally altered with changes in the prime interest rate. In result, should the balances held in cash and cash equivalents remain constant, the entities cash and cash equivalents would decrease/increase by R104 502 (2021: R104 530) per annum for every increase/decrease by 50 basis points in the prime interest rate with a proportional increase/decrease in market interest rates.

Foreign exchange risk

The entity does not hedge foreign exchange fluctuations. Management reviews its foreign currency exposure, including commitments on an ongoing basis.

25. Going concern

We draw attention to the fact that at 31 March 2022, the entity had an accumulated surplus of R39 401 922 and that the entity's total assets exceed its liabilities by R39 401 922. A positive cash and cash equivalents balance of R20 900 428 to fund short-term obligations as they fall due.

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

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant factor is that the FSCA collects levies imposed during the year, given the uncertain economic impact of Covid-19 on the financial services industry in general and pension funds industry in particular the increased risk of levy collection.

Management are monitoring the conditions and are in constant engagement with the FSCA regarding risks that may impact funding of the OPFA's operations.

26. Irregular expenditure

Figures in Rand	2022	2021
Opening balance as previously reported	**199 467**	**199 467**
Opening balance as restated	199 467	199 467
Add: irregular expenditure – current	39 293	–
Less: irregular expenditure- condoned	(199 467)	–
Closing balance	**39 293**	**199 467**

Incidents/cases identified include those listed below:

Figures in Rand	2022	2021
Reasons for Irregular expenditure incurred		
Extension of more than 15% not approved by the National Treasury (Participation contract)	–	199 467
Extension of subscriptions services for online library services without proper authorisation	39 293	–
	39 293	**199 467**

Background and disciplinary steps taken

Current year irregular expenditure

The matter relates to subscription services for library services for the OPFA and it's stakeholders which came to an end in August 2021 and was improperly extended. The irregular expenditure was discovered on 29 May 2022 and the necessary consequence management processes are underway.

Prior year irregular expenditure

The matter related to a participation contract that was entered into between the FSCA and Continuity South Africa for disaster recovery and support services. Whilst waiting for the finalisation of the procurement process for the new contract of which the OPFA intended to participate in due to an existing strategic arrangement for ICT shared services and operational requirements with the FSCA, a month-to-month contract was entered into. When the procurement process and contract was finalised the extension had exceeded 15%. A determination process was conducted by the internal Loss Control Committee, which confirmed that services were received and there was no evidence of fraud. The remedial actions were that the CFO and SCM Officer received written warnings, attended an SCM refresher training and setup necessary controls to ensure that similar non-compliance does not recur. The irregular expenditure of R199 467 was condoned by the National Treasury on 30 June 2022. This was considerd an adjusting subsequent event as the condition existed prior to year end.

27. Segment information

General information

Identification of segments

The entity is organised and reports to management on the basis of its core mandate as set out in the Pension Funds Act 24 of 1956. Due to the nature and design of the services provided by the entity, management reviews and evaluates the entity as a whole, as all risks, resources and financial matters of the entity are directed to the delivery of its mandate.

The entity's operations are located in Pretoria, its only office in the country. Although the office services the public throughout the country, its operational risks and financial costs are limited to a single location. It is on this basis that management views the entity as a single segment to which adequate disclosure has been made in these annual financial statements.

28. Budget differences

Material differences between budget and actual amounts

Personnel costs

During this period vacancies in case management and short-term vacancies due to employee movement resulted in the salaries budget being underspent.

Depreciation and amortisation

The overspending relates to budgeted acquisitions of assets which commenced in the prior year (2020/2021) being finalised in the current year as well as new acquisitions for the current financial year contributed to higher than budgeted expense depreciation and armotisation.

Legal services

Legal fees budgeted for include section 30P appeals and labour relations matters. These expenses are dependent on number and nature of claims, and the under expenditure is as a result of less settlement of cost orders due to management's effort in actively working on the matters with the legal firms representing OPFA. Also the OPFA introduced the Senior Legal Advisor position for management of all legal matters.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

28. Budget differences *continued*

Material differences between budget and actual amounts *continued*

Information technology and support

Computer support and maintenance relates to ICT services provided by FSCA and other service providers. The over-expenditure year to date was due to the Infrastructure projects that had a support component, the checkpoint firewall security upgrade, the Microsoft exchange upgrade projects as well as writing back the prepaid expense account.

Property, plant and equipment and Intangible assets

The underspending stems from the cancelled project for the acquisition of an ERP system for corporate services which would incorporate hr, finance and supply chain management.

Operating lease rentals

The aggregate underspending is mainly due to straightlining adjustment in compliance with GRAP and additional office space project that is in progress.

Other operating expenses

The underspending is attributable to local travel and accommodation, outreach programmes, promotional materials, Covid-19 Personnel Protective Equipment etc. that were not implemented during the year mainly as a result of Covid-19.

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Pension Funds Adjudicator

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