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GENERAL INFORMATION



PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME: COMPENSATION FUND

PHYSICAL ADDRESS: 167 Thabo Sehume street

Delta Heights Building

Pretoria

POSTAL ADDRESS: Private Bag X 955

Pretoria

0001

TELEPHONE NUMBER/S: 027 0860 105 350

FAX NUMBER: 027 012 357 1570

EMAIL ADDRESS: CFcallcentre@labour.gov.za

WEBSITE ADDRESS: www.labour.gov.za

EXTERNAL AUDITORS INFORMATION: AUDITOR GENERAL OF SOUTH AFRICA (AGSA)

LIST OF ABBREVIATIONS/ACRONYMS

APP Annual Performance Plan CF Compensation Fund CFO Chief Financial Officer COIDA Compensation of Occupational Injuries and Diseases Act CPI Consumer Price Index DG Director-General DoL Department of Labour EWP Employees Health and Wellness EXCO Executive Committee GRAP Generally Recognised Accounting Principles FINMAC Financial Management Committee GDP Gross Domestic Product IES Inspections and Enforcement Services IMF International Monetary Fund KRA Key Result Area NEDLAC National Economic Development and Labour Council OHS Occupational Health and Safety PFMA Public Finance Management Act ROE Return on Earnings RMC Risk Management Committee PTSD Post-Traumatic Stress Disorder SAICA South African Institute of Chartered Accounts SAMTRAC Safety Management Training Course. SCM Supply Chain Management SME's Safety Health and Sarey Improvement Plan SHE Safety Health and Environmental SMME's Small, Medium and Micro-sized Enterprises SMS Senior Management System WSP Workplace Skills Plan	AGSA	Auditor General of South Africa
CFO Chief Financial Officer COIDA Compensation of Occupational Injuries and Diseases Act CPI Consumer Price Index DG Director-General DoL Department of Labour EWP Employees Health and Wellness EXCO Executive Committee GRAP Generally Recognised Accounting Principles FINMAC Financial Management Committee GDP Gross Domestic Product IES Inspections and Enforcement Services IMF International Monetary Fund KRA Key Result Area NEDLAC National Economic Development and Labour Council OHS Occupational Health and Safety PFMA Public Finance Management Act ROE Return on Earnings RMC Risk Management Committee SAICA South African Institute of Chartered Accounts SAMTRAC Safety Management SDIP Service Delivery Improvement Plan SHE Safety Health and Environmental SMME's Small, Medium and Micro-sized Enterprises SMS Senior Management System	APP	Annual Performance Plan
COIDA Compensation of Occupational Injuries and Diseases Act CPI Consumer Price Index DG Director-General DoL Department of Labour EWP Employees Health and Wellness EXCO Executive Committee GRAP Generally Recognised Accounting Principles FINMAC Financial Management Committee GDP Gross Domestic Product IES Inspections and Enforcement Services IMF International Monetary Fund KRA Key Result Area NEDLAC National Economic Development and Labour Council OHS Occupational Health and Safety PFMA Public Finance Management Act ROE Return on Earnings RMC Risk Management Committee PTSD Post-Traumatic Stress Disorder SAICA South African Institute of Chartered Accounts SAMTRAC Safety Management SDIP Service Delivery Improvement Plan SHE Safety Health and Environmental SMME's Small, Medium and Micro-sized Enterprises SMS Senior Management System	CF	Compensation Fund
CPI Consumer Price Index DG Director-General DoL Department of Labour EWP Employees Health and Wellness EXCO Executive Committee GRAP Generally Recognised Accounting Principles FINMAC Financial Management Committee GDP Gross Domestic Product IES Inspections and Enforcement Services IMF International Monetary Fund KRA Key Result Area NEDLAC National Economic Development and Labour Council OHS Occupational Health and Safety PFMA Public Finance Management Act ROE Return on Earnings RMC Risk Management Committee PTSD Post-Traumatic Stress Disorder SAICA South African Institute of Chartered Accounts SAMTRAC Safety Management Training Course. SCM Supply Chain Management SDIP Service Delivery Improvement Plan SHE Safety Health and Environmental SMME's Small, Medium and Micro-sized Enterprises SMS Senior Management System	CFO	Chief Financial Officer
DG Director-General DoL Department of Labour EWP Employees Health and Wellness EXCO Executive Committee GRAP Generally Recognised Accounting Principles FINMAC Financial Management Committee GDP Gross Domestic Product IES Inspections and Enforcement Services IMF International Monetary Fund KRA Key Result Area NEDLAC National Economic Development and Labour Council OHS Occupational Health and Safety PFMA Public Finance Management Act ROE Return on Earnings RMC Risk Management Committee PTSD Post-Traumatic Stress Disorder SAICA South African Institute of Chartered Accounts SAMTRAC Safety Management Plan SHE Safety Health and Environmental SMME's Small, Medium and Micro-sized Enterprises SMS Senior Management System	COIDA	Compensation of Occupational Injuries and Diseases Act
DoL Department of Labour EWP Employees Health and Wellness EXCO Executive Committee GRAP Generally Recognised Accounting Principles FINMAC Financial Management Committee GDP Gross Domestic Product IES Inspections and Enforcement Services IMF International Monetary Fund KRA Key Result Area NEDLAC National Economic Development and Labour Council OHS Occupational Health and Safety PFMA Public Finance Management Act ROE Return on Earnings RMC Risk Management Committee PTSD Post-Traumatic Stress Disorder SAICA South African Institute of Chartered Accounts SAMTRAC Safety Management SDIP Service Delivery Improvement Plan SHE Safety Health and Environmental SMME's Small, Medium and Micro-sized Enterprises SMS Senior Management System	CPI	Consumer Price Index
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EXCO Executive Committee GRAP Generally Recognised Accounting Principles FINMAC Financial Management Committee GDP Gross Domestic Product IES Inspections and Enforcement Services IMF International Monetary Fund KRA Key Result Area NEDLAC National Economic Development and Labour Council OHS Occupational Health and Safety PFMA Public Finance Management Act ROE Return on Earnings RMC Risk Management Committee PTSD Post-Traumatic Stress Disorder SAICA South African Institute of Chartered Accounts SAMTRAC Safety Management SUPP Service Delivery Improvement Plan SHE Safety Health and Environmental SMME's Small, Medium and Micro-sized Enterprises SMS Senior Management System	DoL	Department of Labour
GRAP Generally Recognised Accounting Principles FINMAC Financial Management Committee GDP Gross Domestic Product IES Inspections and Enforcement Services IMF International Monetary Fund KRA Key Result Area NEDLAC National Economic Development and Labour Council OHS Occupational Health and Safety PFMA Public Finance Management Act ROE Return on Earnings RMC Risk Management Committee PTSD Post-Traumatic Stress Disorder SAICA South African Institute of Chartered Accounts SAMTRAC Safety Management SDIP Service Delivery Improvement Plan SHE Safety Health and Environmental SMME's Small, Medium and Micro-sized Enterprises SMS Senior Management System	EWP	Employees Health and Wellness
FINMAC Financial Management Committee GDP Gross Domestic Product IES Inspections and Enforcement Services IMF International Monetary Fund KRA Key Result Area NEDLAC National Economic Development and Labour Council OHS Occupational Health and Safety PFMA Public Finance Management Act ROE Return on Earnings RMC Risk Management Committee PTSD Post-Traumatic Stress Disorder SAICA South African Institute of Chartered Accounts SAMTRAC Safety Management Training Course. SCM Supply Chain Management SDIP Service Delivery Improvement Plan SHE Safety Health and Environmental SMME's Small, Medium and Micro-sized Enterprises SMS Senior Management System	EXCO	Executive Committee
GDP Gross Domestic Product IES Inspections and Enforcement Services IMF International Monetary Fund KRA Key Result Area NEDLAC National Economic Development and Labour Council OHS Occupational Health and Safety PFMA Public Finance Management Act ROE Return on Earnings RMC Risk Management Committee PTSD Post-Traumatic Stress Disorder SAICA South African Institute of Chartered Accounts SAMTRAC Safety Management Training Course. SCM Supply Chain Management SDIP Service Delivery Improvement Plan SHE Safety Health and Environmental SMME's Small, Medium and Micro-sized Enterprises SMS Senior Management System	GRAP	Generally Recognised Accounting Principles
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IMF International Monetary Fund KRA Key Result Area NEDLAC National Economic Development and Labour Council OHS Occupational Health and Safety PFMA Public Finance Management Act ROE Return on Earnings RMC Risk Management Committee PTSD Post-Traumatic Stress Disorder SAICA South African Institute of Chartered Accounts SAMTRAC Safety Management Training Course. SCM Supply Chain Management SDIP Service Delivery Improvement Plan SHE Safety Health and Environmental SMME's Small, Medium and Micro-sized Enterprises SMS Senior Management System	GDP	Gross Domestic Product
KRA Key Result Area NEDLAC National Economic Development and Labour Council OHS Occupational Health and Safety PFMA Public Finance Management Act ROE Return on Earnings RMC Risk Management Committee PTSD Post-Traumatic Stress Disorder SAICA South African Institute of Chartered Accounts SAMTRAC Safety Management Training Course. SCM Supply Chain Management SDIP Service Delivery Improvement Plan SHE Safety Health and Environmental SMME's Small, Medium and Micro-sized Enterprises SMS Senior Management System	IES	Inspections and Enforcement Services
NEDLAC National Economic Development and Labour Council OHS Occupational Health and Safety PFMA Public Finance Management Act ROE Return on Earnings RMC Risk Management Committee PTSD Post-Traumatic Stress Disorder SAICA South African Institute of Chartered Accounts SAMTRAC Safety Management Training Course. SCM Supply Chain Management SDIP Service Delivery Improvement Plan SHE Safety Health and Environmental SMME's Small, Medium and Micro-sized Enterprises SMS Senior Management System	IMF	International Monetary Fund
OHS Occupational Health and Safety PFMA Public Finance Management Act ROE Return on Earnings RMC Risk Management Committee PTSD Post-Traumatic Stress Disorder SAICA South African Institute of Chartered Accounts SAMTRAC Safety Management Training Course. SCM Supply Chain Management SDIP Service Delivery Improvement Plan SHE Safety Health and Environmental SMME's Small, Medium and Micro-sized Enterprises SMS Senior Management System	KRA	Key Result Area
PFMA Public Finance Management Act ROE Return on Earnings RMC Risk Management Committee PTSD Post-Traumatic Stress Disorder SAICA South African Institute of Chartered Accounts SAMTRAC Safety Management Training Course. SCM Supply Chain Management SDIP Service Delivery Improvement Plan SHE Safety Health and Environmental SMME's Small, Medium and Micro-sized Enterprises SMS Senior Management System	NEDLAC	National Economic Development and Labour Council
ROE Return on Earnings RMC Risk Management Committee PTSD Post-Traumatic Stress Disorder SAICA South African Institute of Chartered Accounts SAMTRAC Safety Management Training Course. SCM Supply Chain Management SDIP Service Delivery Improvement Plan SHE Safety Health and Environmental SMME's Small, Medium and Micro-sized Enterprises SMS Senior Management System	OHS	Occupational Health and Safety
RMC Risk Management Committee PTSD Post-Traumatic Stress Disorder SAICA South African Institute of Chartered Accounts SAMTRAC Safety Management Training Course. SCM Supply Chain Management SDIP Service Delivery Improvement Plan SHE Safety Health and Environmental SMME's Small, Medium and Micro-sized Enterprises SMS Senior Management System	PFMA	Public Finance Management Act
PTSD Post-Traumatic Stress Disorder SAICA South African Institute of Chartered Accounts SAMTRAC Safety Management Training Course. SCM Supply Chain Management SDIP Service Delivery Improvement Plan SHE Safety Health and Environmental SMME's Small, Medium and Micro-sized Enterprises SMS Senior Management System	ROE	Return on Earnings
SAICA South African Institute of Chartered Accounts SAMTRAC Safety Management Training Course. SCM Supply Chain Management SDIP Service Delivery Improvement Plan SHE Safety Health and Environmental SMME's Small, Medium and Micro-sized Enterprises SMS Senior Management System	RMC	Risk Management Committee
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SCM Supply Chain Management SDIP Service Delivery Improvement Plan SHE Safety Health and Environmental SMME's Small, Medium and Micro-sized Enterprises SMS Senior Management System	SAICA	South African Institute of Chartered Accounts
SDIP Service Delivery Improvement Plan SHE Safety Health and Environmental SMME's Small, Medium and Micro-sized Enterprises SMS Senior Management System	SAMTRAC	Safety Management Training Course.
SHE Safety Health and Environmental SMME's Small, Medium and Micro-sized Enterprises SMS Senior Management System	SCM	Supply Chain Management
SMME's Small, Medium and Micro-sized Enterprises SMS Senior Management System	SDIP	Service Delivery Improvement Plan
SMS Senior Management System	SHE	Safety Health and Environmental
	SMME's	Small, Medium and Micro-sized Enterprises
WSP Workplace Skills Plan	SMS	Senior Management System
	WSP	Workplace Skills Plan

FOREWORD BY THE COMMISSIONER



'he Compensation Fund (CF) is a Schedule 3A entity of the Department of Labour. As one of the Social Security Institutions, the Fund plays a crucial role in the provision of social safety net to workers in an event of a workplace injury or occupational diseases. In the execution of the mandate given through the Constitution of the Republic of South Africa and the Compensation for Occupational Injuries and Diseases Act (COIDA) No 130 of 1993 as amended by Act 61 of 1997, the Fund has made great strides in paying out benefits to its beneficiaries.

It is my pleasure to present the Annual Report for the 2017/18 Financial Year. In the period under review, I am pleased to indicate that the Fund's performance against set targets in the Annual Performance Plan (APP) has increased from 50% in the previous financial year to 67%. This improvement can be attributed to various initiatives implemented by the Fund which includes but not limited to, the Action Plan (Turn-around Strategy), filling of key positions, implementation of the Skills Audit and Change Management Project recommendations.

During the 2017/18 financial year, the Fund was able to put in place basic fundamentals that ensured that the operations of the Fund are stabilised. This resulted in the Fund adjudicating a total of 179 689 claims increasing the number of claims adjudicated since 2014 to 800 178. During the 2017/2018 financial year the payment of benefits decreased by 19,4% from R 4.3 billion paid in 2016/2017 to R 3.6 billion paid in 2017/2018.

During the year under review, the Fund adjudicated 179 689 out of the 184 100 compensation claims received.

Of the 179 689 compensation claims adjudicated, a total of 175 624 were adjudicated within 60 working days of receipt. The Fund also processed and paid 744 782 of the received 751 364 medical invoices. Of the processed and paid 751 364 medical invoices, a total of 699 441 was done within 60 working days. An amount of R 3.6 billion was paid towards benefits. This is a positive sign that the Fund delivery mechanisms improved over the years.

Revenue decreased by 26% from R 9.2 billion in 2016/17 to R7.3 billion in 2017/18 financial year while assets increased by 8% from R63 billion in 2016/17 to R68 billion in 2017/18 despite slow economic growth. The investment portfolio increased by 16.4% from R 55.6 billion in 2016/17 to R64.7 billion for the year under reviewed. The net assets of the entity grew from R27.4 billion to R33.5 billion representing a 22.2% increase.

I am pleased to announce that in our effort to improve accessibility of services of the Fund, we have launched a new Online Employer system. While in the past it would take between 30 to 90 days for an employer to register with the Fund, the new online system, CF-Filing, will enable the employer to do this in less than 1 hour. The online system enables employers to register, submit return of earnings (RoE), pay their assessments and obtain letters of good standing all in one seamless process.

n order to improve our efficiency, we have completed the organisational restructuring. We now have three client focused business units within the Fund which includes the establishment of a Rehabilitation unit which will focus on specific return to work programmes during the 2018/19.

During the year under review, the Fund embarked on the amendment of Compensation for Occupational Injuries and Diseases Act, 130 of 1993 ("COIDA"). The review included the need to provide for rehabilitation, re-integration and return to work of occupationally injured and diseased employees; to extend the application of the Act to domestic workers, to regulate the use of health care services and to regulate compliance and enforcement and to provide for matters connected therewith.

Compensation for Occupational Injuries and Diseases Amendment Bill will be tabled during the 2018/19 at Cabinet for approval to publish the Bill for public comment in the Government Gazette

While phase 1 of the Action Plan was about stabilising the operations of the Fund, we will now be focusing on phase 2 of the Turnaround Plan to ensure that all the inefficiencies and bottlenecks are eliminated in the processes within the Fund. We will be focusing on enhancing the control environment and ensuring that we deliver according to its mandate with high level of ethics. Phase 2 of the Turnaround Plan comprises of four mutually exclusive pillars which will be pursued and activities within these pillars will be applied in integrated and seamless manner. The Plan has five objectives i.e. improving the system of internal controls within the Fund; improving the poor service delivery to all stakeholders; addressing the poor organisational performance; eliminating occurrences of fraud and corruption; and developing the capacity of the Fund to deliver on its mandate.

I would like to express my sincere appreciation to all the officials, and the executive team for their tireless dedication to achieving the Fund's objectives. I would also like to thank the Minister, the Deputy Minister, the Director General, the Board, the Risk Committee and the Audit Committee for the support and guidance received during the period under review.

Vuyo Mafata

Compensation Commissioner

31 July 2018

DIRECTOR-GENERAL OVERVIEW



· General financial review of the public entity

The Entity raised R 7.3 billion in revenue from employers for the year under review which represents a 26% decrease from the 2016/17 financial year. Total benefits paid for the year amounted to R 3.6 billion which amounts to a R 0.7 billion decrease (19.4 %) from the R4.3 billion paid out in the prior year.

The Entity has a surplus of R 5.5 billion as compared to the R 6.5 billion surplus generated in the prior year; this represents a 15.4% decrease.

The Fund's investment portfolio grew by more than R9 billion as compared to the prior year; this increase represents a 16.4% growth. The investment portfolio increased from R 55.6 billion in 2016/17 to R 64.7 billion in the current year.

The Fund's net assets grew from R 27.4 billion to R 33.1 billion in the 2017/18 financial year which represents a 20.8 % increase.

· Spending trends of the public entity

The Compensation Fund has recorded an overall spending of 99% (R 9 211 651) billion for the 2017/18 financial year, against a total approved budget of R 9 307 053 billion, which resulted to a normal spending for the period under review.

The Compensation of Employees recorded a total spending of R 725 714 million, against a total approved budget of R 653 450 million for the 2017/18 financial year, which reflects 11% over spending for the period under review.

The total approved operational budget for 2017/18 amounted to R 829 560 million, and a total of 73% (R 607 593) million spending was recorded at the end of the 2017/18 financial year, which represent a 27% under spending for a period under

The total recorded spending for the Capital budget is more than 296,5% (R97,1 million), against a total approved budget of R 24 491 million for the period under review

A total spending of 31% (R 2 444 480) billion, has been recorded on the Compensation benefits payments, against a total approved budget of R 7 775 060 billion for the 2017/18 financial period. This represents an underspending of 69% for the period under review.

· Capacity constraints and challenges facing the public entity

The Chief Director: Corporate Support is responsible for ensuring that the institutional capacity of the Compensation Fund is strengthened. The Fund's structure was reviewed to address strategic and operational requirements and to ensure that the Fund is realigned to meet its social security obligation in the South African labour market. The structure was approved and implemented as of 01 October 2017.

The challenges that were faced by the Fund over the years to turn the tide have started to yield good results with the recruitment of skills required specifically within the areas of Finance, Medical, Actuarial and COID. The filling of key positions to address all capacity constraints has been prioritised and the intention is to finalise the process by end of the first Quarter of the 2018/19 Financial Year.

To further address the skills challenges, the Compensation Fund partnered with the South African Institute of Chartered Accountants (SAICA) to implement the skills programme. This skills programme was launched by the Minister of Labour. A total amount paid for full time students to study towards Medical and Chartered Accountant Qualifications is R 14 116 million.

The recommendations of the Skills Audit Report based on the audit conducted were implemented throughout the financial year in the Fund and Provincial Offices through offering of bursaries for officials to empower them with critical skills.

• Discontinued activities / activities to be discontinued

There were no discontinued activities in the year under review.

New or proposed activities

On the Financial Reporting, there are no new or proposed activities which CF will engage in.

· Requests for roll over of funds

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

Supply Chain Management

The Fund has an effective and efficient Supply Chain Management system. The procurement of goods and services is done in a system that is fair, equitable, transparent, competitive and cost effective.

• All concluded unsolicited bid proposals for the year under review.

The Fund has not concluded any unsolicited bids.

· Whether SCM processes and systems are in place

The Fund's SCM processes are in place and there is an SCM policy that has been approved by the Director-General in 2016 to guide the Fund's procurement process.

· Challenges experienced and how they will be resolved

The Fund has implemented a comprehensive Audit Action Plan in response to the financial and administrative inefficiencies reported by the Auditor General in the various management reports. The Audit Action Plan aims to address the root causes to the various deficiencies identified and reported up to now.

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

The Fund was issued with the 2017/18 management report with a total of 156 findings. The Audit Action Plan initially implemented was reviewed in the current financial year to ensure that it addresses the root causes to the audit findings. The Audit Action Plan is being monitored on a continuous basis through the Audit Champions meeting held on a weekly basis.

· Outlook/ Plans for the future to address financial challenges

The management of the Fund will continue to implement the Action Plan, the Strategic Plan, the Annual Performance Plan and the integrated Operational Plan to ensure that the objectives of the Fund are achieved.

· Events after the reporting date

The Fund did not have or identify any significant event after the reporting period.

• Economic Viability

The current assets of the Fund exceed its current liabilities by R 6,6 billion, therefore the Fund is in a position to settle its short term liabilities as they become due.

Total assets of the fund exceed the total liabilities by R 33.4 billion, resulting in the Fund maintaining its solvency position.

· Acknowledgement/s or Appreciation

I would like to extend a hand of appreciation to the Minister of Labour, the Deputy Minister, the Portfolio Committee on Labour, the Board of the Compensation Fund, Audit Committee, Risk Committee and all other stakeholders of the Fund for their support during the previous financial year.

• Other information that needs to be communicated to users of AFS

Currently there is nothing

Thobile Lamati
DIRECTOR-GENERAL
Department of Labour

31 July 2018

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

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

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

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

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

The Annual Financial Statements (Part E) have been prepared in accordance with the General Acceptable Accounting Standards (GRAP) applicable to the Compensation Fund.

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

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

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2018, with the exception of the matters raised by the Auditor General of South Africa

Yours faithfully

COMPENSATION COMMISSIONER

Vuyo Mafata 31 July 2018 DIRECTOR-GENERAL Thobile Lamati

31 July 2018

6. STRATEGIC OVERVIEW

6.1. Vision

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

6.2. Mission

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

6.3. Values

We shall at all times adhere to or live the Batho Pele Principles

7. LEGISLATIVE AND OTHER MANDATES

7.1. Constitutional Mandate

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

7.2. Legislative Mandate

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

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

The operations of CF are also informed by the following legislations:

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

8. ORGANISATIONAL STRUCTURE



Compensation Commissioner Mr. V. Mafata



Director: Internal Audit Ms. B Gumbu



Acting Director: Risk Management Ms. K Lebepe



Director: Anti-Corruption and Intergrity Management Ms. K Lebepe



Acting Chief Director: Medical Benefits: Ms. M Ruiters

Chief Director: LAP and

Rehabilitaion

Services: Vacant



Chief Director: COID Services Ms. M Ruiters



Chief Director: Financial Management Mr J. Modiba

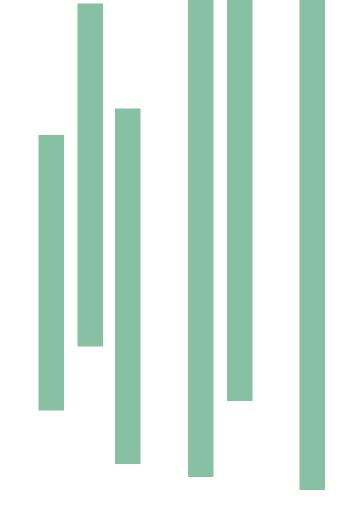


Chief Director: Corporate Services Ms. N Qamata



Chief Operations Officer: Mr. T Headbush

Director: Executive Support: Vacant



PERFORMANCE INFORMATION



1. AUDITOR GENERAL'S REPORT: PREDETERMINED OBJECTIVES

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2018:

Programmes	Pages in the annual performance report
Programme 1: Administration	22
Programme 2: Compensation for Occupational Diseases and Injuries (1993) Operations	25
Programme 3: Provincial operations: Compensation for Occupational Injuries and Diseases Act (1993)	27

I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

The material findings in respect of the usefulness and reliability of the selected programmes are as follows:

Programme 1: Administration

- 1. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following programmes:
 - Programme 1: Administration

Programme 2: Compensation for Occupational Diseases and Injuries (1993) Operations

Indicator: Respond to a percentage of received pre-authorisation requests within 10 working days

2. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target on the Respond to a percentage of received pre-authorisation requests within 10 working days. This was due to limitations on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 79%. Respond to a percentage of received pre-authorisation requests within 10 working days, as reported in the annual performance report.

Indicator: Percentage of approved benefits paid within 5 working days

3. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target on the percentage of approved benefits paid within 5 working days. This was due to inadequate technical indicator descriptions that predetermined how the achievement would be measured, monitored and reported. I was unable to confirm that the reported achievement of this indicator by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 100 % approved benefits paid within 5 working days.

Programme 3: Provincial operations: Compensation for Occupational Injuries and Diseases Act (1993)

Indicator: Percentage of claims adjudicated within 60 working days of receipt

4. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target on the percentage of claims adjudicated within 60 working days of receipt. This was due to inappropriate portfolio of evidence submitted by management. I was unable to confirm that the reported achievement of this indicator was reliable by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 95% of claims adjudicated within 60 working days of receipt.

Other matters

5. I draw attention to the matters below.

Achievement of planned targets

6. Refer to the annual performance report on pages' 24, 26 and 28; for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a number of targets. This information should be considered in the context of the material findings expressed on the usefulness and reliability of the reported performance information in paragraphs 39, 40, 41 and 42 of this report.

Adjustment of material misstatements

7. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Programme 2: Compensation for Occupational Diseases and Injuries (1993) Operations and Programme 3: Provincial operations: Compensation for Occupational Injuries and Diseases Act (1993).

Refer to page 63 of the Report of the Auditor-General, published as Part E: Financial Information

2. OVERVIEW OF THE FUND'S PERFORMANCE

2.1 Service Delivery Environment

The South African labour administration system recognises that labour market flexibility for competitiveness of enterprises should be balanced with the promotion and protection of the basic rights of workers and with provision of adequate social safety nets to protect vulnerable workers. Despite the introduction of progressive labour and employment policy reforms and programmes, the labour market is still characterised by high levels of unemployment and under-employment, inequality and discrimination, violation of employment standards and fundamental rights at work, and unacceptably high levels of workplace incidents and injuries. In its endeavour to perform its constitutional and legislative mandates, the Fund's delivery environment continues to be subjected and affected by many external environmental factors.

• The first relates to:

The current growth forecast (GDP) for the South African Economy according to the International Monetary Fund (IMF) in June 2017 as highlighted in the IMF Country Report No. 17/189, is projected to increase to 1.0 percent in 2017 and 1.2 percent in 2018 and this is still insufficient to keep pace with the rising population. The pace of reform in the labour market and in product/service markets has been insufficient to make a noticeable contribution to reviving the economy (http://www.imf.org/external/country/ZAF/index.htm). These will have a negative effect on the Fund ability to grow the investment portfolio. As a result of the slow growth, many businesses will be negatively affected. This will in return impact on the Fund's investment growth as the Fund will in all probability receive less

• The second relates to:

Poverty alleviation programs designed to promote employment and strengthen protection of social security are overwhelmed by the current South African's unemployment rate which according to the Statistic SA 4th Quarter Labour Survey 2017 (released on 13 February 2018) is at 26,7%. The Survey, furthermore states that "the official unemployment rate decreased by 1,0 percentage point in Q4: 2017 compared to Q3: 2017 and the unemployment rate was observed across all age groups". During this period, the number of employed and unemployed persons declined by 21 000 and 330 000 respectively, thus reducing the labour force by 351 000. "Compared to adults the unemployment rate was highest among the youth irrespective of educational level. Approximately 3,1 million (29,7%) of the 10,3 million young persons (15-24 years) were not in employment, education or training. The absorption rate declined by 0,2 of a percentage point to 43,1% and the labour force participation declined by 1,1 percentage points to 58,8% quarter-to-quarter". The situation is further exuberated by the inability to participate in the labour market due to injuries and/or diseases contracted as the results of unsafe and/or none compliance to COID legislation. There is a need to ensure compliance by employers on COID services and the Fund is working with the Inspections and Enforcement Services (IES) in this regard by creating awareness on safety in the workplaces and ensuring possible prosecution by for none compliant.

• The third relates to:

New technological innovations that have impact on the labour market as many of the jobs become automated. This might have a negative impact on the labour market as many jobs might become redundant resulting in an increase in the unemployment rate. Automation of work might also result in increase of injuries especially where the use of machinery is not supported by adequate training. Training of employers and CF employees on CF claims systems and processes will continue to ensure an improvement in the delivery of services.

• The fourth relates to:

Lack of Safety Compliance by the Mining Industry and other industries to the Occupational Health and Safety Amendment Act gives rise to the high injury and fatalities in the labour market. There is a need to ensure compliance by employers on COID services and the Fund is working with the Inspections and Enforcement Services (IES) in this regard by creating awareness on safety in the workplaces.

• The fifth relates to:

Inadequate instruments for constant performance monitoring and evaluation of labour market policies and programmes to determine their impact on the economy:

- Stakeholder participation and strategic partnerships in programme delivery, monitoring and feedback is inadequate, despite our strong culture of social dialogue in policy development.
- Planning processes are to some extent not well co-ordinated between strategic departments on related socio-economic development programmes.
- Our appreciation and use of modern information and communication technology systems to manage data and information is inadequate.

The Fund continues to engage employers and all relevant stakeholders to ensure partnership for effective and efficient service delivery.

2.2 Service Delivery Improvement Plan (SDIP)

The Fund reports on the approved Service Delivery Plan of the Department of Labour (DoL).

2.3 Organisational Environment

The Compensation Fund remains consistent and committed to improving the organisational environment, addressing performance challenges by improving the organisational culture, self-introspection and capacity building. The central outcome that the Compensation Fund strives to achieve is to ensure access to social security through the provision of social security to all injured and diseased employees.

The Strategic Objectives of the Fund are to;

- Provide faster, reliable and accessible COID Services and
- Provide an effective and efficient client oriented support services

During the Financial Year in review, the Fund implemented the revised Organisational Structure. By reviewing the structure, the Fund aimed to address strategic and operational requirements and to further ensure that social security obligation in the South African labour market is met. The implementation of the structure resulted in amongst other issues, the appointment of Chief Directors and key personnel in the areas of Finance, Medical, Rehabilitation and Provincial Operations. With the implementation of the revised structure, there were number of vacancies that should be filled, and this process is expected to have been finalised by the end of Quarter 1 of the Financial Year 2018/19. Key to service delivery on the revised structure are the following Chief Directorates;

- Chief Directorate: Medical Benefits which provides strategic support and medical expertise on claims processing.
- Chief Directorate: Orthotic, LAP and Rehabilitation which provides support in the Orthotic and Rehabilitation services for the Fund.
- Chief Directorate: COID Services which administer compensation claims, medical adjudication and accounts and customer care.

During the Financial Year under review, the Fund continued to implement Phase 1 of the Turn-around Strategy (Action Plan) wherein 87% of the planned activities set where achieved. The Strategy aimed to address challenges on the following Key Areas necessary to ensure increased efficiency in Fund's overall administration, financial management and operations and further restoring the reputation of the Fund in the public domain;

- · Financial Management
- Internal Business Process and Administration
- Customer Focus and Service Delivery
- People Management

The Fund further reviewed Phase 1.0 of the Action Plan resulting in the development of the Phase 2.0 of the Action Plan with the aim of reviewing and strengthening its capacity and sharpen its strategies for delivering on its mandate.

In the period under review, the Fund achieved **67%** of its set target and this is an improvement compared to prior financial years. The Fund continues to pay benefits in respect of pensions, medical and compensation. Of the total **18 321** benefits request made **(83%) 15 252** were approved for payment. A total amount of **R 3.6 billion** was paid towards benefits. The below tables indicates amounts paid towards benefits between the Financial Year 2014/15 and 2017/18 and the amount paid per benefit as at the end of March 2018;

Benefit	2014/15	2015/2016	2016/17	2017/18
Medical	R 1 075 745 759	R 2 669 979 385	R 2 963 708 265	R 2 425 666 802
Compensation	R 89 656 048	R 133 567 436	R 152 300 380	R 167 090 873
Pension	R 463 534 420	R 958 831 503	R 1 054 806 065	R 1 084 052 713
TOTAL	R 1 628 936 227	R 3 762 378 324	R 4 170 814 710	R 3 676 810 388

Financial Year	ncial Year Medical		Pension	
2014/15	R 1 075 745 759	R 89 656 048	R 463 534 420	
2015/16	R 2 669 979 385	R 133 567 436	R 958 831 503	
2016/17	R 2 963 708 265	R 152 300 380	R 1 054 806 065	
2017/18	R 2 425 666 802	R 167 090 873	R 1 084 052 713	
TOTAL PAID ®	R 9 135 100 211	R 542 614 737	R 3 561 224 701	

66% of the amount paid was in relations to medical claims, 29% pension and 5% compensation claims.

2.4 Key policy developments and legislative changes

The COIDA Amendment Bill and the NEDLAC process have been finalised. The Bill is now with the Minister for tabling in the Cabinet. The major policy development relates to the PTSD Policy and Adjudication Policy. The PTSD Policy has been finalised and the Notices drafted for the Minister to publish in the Gazette. The Adjudication Policy is still under discussion.

3. STRATEGIC OUTCOME ORIENTED GOALS

Government Service Delivery Outcome	DOL Strategic Objective	CF Strategic Outcomes	CF Strategic Objectives
Outcome 4: Decent Employment through inclusive	Objective (KRA 3): Protecting vulnerable workers,	Strengthening of Social Security through compensating	Provide faster, reliable and accessible COID Services by 2020
economic growth	KRA 5: Strengthening social protection	for occupational injuries and diseases	
Outcome 13: A comprehensive, responsive and sustainable social protection system			
Outcome 12: An efficient, effective and development oriented public service	KRA 8: Strengthening the institutional capacity of the Department	Strengthening the institutional capacity of the Fund	Provide an effective and efficient client oriented support services.

Government Service Delivery Outcome	Programme	Achievement towards the 5 Year Target
Strengthening the institutional capacity of the Fund Strengthening of Social Security through compensating for occupational injuries and diseases	Programme 1: Administration - To provide an effective and efficient client oriented support services. Programme 2: Compensation for occupational injuries and diseases act (1993) operations - Provide faster, reliable and accessible COID Services by 2020	 The Fund's risk maturity level increased from 3.5% in 2016/17 Financial Year to 3.7 during the 2017/18 Financial Year. 80% of projects on the risk based audit plan was implemented by 31 March 2018. 45% (172 703) of the 386 083 active registered employers were assessed by 31 March 2018 against a target of 75%. The investment income stood at 12.6% by end of 2017/18. 100% of benefits is paid within 5 working days. An amount of R 3 676 819 392 was approved for payment towards benefits. 75% (983) of the 1 307 requests received for prosthetic and assistive devices was adjudicated within 15 working days against a target of 85%. 79% (1 488) of the 1 894 received pre-authorisation requests was responded to within 10 working days against a target of 85%.
	Programme 3: Provincial operations - Provide faster, reliable and accessible COID Services by 2020	 - 95% (175 624) of the 184 100 claims received was adjudicated within 60 workings of receipts against a target of 85%. - 93% (699 441) of the 751 364 medical invoices received was finalised within 60 workings of receipts against a target of 85%.

4. INFORMATION BY PROGRAMME

4.1 PROGRAMME 1: ADMINISTRATION

Programme Purpose

The purpose of the programme is to provide an effective and efficient client oriented support services to the entity

Programme description:

• The most important reason for the existence of the **Directorates: Risk Management** and **Internal Audit** is to assist the Compensation Fund in fulfilling its mandate and responsibilities for corporate governance and financial management, internal control, risk management systems and the internal and external audit functions.

The **Directorate: Internal Audit** provides independent, objective assurance and consulting services, designed to add value and improve the effectiveness of systems of governance, risk management and control processes within the Fund.

The **Directorate: Risk Management** supports the Compensation Fund to improve its performance, and this is embedded in a sound control environment by proactively identifying risks before they materialise so that mitigation strategies may be planned and executed as required in the day to day management of the business to minimise adverse impacts that could affect the Fund from achieving its objectives. In addition, security breaches are investigated and reported to the relevant authorities.

- The **Chief Directorate: Financial Management** offers financial support to the operations and day to day running of the Fund. The Chief Directorate must ensure that:
 - Revenue is generated timeously;
 - Debt is recovered timely;
 - All beneficiaries are paid on time; and
 - All suppliers are paid within 30 days.
 - To ensure that Supply Chain Management (SCM) processes are followed when procuring goods and services and that reconciliations are done monthly and that monthly, quarterly and yearly reports (budget against expenditure and financial statements) are submitted to the relevant stakeholders timeously.
 - The programme is also responsible for the provision of human resource management, communication, organisational development and organisational performance monitoring and information and communications technology services to the Compensation Fund.

4.1.1 Strategic objectives and objective statement: Administration

Table 1: Strategic Objective: Administration

Strategic Objective	Provide an effective and efficient client oriented support services.
Objective statement	To provide value adding services to clients through Human Resources, Risk Management, Financial Services and Audit Services
Baseline	 481 853 employers assessed R33 Billion proceeds from investments. 70% achievement of the audit plan (Based on the average of 2013/14-81% and 2014/15-61% Risk Management maturity level 2

Table 2: PERFORMANCE OF CF PROGRAMMES AND SUB-PROGRAMMES

Programme 1						
Strategic objective	Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement 2017/2018	Comment on deviations
Risk Managemei	nt		•			
Provide an effective and efficient client oriented support services.	The Fund risk management maturity level increased to 3.7 by 31 March 2018	Achieved The Fund risk management maturity improved to level 3.5 by 31 March 2017	The Fund risk management maturity improved to level 3.7 by 31 March 2018	Achieved Risk Maturity Assessment Conducted and the Fund's risk maturity level has increased to level 3.7	Not applicable	Not applicable

Programme 1						
Strategic objective	Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement 2017/2018	Comment on deviations
Internal Audit		J.	Į.	l.	l .	l
Provide an effective and efficient client oriented support services.	Percentage implementation of the approved annual risk- based audit plan	Achieved 78% of projects on the risk based audit plan was executed during the financial year (36/46)	80% of projects on the risk based audit plan implemented annually by 31 March 2018	Achieved 80% cumulative projects on the risk based audit plan implemented by 31 March 2018	Not applicable	Not applicable
Financial Manag	ement		<u> </u>	<u> </u>		
Provide an effective and efficient client oriented support services.	Percentage of active registered employers assessed annually by 31 March 2018 (excl exempted employers)	Not achieved 95% of the Annual target was achieved [268 218 active employers assessed/283 685 (60% of the total active employers on databank=472 808 annual target*100	75 % of active registered employers assessed annually	Not Achieved 45% of the Annual target was achieved [172 703 active employers assessed/ 386 083 (75% of the total active registered employers on the databank = 386 083/ 514 777*100)]	Underachievement of 30%	Limitations of the estimation policy to address backlog of ROE's received None compliance by employers in reporting ROEs
	Percentage annual increase on investment returns by 31 March of the current financial year compared to the previous financial year	Investment portfolio return= 7.3% for the year to 31 March 2017 compared to 8.28% target	Investment growth at a rate of CPI+2% annually	Achieved 12.6% Investment return achieved	Underachievement of 5.9%	The revised investment strategy that seeks to achieve higher investments returns was implemented during 2017/18 Financial Year and monitored on an on-going basis

4.1.2. Strategy to overcome areas of under performance

The following strategy will be implemented in order to improve areas of under-performance:

- The master data based on IES investigation outcomes will be updated on an on-going basis to ensure assessment of registered employers
- Refer employers not submitting ROE's and not eligible for estimation to IES for follow up
- Effective implementation of the Policies and Circulars including monitoring thereof

4.1.3 Linking performance with budgets

Table 3: Linking performance with budgets

	2017/ 2018			2016/2017		
Programme / activity/ objective	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	1 431 175	1 574 293	(143 118)	1 238 893	1 021 495	217 398
Total	1 431 175	1 574 293	(143 118)	1 238 893	1 021 495	217 398

The Administration programme budget allocation for 2017/18 amounted to R1 431 175 billion, and recorded a total spending of 110% (R 1 574 293 billion) for the period under review. This resulted in to a 10% overspending for the administration programme. This is in comparison to the achievement of 75% (3 out of the 4 indicators) of the performance indicators in the Annual Performance Plan.

4.2 PROGRAMME 2: COMPENSATION FOR OCCUPATIONAL INJURIES AND DISEASES ACT (1993) OPERATIONS

Programme Purpose

The purpose of the programme is to provide an effective safety net through the registration, processing and payment of medical claims resulting from occupational injuries and diseases, and monitoring of compliance with COIDA legislation

Programme description:

- The Directorate: Compensation Benefits is responsible for development and coordination of policy and procedures regarding benefits; review compensation benefits; manage and evaluate the impact of strengthening Civic Society Fund (CSF); Training of provinces and manage and communicate with compensation benefits stakeholder.
- The Directorate: Medical Services develop policies and procedures on medical services; manage decentralised medical services in provinces; manage the compensation process with necessary medical expertise providing appropriate medical advice and expertise.
- The Directorate: Legal Services provides legal support, legal administration and advice in the implementation of the COIDA and relevant legislation associated with the Compensation Fund. The strategic goal of this unit is to contribute to legislative reforms and provide an effective legal support to the Fund by advising on legal matters, addressing the entire current backlog in respect of the objections and application for increased compensation lodged in terms of sections 91 and 56 of the COIDA respectively and drafting of legislation.
- The Directorate: Client Service is responsible to support all components of the Fund to deliver COID services and Information to the clients in line with Batho Pele principles. The Directorate is responsible for the receipt of customer enquiries at the call centre and CF head office walk-in centre enquiries.

4.2.1 Strategic objectives and objective statement: COID (1993) Operations

Table 4: Strategic objectives:

Strategic Objective	Provide faster, reliable and accessible COID Services by 2020
Objective statement	Promote rehabilitation, re-integration and return to work of injured and diseased workers and contribute to various schemes designed to decrease unemployment including investing mandated funds in socially responsible investments.
Baseline	All claims were paid within 45 days.

Table 5: PERFORMANCE OF CF PROGRAMMES AND SUB-PROGRAMMES

Programme 2						
Strategic objective	Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement 2017/2018	Comment on deviations
Provide faster, reliable and accessible COID Services by 2020	Percentage of approved benefits paid within 5 working days	Achieved 100% (R4.3 billion) of approved benefits paid within 5 working days by 31 March 2017	95% of approved benefits paid within 5 working days yearly	Achieved 100% (R 3.6 billion) of approved benefits was paid within 5 working days	Not applicable	Improved processes in place.
	Percentage of requests received for Prosthesis and assistive devices adjudicated within 15 working days	Not applicable	85% of requests received for Prosthesis and assistive devices adjudicated within 15 working days	Not Achieved 75% (983) of the 1 307 requests received for prosthetic and assistive devices was adjudicated within 15 working days	Underachievement of 10%	Shortage of critical skills still the major reason.
	Respond to a percentage of received pre- authorisation requests within 10 working days	Not applicable	Respond to 85% of received pre- authorisation requests within 10 working days	Not Achieved 79% (1 488) of the 1 894 received pre- authorisation requests was responded to within 10 working days.	Underachievement of 6%	Shortage of critical skills still the major reason.

4.2.2 Strategy to overcome areas of under performance:

The following strategies will be implemented in order to improve areas of under-performance:

• Finalise the recruitment processes in Provinces by 1st Quarter of 2018/19 to capacitate skill

4.2.3 Linking performance with budgets

Table 6: Linking performance with budgets

2017/ 2018			2016/2017			
Programme / activity/ objective	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Operations Management	7 810 777	7 518 628	292 149	8 875 229	5 590 621	3 284 608
Total	7 810 777	7 518 628	292 149	8 875 229	5 590 621	3 284 608

The Operations Management programme budget allocation for 2017/18 amounted to R 7 810 777 billion, and recorded a total spending of 96% (R 7 518 628 billion) for the period under review. This resulted in to a 4 % underspending for the Operations Management programme.

This is in comparison to the achievement of 33% (1 out of the 3 indicators) of the performance indicators in the Annual Performance Plan

The overspending is after taking into account the actuarial valuation for the 2017/18 financial year wherein the interest was brought forward after many claims where paid in the current year

4.3 PROGRAMME 3: PROVINCIAL OPERATIONS: COMPENSATION FOR OCCUPATIONAL INJURIES AND DISEASES ACT (1993)

Programme Purpose

The purpose of this programmes is to provide an effective safety net through the registration, processing and payment of medical claims resulting from occupational injuries and diseases, and monitoring of compliance with COIDA legislation

Programme description

All Provinces are responsible for the provision of the following services within their scope of work:

• Compensation Benefits: registering, adjudicating and processing of compensation benefits comprising loss of Earnings - Temporary Total Disablement (TTD); Permanent Disablement (PD), including pension as well as benefits for the surviving dependants in fatal injuries. The Directorate is responsible for authorising payments of all benefits including medical expenses. The Directorate also monitor compliance with COIDA by Exempted Employers as well as monitoring employers on reporting of accidents generally, through preliminary investigations and advise on levying of penalties for late reporting or non-reporting of accidents.

- **Medical Services:** medical advice and medical opinion, to all Sub-directorates within the Fund. The Directorate is responsible for preauthorisation for medical treatment and the rehabilitation and reintegration programme.
- Legal Services: legal support, legal administration and advice in the implementation of the COIDA and relevant legislation associated with the Compensation Fund. The strategic goal of this unit is to contribute to legislative reforms and provide an effective legal support to the Fund by advising on legal matters, addressing the entire current backlog in respect of the objections and application for increased compensation lodged in terms of sections 91 and 56 of the COIDA respectively and drafting of legislation.

4.3.1 Strategic Objective and Objective Statement:

Table 7 Strategic objectives: Provincial Operations: Compensation for Occupational Injuries and Diseases Act (1993)

Strategic Objective	Provide faster, reliable and accessible COID Services by 2020
Objective statement	To process compensation benefits and medical expenses for injured and diseased workers and promote rehabilitation, re-integration and return to work policy for injured and diseased workers.
Baseline	60 working days to process claims for payment

Table 8: PERFORMANCE OF CF PROGRAMMES AND SUB-PROGRAMMES

Programme 3						
Strategic objective	Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement 2017/2018	Comment on deviations
Provide faster, reliable and accessible COID Services by 2020	Percentage of claims adjudicated within 60 working days of receipt	Achieved 90% of registered compensation claims adjudicated within 60 working days of receipt (A total of 130 800 compensation of 145 922 received during the financial year were adjudicated within 60 working days)	85% of claims adjudicated within 60 working days of receipt	Achieved 95% (175 624) of the 184 100 registered compensation claims were adjudicated within 60 working days	Overachievement of 10%	Online engagement with external stakeholders contributed towards ensuring that verification and resubmission of information is done with the 60days. More officials in provinces have delegations to adjudicate claims.
	Percentage of medical invoices finalised within 60 working days of receipt	Achieved 89% of medical claims were finalised within 60 working days of receiving the invoice (A total of 612 960 medical claims of the 686 385 received during the financial year were finalised within 60 working days)	85% of medical invoices finalised within 60 working days of receipt	Achieved 93% (699 441) of the 751 364 Medical Invoices received were finalised within 60 workings of receipts.	Overachievement of 8%	Training was provided to all provincial staff and officials were given delegation to process and pay medical invoices aligned with the turnaround time. Training was also provided to external stakeholders resulting in submissions of payable medical invoices.

4.3.2 Strategy to overcome areas of under performance

All indicators were achieved

4.3.3 Linking performance with budgets

Table 9: Linking performance with budgets

		2017/ 2018		2016/2017			
Programme / activity/ objective	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	Over)/Under Expenditure	
	R'000	R'000	R'000	R'000	R'000	R'000	
Provincial Operations	65 101	64 622	479	62 366	47 440	14 926	
Total	65 101	64 622	479	62 366	47 440	14 926	

The Provincial Operations programme budget allocation for 2017/18 amounted to R 65 101 million, and recorded a total spending of 99% (R64 622 million) for the period under review. This resulted in to a normal spending for the Operations Management programme.

This is in comparison to the achievement of 100% (2 out of the 2 indicators) of the performance indicators in the Annual Performance Plan.

5. REVENUE COLLECTION

Table 10: Revenue collection

		2017/ 2018		2016/2017		
Sources of Revenue	Estimate	Actual Amount Collected	Over)/Under Collection	Estimate	Actual Amount Collected	Over)/Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Total Revenue from Employer Assessment	7 945 282	6 972 843	972 439	8 244 605	8 852 340	(607 735)
Total Revenue from Interest and Penalties	646 440	325 805	320 635	1 048 320	370 371	677 949
Total Revenue from Investments	3 472 407	1 463 985	2 008 422	9 099 976	4 130 792	4 969 184
Rental Received : Building (8216000)	924	1 118	(194)	3 976	1 291	2 685
Fair Value Adjust	1 234 684	2 881 750	(1 647 066)	-	(189 733)	189 733
Serv Rend :Admin Con	22 590	36 165	(13 575)	20 000	32 001	(12 001)
Miscellaneous	2 000	2 005	(5)	-	-	-
Total Revenue	13 324 327	11 683 671	1 640 656	18 416 877	13 197 062	5 219 815

The Compensation Fund total actual revenue collected amounted to R 11 684 billion, against a projected approved budget of R 13 324 for the 2017/18 financial period. Which represent 88% collection for the period under review.

Table 11: Budget Performance Summary

2017/ 2018			2016/2017			
Sources of Revenue	Estimate	Actual Amount Collected	(Over)/Under Collection	Estimate	Actual Amount Collected	(Over)/Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Total Revenue	13 324 327	11 683 671	1 640 656	18 416 877	13 197 062	5 219 815

2017/ 2018			2016/2017			
Programme /activity/ objective	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	1 431 175	1 574 293	(143 118)	1 238 893	1 021 495	217 398
Total	1 431 175	1 574 293	(143 118)	1 238 893	1 021 495	217 398

	2017/ 2018			2016/2017			
Programme /activity/ objective	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure	
	R'000	R'000	R'000	R'000	R'000	R'000	
Operations Management	7 810 777	7 518 628	292 149	8 875 229	5 590 621	3 284 608	
Total	7 810 777	7 518 628	292 149	8 875 229	5 590 621	3 284 608	

2017/ 2018			2016/2017			
Programme /activity/ objective	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Provincial Operations	65 101	64 622	479	62 366	47 440	14 926
Total	65 101	64 622	479	62 366	47 440	14 926

Net Surplus	4 017 274	2 526 128	1 491 146	8 240 388	6 575 521	1 664 867

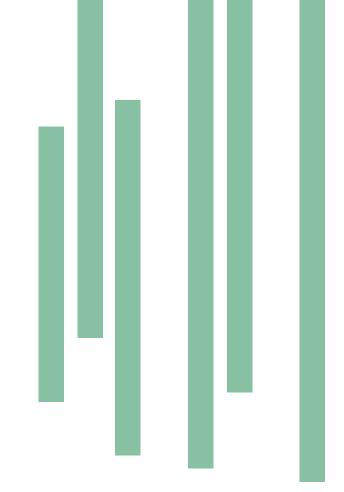
6. CAPITAL INVESTMENT

Capital investment, maintenance and asset management plan

- The following progress was made on implementing the capital, investment and asset management plan:
 - Internal reconfiguration of Delta Heights Building was initiated in November 2017 and was on ongoing as at 31 March 2018. This was coupled with two phased relocation of CF operations from Compensation House and Benstra Buildings. The management of Compensation House building will be handed over to PIC, who would then be responsible for renovations thereof.
- The following infrastructure projects were completed in the current year and the progress in comparison to what was planned at the beginning of the year:
 - Internal reconfiguration of Delta Heights Building was done from November 2017 to date and that was coupled with two phased relocation of CF operations from CH and Benstra buildings to Delta Heights building, this was done as per plan no variances.
- The above mentioned projects are expected to be completed by June 2018.
- There are no plans to down-grade current facilities, current facilities (Delta Heights) has just been upgraded, while Compensation House facilities would be renovated later. Plans are in place to clear and hand over the Compensation House for further condition assessments and possible refurbishment during 2018/19 financial year.
- The following progress was made on the maintenance of infrastructure.
 - The air conditioners, lifts and garden maintenance are done by Delta Heights building landlord, CF has cleaning contracts in place and is in the process to procure plumbing, electrical, cleaning, hygiene and pest control. Some defects would be covered by the project warrantees for 12 months.
- The current rental and costs relating to maintenance are expected to impact on the current expenditure.
- Details as to how asset holdings have changed over the period under review.
- The property owned are this two, which are 252 Phalo ave, Bisho and 19 Soutpansberg Road, Arcadia. Bisho building is currently being managed by PIC. The Fund has vacated and relocated from Compensation House (Soutpansberg office) to Delta Heights building to allow the Engineers to finalise the condition assessment and provide the Fund with the final result and recommendations on the condition of the building, thereafter the Fund would implement the recommendations.
- The following measures were taken to ensure that the asset register remained up-to-date during the period under review includes amongst others:
 - Asset Replacement Plan has been implemented in the new building (Delta Heights Building) to improve performance of the assets and increase future expected service potential from the newly acquired assets.
 - Performance of monthly asset reconciliation between asset register and general ledger
 - Performance of asset verification process twice in a financial year to establish existence of the Fund's assets as per asset register
 - Disposal of redundant, damaged and obsolete assets was performed during the period under review
 - Future disposal plans are in place to dispose all old assets that were previously used in the previous buildings.
- The current state of the capital assets:
- The Fund's capital assets are generally in a bad condition (90%) and fully depreciated but are, however, still in use. The acquisition of new assets has improved the status and condition of the Fund's assets however plans are in place to dispose the obsolete and fully depreciated assets that were used in the previous buildings.
- The assets in the new office accommodation (Delta Heights Building) are new and in good condition.
- The assets in Compensation House and Benstra buildings are identified for disposal due to their condition.
- No Major maintenance projects were undertaken during the period under review.
- The Compensation Fund moved to a new building and is in the process to develop the Maintenance Plan that would guide maintenance going forward.

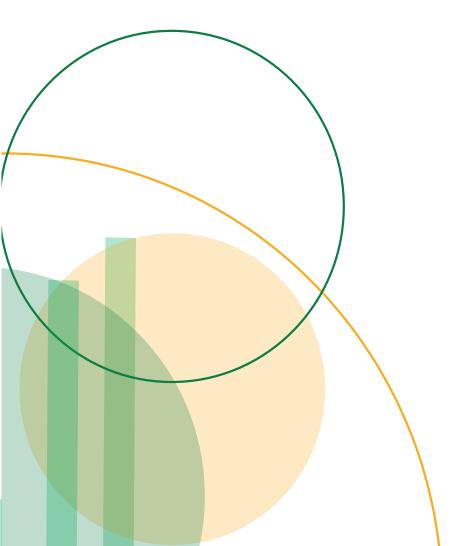
Table 12: Infrastructure

	2017/ 2018		2016/2017			
Programme /activity/ objective	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Relocation Project	24 491	88 173	(63 682)	12 700	101 812	(89 112)
Total	24 491	88 173	(63 682)	12 700	101 812	(89 112)



GOVERNANCE





1. INTRODUCTION

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

2. PORTFOLIO COMMITTEES

NO	DATE OF THE MEETING	COMMITTEE	SUBJECT
1.	23 August 2017	Labour Portfolio Committee	Briefing on progress with regards to the Action Plan of the Compensation Fund
2.	6 September 2017	Labour Portfolio Committee	Briefing on progress with regards to the Action Plan of the Compensation Fund
3.	13 September 2017	Labour Portfolio Committee	Briefing on the Compensation Fund Annual Report 2016/17
4.	18 October 2017	Labour Portfolio Committee	Briefing on of the first quarterly performance report of the Compensation Fund
5.	7 November 2017	Economic and Business Development Select Committee	Briefing on the Compensation Fund Annual Report 2016/17
6.	31 January 2018	Labour Portfolio Committee	Briefing of the second quarterly performance report of the Compensation Fund
7.	21 February 2018	Labour Portfolio Committee	Presentation on the Action Plan of the Compensation Fund

3. EXECUTIVE AUTHORITY

The 2017/18 Annual Performance Plan of the Compensation Fund was approved on the 28 February 2017 by the Department of Labour. The overall performance of the Compensation Fund against the set targets/ pre-determined objectives as indicated in the APP was evaluated by the Department of Labour on a quarterly basis.

Quarterly Assessment for 2017/18	Actual achievement against planned target	Date approved by Minister	Assessment rating received
Quarter 1	71%	10/10/2017	Approved
Quarter 2	43%	03/03/2018	Approved
Quarter 3	57%	20/03/2018	Approved
Quarter 4	67%	Due for submission 31 May	

The term of office of the Compensation Fund Advisory Board appointed on 01 January 2013, came to an end on 31 December 2017. The Minister appointed a new Advisory Board with effect from 01 January 2018.

4. THE COMPENSATION BOARD

4.1. Introduction

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

4.2. The role of the Board is as follows:

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

The Board may advise on the nature and extent of the benefits that can be payable to employees or dependents of employees, including the adjustments of existing pensions;

The Board may advice the Minister on the amendment of the Act;

The Board may at the request of the Director General advice the Minister regarding the performance of particular functions.

4.3. Advisory Board Charter

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

- The Board deliberated on the CF quarterly reports and provide inputs
- Post-Traumatic Stress Disorder policy (PTSD) policy was adopted,
- Annual medical tariffs were increased
- Annual Benefits were increased
- Recommended the increase of funeral benefits to be R18000

4.4. Composition of the Board

The Minister appoints the Advisory Board as per Section 10 of Compensation for Occupational Injuries and Diseases Act (COIDA).

NAME	DESIGNATION	CONSTITUENCIES
*Mr M Mngqibisa	Principal Board Member	GPAA
Mr P Matshidze	Principal Board Member	RMA
Mr. G. McIntosh	Alternate Member	FEMA
Mr. S Sobuwa	Principal Board Member	HPCSA
Dr C Mbekeni	Principal Board Member	BUSA
Mr F Xaba	Principal Board Member	BUSA
Dr B Kistnasamy	Principal Board Member	Dept. of Health
Mr T Szana	Principal Board Member	Dept. of Labour
Mr S Tsiane	Principal Board Member	NUMSA
Mr A Letshele	Principal Board Member	NUM
Ms J Bodibe	Principal Board Member	COSATU
Mr S Motloung	Principal Board Member	FEDUSA
Ms. E Kula	Principal Board Member	BUSA
Mr K Cowley	Principal Board Member	BUSA
Mr. M Samela	Principal Board Member	NACTU
**Dr SC Tshabalala	Principal Board Member	Dept. of Health
**Ms N Manyonga	Principal Board Member	FEMA

^{*}Chairperson

^{**} New appointment

Table 13: Board Resignations

Outgoing Advisory Board members and their designation

NAME OF OUTGOING BOARD MEMBERS	DESIGNATION
Mr M Mngqibisa	Chairperson
Mr S Motloung	Principal Board Member
Dr C Mbekeni	Principal Board Member
Mr M Samela	Principal Board Member

Newly Appointed Advisory Board Members and Alternates

NAME	DESIGNATION	CONSTITUENCIES
* Ms T Nene-Shezi	Chairperson	Department of Labour
Mr P Matshidze	Principal Board Member	RMA
Mr E Hadzhi	Alternate Member	RMA
Ms N Manyonga	Principal Board Member	FEMA
Mr. G. McIntosh	Alternate Member	FEMA
Mr. S Sobuwa	Principal Board Member	HPCSA
Ms M van Niekerk	Principal Board Member	HPCSA
Dr K Letlape	Alternate Board Member	HPCSA
Dr Thuthula Balfour	Principal Board Member	BUSA
Mr F Xaba	Principal Board Member	BUSA
Mr K Cowley	Principal Board Member	BUSA
Dr O Mphofu	Alternate Board Member	BUSA
Ms S Leyden	Alternate Board Member	BUSA
Ms E Kula	Alternate Board Member	BUSA
Dr B Kistnasamy	Principal Board Member	Dept. of Health
Dr SC Tshabalala	Principal Board Member	Dept. of Health
Dr N Mtshali	Alternate Board Member	Dept. of Health
Mr T Szana	Principal Board Member	Dept. of Labour
Ms J Bodibe	Principal Board Member	COSATU
Mr S Tsiane	Principal Board Member	COSATU
Mr S Sibitane	Principal Board Member	NACTU
Mr J Williemiec	Principal Board Member	FEDUSA
Mr A Letshele	Principal Board Member	COSATU
Mr G Manganyi	Alternate Board Member	FEDUSA
Mr E Vlok	Alternate Board Member	COSATU
Mr L Moni	Alternate Board member	COSATU

The Advisory Board meetings held between 01 April 2017 – 31 December 2017. These meetings were convened by the outgoing members.

Committee	No of Meetings	No of members	Name of members
Board	5	18	
	4		Mr M Mngqibisa *
	5		Mr K Cowley
	5		Mr F Xaba
	3		Ms E Kula Ameyaw
	4		Dr C Mbekeni
	4		Mr S Tsiane
	5		Mr A Letshele
	5		Ms J Bodibe
	3		Mr S Motloung
	5		Mr M Samela
	2		Dr B Kistnasamy
	2		Mr T Szana
	3		Mr G McIntosh
	3		Mr P Matshidze
	2		Mr S Sobuwa
	1		Dr SC Tshabalala
	2		Ms N Manyonga
	1		Mr Hadzhi

The Advisory Board meetings held between 01 January 2018 - 31 March 2018. These meetings were convened by the incoming members.

Committee	No of Meetings	No of members	Name of members
Board	3	24	
	2		Ms T Nene Shezi*
	1		Mr Hadzhi
	1		Ms van Niekerk
	1		Dr O Mphofu
	1		Dr Thuthula Balfour
	1		Ms S Lyden
	2		Dr K Letlape
	1		Mr G Manganyi
	3		Mr J Wiliemiec
	3		Mr S Sibitane
	2		Mr L Moni
	3		Mr K Cowley
	3		Mr F Xaba
	0		Ms E Kula Ameyaw
	3		Mr S Tsiane
	2		Mr A Letshele
	3		Ms J Bodibe
	0		Dr B Kistnasamy
	1		Mr T Szana
	1		Mr G McIntosh
	2		Mr P Matshidze
	1		Mr S Sobuwa
	3		Dr SC Tshabalala
	3		Ms N Manyonga

There were no resignations and dismissal of the Advisory Board members recorded during the financial year; except that the term of office of the outgoing members which came to an end on 31 December 2017 and new members were appointed with effect from 01 January 2018.

4.5 Committees

Since a Board cannot attend to all the matters effectively it was recommended that the the following committee be established:

- Strategic & Operations Committee (StratOps)
- Investment Committee (IC);
- · Assessment & Benefits Committee (ABC); and
- Technical Committee on Occupational Injuries and Diseases (TCOID)

Table 14: Committee members Strategic & Operations Committee

Committee	No of Meetings	No of members	Name of members
StratOps	2	7	*Ms E Kula Ameyaw
	2		Mr S Tsiane
	2		Ms J Bodibe
	2		Mr Fi Xaba
	1		Mr S Motloung
	2		Mr E Hadzhi
	1		Mr G McIntosh
	3		Mr A Letshele

Investment Committee

Committee	No of Meetings	No of members	Name of members
Investment	3	6	*Mr S Tsiane
	2		Ms J Bodibe
	2		Ms E Kula
	3		Mr K Cowley
	3		Mr F Xaba
	1		Mr T Szana

Assessment & Benefits Committee

Committee	No of Meetings	No of members	Name of members
ABC	5	7	*Ms J Bodibe
	3		Mr S Motloung
	3		Mr S Tsiane
	1		Mr F Xaba
	4		Mr A Letshele
	5		Mr G McIntosh
	5		Mr E Hadzhi

Technical Committee on Occupational Injuries and Diseases (TCOID)

Committee	No of Meetings	No of members	Name of members
TCOID	5	7	*Mr S Motloung
	3		Ms J Bodibe
	1		Mr S Sobuwa
	3		Ms J Mahlangu
	4		Dr A V/D Merwe
	1		Dr Z Eloff
	3		Ms M Ruiters

Remuneration of board members

Board members not remunerated

Name	Remuneration
*Mr M Mngqibisa	Not paid
Mr P Matshidze	Not paid
Ms N Manyonga	Not paid
Mr. G. McIntosh	Not paid
Dr C Mbekeni	Not paid
Ms T Nene Shezi	Not Paid
Dr Thuthula Balfour	Not Paid
Ms S Leyden	Not Paid
Dr O Mphofu	Not Paid
Mr E Vlok	Not Paid
Mr L Moni	Not Paid
Dr SC Tshabalala	Not paid
Dr N Mtshali	Not Paid
Dr B Kistnasamy	Not paid
Mr T Szana	Not paid
Mr E Hadzhi	Not paid
Ms J Mahlangu	Not paid
Dr Z Elloff	Not paid
Mr J Wiliemiec	Not paid
Mr S Sibitane	Not paid
Dr Letlape	Not paid
Mr G Manganyi	Not paid
Ms M van Niekerk	Not paid

Board members remunerated

Name	Remuneration	Other allowance	Total	
Mr S Tsiane	R38192.00	R6766.03	R44958.03	
Ms J Bodibe	R55856.05	R10259.05	R62464.50	
Mr A Letshele	R33528.00	R7245.85	R40773.85	
Mr M Samela	R27432.00	R1629.45	R29061.45	
Mr F Xaba	R30480.00	R8857.25	R137020.25	
Ms E Kula Ameyaw	R26000.00	R2662.05	R32314.00	
Mr K Cowley	R24384.00	R10334.05	R34718.05	
Mr S Motloung	R43664.00	-	R43664.00	
Mr S Sobuwa	R9144.00	-	R9144.00	
			R434118.13	

5. RISK MANAGEMENT

The Fund has a Risk Management Policy and Strategy in place. The documents were reviewed and approved in line with the applicable prescripts and best practices to ensure relevance and keep abreast with changes in the operating environment for the 2017/18 financial year. The documents articulate the Fund's risk management philosophy and provide guidance to management and staff on the implementation of risk management.

Risk Management Process

During the year under review, the Fund identified risks at strategic, operational and process level. All the risks were continuously monitored to ensure that they are kept within the approved risk appetite and tolerance levels and provide a reasonable assurance on the Fund's ability to achieve its objectives. The Fund also introduced project risk management. As part of this project, the first project risk management methodology was developed and approved, As part of the risk management process, project risk assessments were also identified and risk registers maintained for major projects of the Fund.

To inculcate the culture of risk management, the Fund's management and staff received continuous training through the monitoring meetings and awareness workshops, Risk Champions were also trained quarterly.

Governance

The Director-General (DG) continues to set the tone for sound risk management practices through approval of the Risk Management Policy and delegating to the Commissioner risk management responsibilities. The Risk Management Committee (RMC) is charged with oversight responsibilities over the risk management processes and systems within the Fund.

The Risk Management Committee has fulfilled its roles and responsibilities as outlined in its Terms of Reference that have been approved by the DG for the year 2017/18. To this end, the RMC has on a continuous basis, provided the Ministry, the DG and the Commissioner with advice on significant and imminent risks and fraud related issues affecting the Fund. The Audit Committee also receives regular risk reports that enable it to provide oversight on the effectiveness of the entire system and process of risk management in the Fund.

Risk Management Committee Composition and Attendance

The RMC convened four (4) meetings in 2017/18 financial year in accordance with its Terms of Reference. The Composition of the Committee and attendance are detailed in the table below:

Name and Surname	Name and Surname Designation		Number of Meetings
Mr Luyanda Mangquku	Chairperson	External Chairperson	4
Mr Nala Mhlongo	External Member	External Member	1 (Interim appointment)
Mr Vuyo Mafata	Compensation Commissioner	Internal Member	2
Ms Ntombekhaya Qamata	Chief Director: Corporate Services	Internal Member	1 (On sick leave)
Mr Johnny Modiba	Chief Financial Officer	Internal Member	3
Ms Milly Ruiters	Chief Director: COID	Internal Member	2
Ms Katlego Lebepe	Director: Risk Management (Chief Risk Officer)	Internal Member	3
Ms Boitumelo Gumbu	Director: Internal Audit (Chief Audit Executive)	Internal Member	1
Mr Thando Headbush	Chief Operations Officer	Internal Member	2
Mr Vishalin Pillay	Shalin Pillay Director: Information Communication Internal Men Technology		2

Management

Management is accountable to the Director-General for designing and implementing internal controls in pursuit of managing risks within their respective units to acceptable risk appetite and tolerance levels to ensure achievement of the set targets and objectives.

Risk Management Progress

The Fund has improved its Risk Management Maturity to level 3.7, which means the foundation for risk management is firmly set; risk management processes, practices and systems satisfy all legislative requirements and influence the control environment positively. At this level, the foundation has also been set for value add realisation through providing intelligence with regards to decision making in the Fund, including commencing with Investment risk management processes. The Fund has also advanced in establishing systems and processes for compliance management and business continuity management.

To ensure enterprise wide risk management, the Occupational Health and Safety & Security Committees have a reporting line to the Risk Management Committee.

6. INTERNAL CONTROL UNIT

The Internal Control unit is responsible for Audit Coordination, the Audit Action Plan, responding to Audit Communication of Findings, Financial Misconduct Investigations and Compliance Management.

The Internal Control currently reports to the CFO, and is in the process of being capacitated as per the approved structure.

The Internal Control Unit is responsible for Audit Co-ordination, the Audit Action Plan, Co-ordinating response to Audit findings, Financial Misconduct investigations and reporting and Compliance Management.

Audit Co-ordination:

A request for information register was developed and implemented to monitor and track all incoming requests for information from the AGSA and the submissions by management therefore. All outstanding requests for information was followed up with management and submitted to the AGSA, where information was not available, the AGSA were notified accordingly. Weekly statistics of the status of RFI's vs the submissions were prepared and reported to the Audit Steering Committee.

118 requests for information were received and co-ordinated accordingly in the 1st quarter of the financial year as part of the 2016/17 Final Audit.

62 requests for information were received and co-ordinated in the 3rd and 4th quarter of the financial year as part of the 2017/18 Interim Audit.

Ongoing engagements between Management and the AGSA were facilitated regularly to resolve any misunderstandings.

The RFI register for the Fund was reconciled weekly with the register from AGSA and all reconciling items were dealt with accordingly.

Audit Communication of findings:

9 Communication of findings from AGSA were received and co-ordinated accordingly in the 1st quarter as part of the 2016/17 Final Audit.

In the 3rd and 4th quarter, 3 Communication of findings from AGSA were received and co-ordinated as part of the 2017/18 Interim Audit.

Engagements between Management and the AGSA were facilitated through the Audit Steering Committee prior the issuing of any Management reports.

Financial Misconduct Investigations:

A total of 94 cases of alleged financial misconduct were reported and incorporated into the financial misconduct register during the financial year. The cases were further classified as follows: 8 cases related to alleged Irregular expenditure, while 86 cases related to alleged Fruitless and Wasteful expenditure.

All cases were under investigation as at the end of the financial year. 2 Cases of Irregular expenditure were derecognised as it was found that no financial misconduct has occurred. A further submission made to the Accounting Authority on 1 major case was in transit and awaiting approval as at the end of the financial year.

The unit also facilitated the review of the Financial Misconduct Committee (FINMAC) terms of reference during the financial year.

4 FINMAC meetings were facilitated and held during the financial year. 19 cases were investigated and presented to FINMAC during the year.

Recommendations from FINMAC to re-investigate cases, refer cases to other units such as Legal, Risk and Internal Audit were implemented in the current year.

The unit also worked closely with the Employee Relations unit in the investigation and recovery of Fruitless and Wasteful expenditure incurred as a result of employees especially in Travel and Accommodation and Car Hire.

Compliance Management

The Compliance register was developed during the financial year. The register incorporates GRAP, Treasury Regulations and COIDA. It was however not feasible to fully implement the register due to capacity constraints in Internal Control. The unit will however be capacitated in the 2018/19 financial year and the register will be implemented accordingly.

7. INTERNAL AUDIT AND AUDIT COMMITTEES

Key activities and objectives of internal audit
 Internal Audit is established in terms of section 51(1) (ii) of the Public Finance Management Act (PFMA), Act 1 of 1999, as amended, read with the Treasury Regulations 27.1 and 27.2. The sections states that "the Accounting Authority must ensure that the entity has and maintain a system of Internal Audit under the control and direction of the Audit Committee, complying with and operating in accordance with the regulations and instructions prescribed in terms of section 76 and 77 of the PFMA."

The key objectives of Internal Audit are to assist the Fund to accomplish its established objectives by providing reasonable assurance on whether:

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

Key activities include:

- Development of a Three Year Rolling and Annual Audit Plan and the Operational Plan, which is approved by the Commissioner and the Audit Committee;
- Execute the approved Internal Audit Plan;
- Report quarterly to the Management and the Audit Committee;
- Perform secretarial functions to the Audit Committee;
- Review the Internal Audit and Audit Committee Charters;
- Review internal audit policies and procedures;
- Monitor compliance to the procedures, standards, and the code of ethics;
- · Staff training and development to ensure that the Internal Audit officials are competent.

Specify summary of audit work done

- The Internal Audit and Audit Committee Charters were reviewed and approved.
- Three (3) learners on the Internal Audit Technicians (IAT) completed their 2 year programme in October 2017.
- The external quality assessment as required in the IIA standards was conducted in July 2017.
- The Directorate independently executed audit projects based on the approved Risk Based Annual Plan and provided practical recommendations.
- The reports were communicated to responsible management, the Commissioner, Audit Steering Committee, and the Audit Committee. The details of executed projects are provided in the table below:

No	Internal Audit Area	Number of Findings	Report Rating
1	Compensation Fund Consolidated Action Plan	3	Significant
2	Performance Information Q4	4	Requires Improvement
3	Annual Financial Statement 31 March 2017	3	Significant
4	Employer Assessment and Registration	2	Significant
5	Corporate Governance	3	Significant
6	Annual Performance Review	3	Requires improvement
7	Asset Management –Fleet	4	Requires improvement
8	Performance Information Q1	4	Requires improvement
9	Data Analytics-Debt Collection Review	6	Significant
10	Compensation Fund Consolidated Action Plan-	3	Requires improvement
11	Performance Information Q2	5	Requires improvement
12	Performance Information Q3	3	Requires improvement
13	Budget Process	3	Requires improvement
14	CF Filing (Interfile)- Design Phase	3	Requires improvement
15	Overtime Data Analysis	15	Requires improvement
16	Annual Report	4	Requires improvement
17	Applications Control on Umehluko	13	Significant
18	IT Governance (Cobit Readiness)	8	Significant
19	Accounts Payable	6	Require improvement
20	Compensation Benefits – Open Vouchers	1	Require improvement
21	Risk Management and Anti Fraud Strategy	6	Require improvement
22	Kwa-Zulu Natal Provincial Office	11	Significant
23	Limpopo Provincial Office	8	Require improvement
Total		120	

Significant

Requires improvement

Follow-up Audit

No	Internal Audit Area	Number of Findings per the original report	Report Rating	Findings Resolved	Partially Resolved	Not resolved
1	Pensions	10	Significant	3	5	2
2	Public Finance Management Act	4	Requires improvement	2	1	1
3	Protection of Personal Information	12	Significant	2	3	7
4	Asset Management	8	Significant	0	0	8
5	Supply Chain Management	25	Requires improvement	23	0	2
Total		59		30	9	20

Based on follow-ups conducted, the Fund has resolved 51% of IA findings.

Status of Auditor-General Findings verified by Internal Audit

No	Internal Audit Area	Number of Findings per the original report	Report Rating	Findings Resolved	Partially Resolved	Not resolved	Target removed/ Year-end Closure
1	Auditor- General Verification as at 31 March 2017	37	Critical	9	12	9	8
2	Auditor- General Verification as at 30 Nov 2017	8	Critical	2	3	2	1
3	Auditor- General Verification as at 31 March 2018	28	Critical	7	10	9	2
Total		73		18	25	20	11

· Key activities and objectives of the audit committee:

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

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

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

Audit Committee Activities

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

Internal Control

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

Internal Audit

- · Review the effectiveness of the internal audit function.
- Review charter, plans, activities, staffing and organisational structure of the Internal Audi
- Approve the Risk-based three year Rolling Plan and the Annual Audit Plan.
- Review the Capacity Building and Training Strategy within the Internal Audit function.
- Monitor the work of the Internal Audit against the Annual Audit Plan.
- Review and evaluate the reports and results of the work undertaken by the Internal Audit and the implementation of follow up action required.
- Ensure that duplication of effort is avoided, through an effective partnership/combined assurance between the Internal Audit and the office of the Auditor-General.
- Review compliance with the International Standards for the Professional Practice of Internal Auditing and Code of Ethics of the Institute of Internal Auditors.

External Audit (Auditor-General)

Review the effectiveness of the external audit function and through the following:

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

Risk Management

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

Compliance

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

Management Accounts and Annual Financial Statements

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

Reporting

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

Ethics

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

Other Responsibilities

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

The table below discloses relevant information on the audit committee members

Table 15.1: Audit committee meetings attended

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date Resigned	No of meetings attended
Mr D Hlatshwayo	Chartered Accountant, CD(SA),MBA	External Chairperson	N/A	November 2016	22 August 2017	8/8*
Mr C Terhoeven	Chartered Accountant	External Member	N/A	October 2013	N/A	3/4
Mr. N Mhlongo	Chartered Accountant	External Member	N/A	November 2016	August 2017	3/4
Ms. R Kalidass	Chartered Accountant	External Member	N/A	October 2013	August 2017	3/4
Mr. F. Xaba	BA Hons (Industrial Psychology)	External Member (Board)	N/A	May 2014	30 December 2017	4/4

^{*}The member attended four (4) Audit Committee meeting and four (4) other special meetings during his term of office.

Table 15.2: Audit committee meetings

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date Resigned	No of meetings attended
Ms L. Francois	Master's in Business Administration Post Graduate Certificate- Accounting, Bcom, General Internal Auditor	External Chairperson	N/A	1 October 2017	N/A	4/4
Dr P Dala	PHD, Master's Degree in IT CISA, CISM, CISSP, CRISC, CGEIT	External Member	N/A	1 October 2017	N/A	4/4
Mr C Terhoeven	Chartered Accountant	External Member	N/A	October 2013	N/A	3/4
Mr. F. Xaba	BA Hons (Industrial Psychology)	External Member (Board)	N/A	May 2014	August 2017	3/4

8. COMPLIANCE WITH LAWS AND REGULATIONS

The Fund has put several policies in place to ensure compliance with regulations. All Business Units keep Risks Register which includes legal compliance. The policies are kept by the heads or Managers of sections.

9. FRAUD AND CORRUPTION

The fraud prevention initiatives undertaken during the year under review include:

- Ethics Risk assessments, and
- Fraud risk assessments, which were conducted on some of the critical business units.

Fraud and corruption cases are reported using various channels of whistleblowing which include the use of the National hotline, the Department of Labour hotline, Walk-Ins to Fraud Investigation unit and the use of emails. These channels have contributed positively to the number of cases that have been reported and investigated by the unit during the year under review.

Fraud Awareness trainings were conducted during the year and employees were encouraged to make confidential disclosures about suspected cases of fraud and corruption.

All these cases that have been reported are registered and allocated for investigation and recommendations of these finalised cases are forwarded to various business units which include Core business; Employee Relations for disciplinary actions and other law Enforcement agencies for implementation.

10. MINIMISING CONFLICT OF INTEREST

Conflict of Interest in Supply Chain Management is minimised through declaration of interest by Suppliers signing SBD4, SCM officials sign SCM code of conduct annually and submit the declaration of interest through the DPSA financial e-disclosure process. Every person involved in the SCM Bid Committees is also required to sign a Declaration of Interest form and confidentiality forms.

11. CODE OF CONDUCT

A code of conduct is important as it protects the Compensation Fund and informs the officials of the Fund's expectations. A code of conduct is intended to provide a framework of reference for officials when discharging their duties and responsibilities. The Code outlines the minimum ethical standards of behaviour that clients expect of CF officials, including upholding propriety, integrity and ethical values in their conduct. The Code of conduct is entered into when both employer and employee in an employment relationship signs a performance agreement. The declaration is signed by the employee and attached to the agreed performance agreement as a code of conduct declaring that the employee is expected to adhere to the code when performing his or her duties. This is a signed declaration of commitment and abiding to the expected conduct regarding performance of duties in an employer employee relationship.

The Code of Conduct is a policy document developed by the Department of Labour to give direction to its employees in relation to how they have to conduct themselves as public servants. The primary objectives of this document are:

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

The Code of Conduct requires its employees to operate in a professional manner that would result in the rendering of effective and sufficient service delivery to the public and communities in general. Commitment in the Code of Conduct will eliminate corruption as a destructor to service delivery within the Department.

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

It is therefore important and reasonable enough that every employee must read, understand and sign a copy of the Code of Conduct on completion of the Performance Agreement to be attached as an annexure and also as an indication that the said employee will conduct him/herself in a manner that would be acceptable and not questionable at all times.

12. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

Occupational Health and Safety plays an important role in ensuring that the workplace safety hazards in the Fund are identified, assessed and managed accordingly, and warrant compliance to OHS Act of 1993 which is as enforced by the Department of Labour.

The Fund ensured that training of employees which includes SAMTRAC, SHE Reps functions and First aid took place during the year under review. Safety representatives and OHS reps have been allocated within floors at Delta Heights building, this in compliance to the OHS Act of 1993 specifically sections (17-20) and the GSR (3).

Environmental factors were identified and managed, to this end the Fund does air quality monitoring timeously in the building we occupy in-adherence to environmental regulations for workplaces (ERW), that is, temperature monitoring, carbon dioxide and relative humidity. This is also to ensure that we comply with the acceptable levels as per set standards, that is, ASHRAE standards 62.1-2004.

13. SOCIAL RESPONSIBILITY

During the year 2017/18, the Compensation Fund has committed more than R 2 billion in Social Responsible Investments ('SRI') and sustaining more than 6000 jobs in the South African Economy. 14 Investments have been made to date, mainly supporting SMME, Healthcare, Education, Renewable Energy and Agricultural sectors. These investments are expected to produce long-term returns for both the Compensation Fund beneficiaries as well as the broader South African economy. The Compensation Fund will commit a further R 4.5 billion to additional projects to achieve the 10% strategic asset allocation target.

14. AUDIT COMMITTEE REPORT as at 31 March 2018

The Audit Committee hereby presents its report for the financial year ended 31 March 2018. The report is presented in accordance with the requirements of the Public Finance Management Act (PFMA) 1 of 1999, as amended and its Treasury Regulations, and also in line with National Treasury Guide.

Audit Committee Responsibility

The Audit Committee has discharged its oversight responsibilities in respect of activities and operations of the Compensation Fund, independently and objectively in compliance with Section 51 (1)(a)(ii) of the Public Finance Management Act and Treasury Regulation 27.1. The Audit Committee also 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.

Audit Committee Members

The information on the Audit Committee members of the Compensation for the 1 April 2017 to 31 March 2018 were as follows:

Table: Audit committee composition and attendance of meetings from April 2017-August 2017

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date Resigned	No of meetings attended
Mr D Hlatshwayo	Chartered Accountant, CD(SA),MBA	External Chairperson	N/A	November 2016	22 August 2017	8/8*
Mr C Terhoeven	Chartered Accountant	External Member	N/A	October 2013	N/A	3/4
Mr. N Mhlongo	Chartered Accountant	External Member	N/A	November 2016	August 2017	3/4
Ms. R Kalidass	Chartered Accountant	External Member	N/A	October 2013	August 2017	3/4
Mr. F. Xaba	BA Hons (Industrial Psychology)	External Member (Board)	N/A	May 2014	30 December 2017	4/4

^{*} The member attended four (4) Audit Committee meeting and four (4) other special meetings during his term of office.

Table: Audit committee composition and attendance of meetings from 01 October 2017 - 31 March 2018

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date Resigned	No of meetings attended
Ms L. Francois	Master's in Business Administration Post Graduate Certificate- Accounting, Bcom, General Internal Auditor,	External Chairperson	N/A	1 October 2017	N/A	4/4
Dr P Dala	PHD, Master's Degree in IT CISA, CISM, CISSP, CRISC, CGEIT	External Member	N/A	1 October 2017	N/A	4/4
Mr C Terhoeven	MCom (Taxation) CA(SA)	External Member	N/A	October 2013	N/A	3/4
Mr. F. Xaba	BA Hons (Industrial Psychology)	External Member (CF Board)	N/A	May 2014	August 2017	3/4

There was 1 vacant position which became vacant from 1 September 2017 was not yet filled by the 31 March 2018. The position for the Board member representative was vacant from 1 January 2018 until 31 March 2018.

The Effectiveness of Internal Control

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the Public Entity revealed significant control weaknesses, which were then raised with the public entity.

As at 31 March 2018, Internal Audit completed 80% of the approved annual plan compared to 78% in 2016/17 financial year. The implementation rate of internal audit findings from follow-up audits conducted in the period under review was 51% compared to 68.18% in 2016/17 financial year.

The Audit Committee is seriously concerned about the lack of adequate internal controls in the Fund which is becoming pervasive due to management's inability to implement recommendations from both Internal and External Auditors leading to the continuing Auditor General's disclaimers.

The Internal Audit work for 2017/18 financial is summarised below:

Item	2017/18
Number of Audit Reports	30
Number of Significant Findings	198
Percentage of 1 and 2 Opinion Ratings	50%
Percentage of 3 Opinion Ratings	50%
Percentage of 4 Opinion Ratings	0

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

The following were areas of concern noted:

- · Slow pace of implementation of audit findings action plan resulting in negative audit outcomes.
- · Ineffective monitoring controls resulting in management failure to implement consequence management.
- · Unreliable system data and information, which result in incorrect and unreliable reporting.
- · Inadequate records management policy resulting in failure to secure information/poor records management.
- Inadequate information systems controls resulting in unauthorised access to confidential information.
- Inadequate actions taken to investigate cases of financial misconduct.
- Non-compliance with Public Finance Management Act (PMFA) and internal policies and procedures resulting in negative audit outcomes.
- Poor contracts management resulting in irregular expenditure.
- · Failure to process claims timely resulting in litigations.
- · Long outstanding claims (open vouchers) not timely paid to beneficiaries resulting in litigations.
- Unjustifiable overpayments and inadequate actions to recover those over-payments.
- Failure to substantiate payments made resulting in negative audit outcomes.
- · Duplicate medical payments resulting in fruitless and wasteful expenditure, and possible fraud.
- · Delays in the finalisation of investigations for fraud allegations resulting in financial losses.
- Failure to articulate the ICT needs of the Fund to the Department of Labour resulting in poor service delivery and negative audit outcomes.
- Lack of clear accountability lines between DOL/CF/UIF on ICT resulting in no consequence for poor performance.
- Poor general and application controls on the Claims Management Systems resulting in the processing of undetected unauthorised/ fraudulent activities, and duplicate payments.
- Ineffective and inefficient information system control and strategies to mitigate ICT risks in the Fund
- Inability to perform timely reconciliations resulting in errors and omissions and misrepresentations of the financial statements.
- Ineffective processes used for the preparation of Annual Financial Statements.

The Committee is satisfied that the Internal Audit function meets the minimum required performance and execution of its statutory mandate. However, there were areas of improvement around the refinement of its methodology, the three year rolling audit plans, and insufficient coverage in most of the critical risk areas of the Fund.

In-Year Management and Monthly/Quarterly Report

The Public Entity reports monthly and quarterly to the Treasury as is required by the PFMA. Due to weaknesses in substantiating figures reported in the quarterly reports and the unreliable information on the system, the Committee is partially satisfied with the contents and dissatisfied with the quality of the quarterly reports.

Evaluation of Financial Statements

We have reviewed the draft Annual Financial Statements prepared by the Public Entity and recommended for its approval with a disclaimer. Further we recommended that the draft Annual Financial Statements and the Consolidations be reviewed and revised to incorporate observations and comments of members and be supported by the necessary annexures and reconciliations before their submission to the Auditor General for audit purposes. However, the Committee's recommended improvements were not effected, resulting in further disclaimers in the Auditor's report.

Auditor's Report

We have reviewed the entity 's implementation plan for audit issues raised in the prior years and were concerned about the Fund's inability to clear findings contributing to the persisting disclaimer in the Fund for the 2017/18 and the lack of visible improvement in the control environment.

The Audit Committee concurs with, and accepts the Auditor General's report and its conclusions on the annual financial statements. However, noted with concern that its recommendations to correct visible errors in the draft financial statements were not implemented and therefore disclaimed the approval of the audited financials in their current state for their publication in the Fund's Annual Report.

Due to the additional disclaimed items in the Auditor's report, coupled with the pervasive deterioration in the internal controls and the extent of fraud indicators raised in the report; the Audit Committee recommended that an urgent forensic investigation be conducted on the systems related fraud indicators.

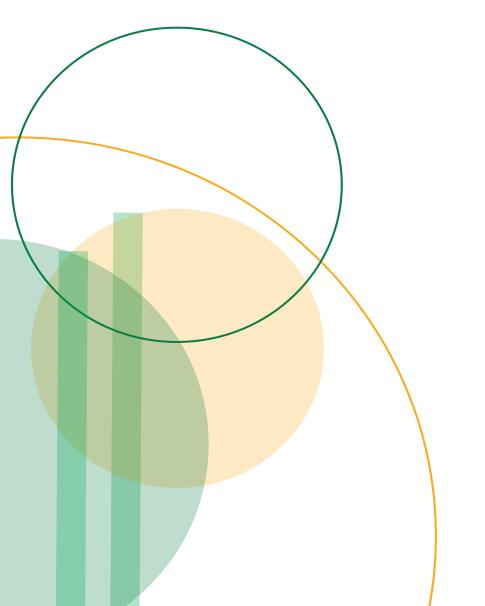
Ms L. François

Chairperson of the Audit Committee Compensation Fund

31 July 2018



HUMAN RESOURCE MANAGEMENT



PART D



1. INTRODUCTION

The primary purpose of the Directorate: Human Resource Management is to provide effective and efficient strategic human resources partnership by creating a healthy working environment through continuous service delivery.

During the year under review the following HR goals were set:

- Implementation of the revised functional structure
- Implementation of the Recruitment and Retention Strategy through the maintenance of 10% vacancy rate
- Full compliance and implementation of the Performance Management Policy
- Strengthening human capacity through the implementation of 100% of training programmes in the Workplace Skills Plan (WSP)
- · Manage the Employee Health and Wellness (EHW) Strategy as well as Gender, Disability and Youth of the Compensation Fund
- Manage employee relations of the Compensation Fund

The strategic workforce of the Compensation Fund was planned for by all Managers and it was integrated into each Directorate/Chief Directorate Work plan.

Compliance with the Department of Labour Performance Management system was communicated to the Compensation Fund staff throughout the year.

The Employee Health and Wellness Strategy was approved and implemented. The Gender, Disability and Youth programmes of the Compensation Fund were implemented and reports were produced.

The following achievements are seen as highlights:

- The filling of key positions such as Chief Director: COID, Chief Director: Corporate Service, Chief Operations Officer, appointment of Medical Professionals at CF Head Office and Provinces
- Achievement of 50% cabinet target for the appointment of women at SMS level
- The appointment of the CF Placement Committee
- The approval of the Placement Implementation Guiding Principles
- The active participation of CF Local Employment Equity Consultative Forum (LEECF) in various structures within the Fund and Head Office.
- The achievement of 100% submission of the 2017/2018 performance agreements.
- The achievement of 100% of 2016/2017 2nd assessments and the achievement of 100% of 2017/2018 1st semester assessments
- Ensured that the Fund complied with HRM Policies, Processes and Procedures.
- 100% of staff has attended training interventions which were identified on their Personal Development Plans (PDP's).
- The Employee Health and Wellness Programmes as well as the Gender, Disability and Youth Programmes were achieved.
- The Compensation Fund has strived to improve services offered by the Employee Relations Sub-Directorate with the intention of harmonising the relationship between employees and Managers.
- HR Advocacy sessions were conducted throughout the year.

The following HR challenges were faced during the 2017/2018 financial year:

- Increase of the vacancy rate due to the implementation of the revised functional structure. The vacancy rate was 10.3% as at 1 April 2017 and 31% as at 31 March 2018.
- The 2% cabinet target for the appointment of People with Disabilities (PWDs) was not achieved, as the Fund has achieved a target of 0.7%.

Future HR plan/goals

- Finalise the migration and placement of CF officials from old structure to the revised functional structure.
- Reduce the vacancy to 10%
- 100% implementation of identified courses
- Achieve the cabinet target of 2% for the appointment of people with disabilities

2. HUMAN RESOURCE OVERSIGHT STATISTICS

Table 16: Personnel cost by programme/ activity/ objective

Programme/ activity/ objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel Expenditure as a % of total expenditure	No of employees	Average personnel cost per employee (R'000)
Compensation Fund	9 157 543	726 700	7,9%	775	938
TOTAL	9 157 543	726 700	7,9%	775	938

Table 17: Personnel costs by salary band as at 31 March 2018

Level	Personnel Expenditure (R'000)	% of total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management (Level 15-16)	1 489	0.20%	1	1 489
Senior management (Level 13-14)	18 822	2.59%	19	991
Professional skilled (Level 9-12)	110 826	15.25%	104	1 066
Skilled (Level 6-8)	449 758	61.89%	502	896
Semi-skilled (Level 4-5)	125 836	17.32%	117	1 076
Unskilled (Level 2-3)	19 969	2.75%	32	624
Total	726 700	100%	775	938

^{*}The total personnel expenditure includes officials from the provinces paid via the DOL split and the total number of employees relates to head office staff without provincial staff.

Table 18: Performance Rewards as at 31 March 2018

Programme/ activity/ objective	Performance rewards	Personnel Expenditure (R'000)	Performance reward (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management (Level 15-16)	0	1 489	-	-
Senior management (Level 13-14)	0	18 822	-	-
Professional skilled (Level 9-12)	17	110 826	1 218	1.1%
Skilled (Level 6-8)	27	449 758	10 735	2.4%
Semi-skilled (Level 4-5)	21	125 836	1 029	0.8%
Unskilled (Level 2-3)	0	19 969	317	1.6%
Total	65	726 700	13 299	1.8%

Table 19: Training cost as at 31 March 2018

Programme/ activity/ objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training expenditure as a % of Personnel cost	No. of employees trained	Average training cost per employee
Top Management (Level 15-16)	1 489	47.44	3.2%	2	23.72
Senior management (Level 13-14)	18 822	948.70	5%	40	23.72
Professional skilled (Level 9-12)	110 826	6 332.60	5.7%	267	23.72
Skilled (Level 6-8)	449 758	16 127.98	3.6%	680	23.72
Semi-skilled (Level 4-5)	125 836	1 185.88	0.9%	50	23.72
Unskilled (Level 2-3)	19 969	806.40	4%	34	23.72
Total	726 700	25 449	3%	1073*	23.72

 $^{^{\}star}$ Training was calculated as per the number of training interventions attended by employees.

Table 20: Employment and vacancies as at 31 March 2018

Programme/ activity/ objective	2016/2017 No of employees	2017/2018 Number of approved posts	2017/2018 No of employees	2017/2018 Vacancies	% of Vacancies
Programme 1: Administration	524	678	510	168	24.8
Programme 2: Compensation For Occupational Injuries And Diseases Services	99	244	162	82	33.6
Programme 3: Medical Benefits		42	5	37	88.1
Programme 4: Orthotic and Rehabilitation		23	1	22	95.7
Additional employees (1)			97	0	0
TOTAL	623	987	775	309	31.3

^{1.} Employees serving at various Programmes across the Compensation Fund.

Table 21: Employment and vacancies by salary band as at 31 March 2018

Salary band	2016/2017 No of employees	2017/2018 Number of approved posts	2017/2018 No of employees	2017/2018 Vacancies	% of Vacancies
Top Management (Level 15-16)	1	1	1	0	0
Senior management (Level 13-14)	13	30	19	11	36.7
Professional skilled (Level 9-12)	107	182	104	78	42.9
Skilled (Level 6-8)	297	575	502 (1)	157	27.3
Semi-skilled (Level 4-5)	200	165	117	48	29.1
Unskilled (Level 2-3)	14	34	32 (2)	15	44.1
TOTAL	623	987	775	309	31.3

^{1.} Eighty four (84) employees are additional to establishment at salary levels 6-8 2. Thirteen (13) employees are additional to the establishment at salary level 2-3

Four SMS posts were filled within six months during the reporting period.

Table 22: Employment Changes as at 31 March 2018

Salary band	Employment at the beginning of the period	Appointments	Terminations	Employment at the end of the period
Top Management (Level 15-16)	1	0	0	1
Senior management (Level 13-14)	13	6	0	19
Professional skilled (Level 9-12)	107	9	5	104
Skilled (Level 6-8)	297	11	16	502
Semi-skilled (Level 4-5)	200	4	4	117
Unskilled (Level 2-3)	14	0	1	32
TOTAL	623	29	26	775

Difference on salary band are due to employees over and above establishment at salary level

Table 23: Reasons staff are leaving as at 31 March 2018

Reason	Number	% of total no of staff leaving
Death	6	0.8
Resignation	17	2.5
Dismissals	1	0.1
Retirement	4	0.5
III health	0	0
Expiry of contract	47	6.9
Other	5	0.7
TOTAL	76	11.2

Table 24: Labour relations: Misconduct and disciplinary action as at 31 March 2018

Nature of disciplinary Action	Number
Verbal Warning	0
Written Warning	5
Final Written Warning	16
Dismissal	1

Equity Target and Employment Equity Status

Table 25: Equity Target and Employment Equity Status: Males at 31 March 2018

Levels	MALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management (Level 15-16)	1		0		0		0	
Senior management (Level 13-14)	8		0		1		0	
Professional skilled (Level 9-12)	50		1		0		1	
Skilled (Level 6-8)	132		3		1		5	
Semi-skilled (Level 4-5)	56		1		1		0	
Unskilled (Level 2-3)	6		0		0		0	
TOTAL	253		5		3		6	

Table 26: Equity Target and Employment Equity Status: Female at 31 March 2018

Levels	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management (Level 15-16)	0		0		0		0	
Senior management (Level 13-14)	9		1		0		0	
Professional skilled (Level 9-12)	50		0		0		2	
Skilled (Level 6-8)	239		17		0		21	
Semi-skilled (Level 4-5)	56		0		0		3	
Unskilled (Level 2-3)	4		0		0		9	
TOTAL	358		18		0		35	

^{*}Total of table 25 and 26 equals 678 and excludes employees which are additional to the establishment

Table 27: Employment equity: People with disabilities at 31 March 2018

Levels	Disabled Staff						
	М	ale	Female				
	Current	Target	Current	Target			
Top Management (Level 15-16)	0		0	0			
Senior management (Level 13-14)	1		0	1			
Professional skilled (Level 9-12)	3	3	0	4			
Skilled (Level 6-8)	0	5	0	6			
Semi-skilled (Level 4-5)	1	3	0	4			
Unskilled (Level 2-3)	0	0	0	0			
TOTAL	5	11	0	15			

Explanations for major variances between target and current and attempts made by the Compensation Fund to address the variances. The Compensation Fund had an Employment Equity Plan. However, it is guided by the Cabinet Committee's decision, in line with the delivery Agreement, to retain 2% minimum employment equity target for the employment of PWDs. Due to inability to attract applicants with disabilities, the CF has a variance of 0.7% between the target (2%) and current target (0.7%) as at the end of the reporting period.



FINANCIAL INFORMATION



PART E

1. REPORT OF THE AUDITOR GENERAL

Independent auditor's report to Parliament on Compensation Fund

Report on the audit of the consolidated and separate financial statements

Disclaimer of opinion

- 1. I was engaged to audit the consolidated and separate financial statements of the Compensation Fund and its subsidiaries (the group) set out on pages 75 to 167, which comprise the consolidated and separate statement of financial position as at 31 March 2018, the consolidated and separate statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.
- 2. I do not express an opinion on the financial statements of the public entity and the group. Because of the significance of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated and separate financial statements.

Basis for disclaimer of opinion

Revenue and receivables from non-exchange transactions

- 3. I was unable to obtain sufficient appropriate audit evidence for revenue from non-exchange transactions and receivables from non-exchange transactions as the entity did not have processes in place to ensure that employers were accurately assessed in terms of Compensation for Occupational Injuries and Diseases Act of South Africa, 1993 (Act No. 130 of 1993) (COIDA) (COIDA). Furthermore, management did not maintain proper accounting records and adequate controls over assessment of revenue and debtors. This resulted in revenue being incorrectly recorded and payments received from debtors not being recorded in the correct period for the current and prior years. In addition, the entity could not provide sufficient appropriate audit evidence to support unallocated receipts. The entity's records did not permit the application of adequate alternative audit procedures regarding revenue and receivables from non-exchange transactions. Consequently, I was unable to determine whether any adjustments were necessary to the financial statements as follows:
 - Revenue from non-exchange transactions stated at R7,298 billion (2017: R9,222 billion) in the consolidated and separate financial statements and
 - Receivables from non-exchange transactions stated at R1,701 billion (2017: R6,001 billion) in the consolidated and separate financial statements.
- 4. The limitations indicated above also have an impact on the debt impairment stated at R5,378 billion (2017: R44,753 million) in the consolidated and separate financial statements.

Receivables from exchange transactions (Contributions exempted employers) and Administrative contributions by exempted employers

5. I was unable to obtain sufficient appropriate audit evidence to substantiate that management had correctly accounted for receivables from exchange transactions from contributions by exempted employers and revenue from Administrative contributions by exempted employers for the current and prior year, as management did not have adequate internal controls to maintain records of receivables from exchange transactions from contributions by exempted employers and revenue from administrative contributions by exempted employers. The entity's records did not permit the application of adequate alternative audit procedures in this regard. Consequently, I was unable to determine whether any adjustments to receivables from exchange transactions from contributions by exempted employers stated at R48,153 million (2017: R75,254 million) and revenue from administrative contributions by exempted employers stated at R36,165 million (2017: R32,001 million) in the separate financial statements.

Benefits

- 6. Management did not implement adequate internal controls to maintain records of benefits claimed. I was therefore unable to obtain sufficient appropriate audit evidence to substantiate whether management had correctly accounted for all claims in the current and prior year. The entity's records did not permit the application of adequate alternative audit procedures regarding benefits paid. As a consequence, I was unable to determine whether any adjustments to benefits paid stated at R2,444 billion (2017: R5,500 billion) in the consolidated and separate financial statements were necessary.
- 7. The limitations indicated above also have an impact on the capitalised value for pensions stated in the financial statements as follows:
 - Non-current liability R20,732 billion (2017: R20,656 billion) in the consolidated and separate financial statements.
 - Current liability R15,327 Million (2017: R1,1 billion) in the consolidated and separate financial statements.

Provision for outstanding claims

- 8. I was unable to obtain sufficient appropriate audit evidence for the provision for outstanding claims. Management did not implement effective systems of internal control to maintain proper accounting records and information relating to the movement in the provision for outstanding claims resulting from payments and the measurement of estimates in accordance with GRAP 19, Provisions, Contingent liabilities and contingent assets. Therefore, I could not confirm, by any alternative means, whether any adjustments were necessary to the provision for outstanding claims stated in the financial statements as follows:
 - Non-current liability R8,494 billion (2017: R8,494 billion) in the consolidated and separate financial statements
 - Current liability R3,644 billion (2017: R3,878 billion) in the consolidated and separate financial statements.

Investments in associates

9. The entity did not correctly account for investments in associates in accordance with GRAP 104, financial instruments. The entity equity accounted for the associates in the separate financial statement in contravention of GRAP 6 - Consolidated and Separate Financial Statements. As a result, the investment in associates balance is overstated by R 131,229 million and fair value adjustments are overstated by R 131,229 million in the separate financial statements. The material misstatement has a consequential impact on the surplus for the period and accumulated surplus in the separate financial statements.

Current and non-current Investments

- 10. The entity did not correctly account for financial instruments carried at amortised cost in accordance with GRAP 104, financial instruments. The entity incorrectly accounted for fair value adjustments on financial instruments carried at amortised cost. As a result, the balance of investments is overstated by R 109,620 million and the fair value adjustments are overstated by R 109,620 million in the consolidated and separate financial statements. The material misstatement has a consequential impact on the surplus for the period and accumulated surplus in the separate financial statements.
- 11. The entity did not correctly account for financial instruments carried at amortised in accordance with GRAP 104, financial instruments. The entity incorrectly accounted for loans and receivables as unlisted shares. As a result, the balance of loans and receivables is understated by R676,645 and the balance of unlisted shares is overstated by R676,645 million in the consolidated and separate financial statements.

Property, plant and equipment

12. I was unable to obtain sufficient appropriate audit evidence for the property, plant and equipment. Management did not implement effective systems of internal control to maintain proper accounting records and information relating to property, plant and equipment. I could not confirm the balance of property, plant and equipment by alternative means as the entity's records did not permit the application of alternative audit procedures. Consequently, I was unable to determine whether any adjustments were necessary to property, plant and equipment stated at 284,712 million and R 239,775 million in the consolidated and separate financial statements respectively.

Payables from exchange transactions

13. I was unable to obtain sufficient appropriate audit evidence that management had correctly accounted for all payables from exchange transactions for the current and prior year, as management did not maintain adequate records of payables from exchange transactions. The entity's records did not permit the application of adequate alternative audit procedures in this regard. As a consequence, I was unable to determine whether any adjustments were required to payables from exchange transactions stated at R1,241 billion (2017: R710,643 million) and R1,188 billion (2017: R691,950 million) in the consolidated and separate financial statements respectively.

Payables from non-exchange transactions

- 14. I was unable to obtain sufficient appropriate audit evidence to substantiate that management had correctly accounted for all payables from non-exchange transactions as management did not maintain adequate records of payables from non-exchange transactions. The entity's records did not permit the application of adequate alternative audit procedures in this regard. As a consequence, I was unable to determine whether any adjustments were required to payables from non-exchange transactions stated at R108,945 million (2017: R530,091 million) in the consolidated and separate financial statements
- 15. The entity did not correctly account for payables from non-exchange transactions in accordance with GRAP 1. The entity incorrectly accounted for payables from non-exchange transactions as payables from exchange transactions. As a result, the payables from non-exchange transactions are understated by R999,766 million and payables from exchange transactions are overstated by R999,766 million in the consolidated and separate financial statement.

Unclaimed monies

16. I was unable to obtain sufficient appropriate audit evidence for the unclaimed monies. Management did not implement effective systems of internal control to maintain proper accounting records and information relating to unclaimed monies. I could not confirm the balance of unclaimed monies by alternative means as the entity's records did not permit the application of alternative audit procedures. Consequently, I was unable to determine whether any adjustments were necessary to unclaimed monies stated at R 555,568 million in the consolidated and separate financial statements.

Cash and cash equivalents

17. The entity did not correctly account for all cash and cash equivalents in accordance with GRAP 104, financial instruments. The entity incorrectly accounted for cash and cash equivalents as investments. As a result, the cash and cash equivalents is understated by R 645,244 million and investments are overstated by R 645,244 million in the consolidated and separate financial statements.

Statement of comparison of budget and actual amounts

18. The entity did not account for all variances in the statement of comparison of budget and actual amounts in accordance with GRAP 24. The entity omitted material actual amounts in the comparison of budgeted and actual amounts. As a result, the statement of comparison of budget and actual amounts is misstated by R 439,151 million in the consolidated and separate financial statements. Consequently, I was unable to obtain sufficient appropriate audit evidence to substantiate the appended explanations to the statement of comparison of budget and actual amounts in the consolidated and separate financial statements.

Loans to economic entities

19. I was unable to obtain sufficient appropriate audit evidence for the amount of loans to economic entities as the entity did not provide adequate records for the loans. I could not confirm the balance of Loans to economic entities by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to loans to economic entities stated at R 410,271 million in the consolidated financial statements.

Prior Period errors

20. I was unable to obtain sufficient appropriate audit evidence for the amounts disclosed as prior period errors as the entity did not provide adequate supporting documents. I could not confirm the amounts disclosed as prior period errors by any alternative means. Consequently, I was unable to determine whether any adjustments were necessary to amounts disclosed as prior period errors in note 30 and 29 of the consolidated and separate financial statements respectively

Related Parties

21. I was unable to obtain sufficient appropriate evidence for the amounts disclosed as related party balances and transactions as the entity did not maintain adequate records. I could not confirm the amounts by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to related party balances and transactions disclosed in note 28 and 27 of the consolidated and separate financial statements respectively.

Contingencies

- 22. I was unable to obtain sufficient appropriate audit evidence for the amount disclosed as contingencies in note 26, as the entity did not maintain adequate records in respect of contingencies. The entity's records did not permit the application of adequate alternative audit procedures in this regard. As a consequence, I was unable to determine whether any adjustments were necessary to contingencies stated as follows:
 - Securities held/ceded: R91,3 billion (2016: R21,4 billion) in the consolidated and separate annual financial statements
 - Notices of motions and summons: R16 million (2017: R21 million) in the consolidated and separate annual financial statements.

Irregular expenditure

23. I was unable to obtain sufficient appropriate audit evidence to confirm the irregular expenditure included in the notes to the financial statements for both the current and prior year, as sufficient appropriate evidence was not provided. The entity's records did not permit the application of adequate alternative audit procedures in this regard. Consequently, I was unable to determine whether any adjustment was necessary to the irregular expenditure stated at R764,481 million (2017: R762,423 million) in the consolidated and separate financial statements.

Fruitless and wasteful expenditure

24. I was unable to obtain sufficient appropriate audit evidence to confirm the fruitless and wasteful expenditure included in the notes to the financial statements for both the current and prior year, as sufficient appropriate evidence was not provided. The entity's records did not permit the application of adequate alternative audit procedures in this regard. Therefore, I was unable to determine whether any adjustment was necessary to the fruitless and wasteful expenditure stated at R445,647 million (2017: R436,114 million) in the consolidated and separate financial statements.



Emphasis of matters

25. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Material losses

26. As disclosed in note 35 to the financial statements, material losses amounting to R 183,395 million (2017: R 1,581 million) were incurred as a result of criminal conduct.

Irregular expenditure

27. As disclosed in note 34 to the financial statements, irregular expenditure to the amount of R761 million that was incurred in the previous years and awaiting condonation.

Provision for Impairments - Receivables from non-exchange transactions

28. As disclosed in note 20 to the financial statements, a material impairment provision for doubtful debts to the amount of R 5,378 billion was provided for in the financial statements.

Other matter

Withdrawal from the audit engagement

29. Due to the limitation imposed on the scope of the audit by management, I have disclaimed my opinion on the financial statements. However, for the legislated requirement to perform the audit of the public entity, I would have withdrawn from the engagement in terms of the ISAs.

Responsibilities of accounting authority for the financial statements

- 30. The accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with Standards of General Recognised Accounting Practice (SA Standard of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) and Compensation for Occupational Injuries and Diseases Act of South Africa, 1993 (Act No. 130 of 1993) (COIDA) and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.
- 31. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

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

- 32. My responsibility is to conduct an audit of the consolidated and separate financial statements in accordance with the International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.
- 33. I am independent of the public entity and the group in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and the ethical requirements that are relevant to my audit of the consolidated and separate financial statements in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

Report on the audit of the annual performance report

Introduction and scope

- 34. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
- 35. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
- 36. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2018:

Programmes	Pages in the annual performance report
Programme 1: Administration	22
Programme 2: Compensation for Occupational Diseases and Injuries (1993) Operations	25
Programme 3: Provincial operations: Compensation for Occupational Injuries and Diseases Act (1993)	27

- 37. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
- 38. The material findings in respect of the usefulness and reliability of the selected programmes are as follows:

Programme 1: Administration

- 39. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following programmes:
 - Programme 1: Administration

Programme 2: Compensation for Occupational Diseases and Injuries (1993) Operations

Indicator: Respond to a percentage of received pre-authorisation requests within 10 working days

40. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target on the Respond to a percentage of received pre-authorisation requests within 10 working days. This was due to limitations on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 79% Respond to a percentage of received pre-authorisation requests within 10 working days, as reported in the annual performance report.

Indicator: Percentage of approved benefits paid within 5 working days

41. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target on the percentage of approved benefits paid within 5 working days. This was due to inadequate technical indicator descriptions that predetermined how the achievement would be measured, monitored and reported. I was unable to confirm that the reported achievement of this indicator by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 100 % approved benefits paid within 5 working days.

Programme 3: Provincial operations: Compensation for Occupational Injuries and Diseases Act (1993)

Indicator: Percentage of claims adjudicated within 60 working days of receipt

42. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target on the percentage of claims adjudicated within 60 working days of receipt. This was due to in appropriate portfolio of evidence submitted by management. I was unable to confirm that the reported achievement of this indicator was reliable by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 95% percentage of claims adjudicated within 60 working days of receipt.

Other matters

43. I draw attention to the matters below.

Achievement of planned targets

44. Refer to the annual performance report on pages' 22, 25 and 27 for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a number of targets. This information should be considered in the context of the material findings expressed on the usefulness and reliability of the reported performance information in paragraphs 39, 40, 41 and 42 of this report.

Adjustment of material misstatements

45. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Programme 2: Compensation for Occupational Diseases and Injuries (1993) Operations and Programme 3: Provincial operations: Compensation for Occupational Injuries and Diseases Act (1993).

Report on the audit of compliance with legislation

Introduction and scope

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

Annual Financial statements

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

Expenditure management

- 49. Effective steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. As reported in the basis for the disclaimer of opinion, the full extent of the irregular expenditure as disclosed in note 34 of the financial statements could not be quantified. The irregular expenditure as disclosed in the financial statements was caused by non-compliance with various National Treasury procurement requirements.
- 50. Effective steps were not taken to prevent fruitless and wasteful expenditure, as required by section 51(1) (b) (ii) of the PFMA. As reported in the basis for the disclaimer of opinion, the full extent of the fruitless and wasteful expenditure as disclosed in note 33 of the financial statements could not be quantified. The fruitless and wasteful expenditure as disclosed in the financial statements was caused by non-compliance with various National Treasury procurement requirements.

Claims and payables management

51. The accounting authority did not maintain an effective control environment to accept, adjudicate, and make payments to the injured as required by section 22 and 29 of COIDA.

Revenue management

52. Effective and appropriate steps were not taken to collect all money due, as required by section 51(1)(b)(i) of the PFMA.

Consequence management

- 53. Disciplinary steps were not taken against some officials who had incurred and/or permitted irregular expenditure amounting to R 384 419 150.06, as required by section 51(1)(e)(iii) of the PFMA. The irregular expenditure relates to prior years.
- 54. Disciplinary hearings were not held for some confirmed cases of financial misconduct committed by officials, as required by treasury regulation 33.1.1.

Procurement processes

55. Quotations were awarded to bidders based on preference points that were not calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.

Contract management

56. Some contracts were extended or modified without the approval of a properly delegated official as required by Treasury Regulation 8.2.1 and 8.2.2

Internal control deficiencies

57. I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the disclaimer of opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

- 58. Management did not hold officials accountable for the implementation and monitoring of the action plan to address audit findings from prior years. This resulted in the recurrence of numerous findings reported in prior years which led to poor service delivery and poor audit outcomes. The entity's audit action plan is ineffective as the actions did not enable adequate correction of prior year material misstatements and the internal control deficiencies.
- 59. The entity lacked sufficient and adequately qualified and skilled staff to support senior management. Furthermore, training and developmental interventions to capacitate middle management to supervise direct and hold staff accountable are lacking. As a result, corrective actions were not carried out or inappropriately performed, thus minimal progress in addressing prior year audit findings.

Financial and performance management

60. The fund did not have a proper system of record management that provided for the maintenance of information to support revenue management, expenditure management as well as financial and performance reporting. This included information relating to supporting documentation for the correction of prior year misstatements, consolidations, revenue, investments, irregular expenditure, fruitless and wasteful expenditure, material losses, claims, payables, general expenses, property plant and equipment, finance and operating leases, related parties, contingent liabilities, commitments and impairment calculations.

Governance

61. The audit committee and internal audit functions have not been effective in discharging their roles and responsibilities because information is often either submitted late or not at all by management thus not enabling effective oversight by the audit committee and assessment by internal audit.

Other reports

62. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Investigations

- 63. The Special Investigation Unit investigated an allegation of financial misconduct at the request of the minister. This was a further investigation based on the outcome by an independent consulting firm relating to the allegation of financial misconduct involving previous key officials. The investigation has been completed and the report was finalised and issued in the year under review. The report is still under consideration by the accounting authority to determine the appropriate action to be taken.
- 64. There were numerous investigations on fraud-related cases noted during the year. Some of the cases were finalised whilst others were still under investigation.

Auditor-General

Pretoria 31 July 2018



Auditing to build public confidence

General Information

Country of incorporation and domicile

Nature of business and principal activities

Members

Business address

Bankers

Auditors

South Africa

To provide compensation under the Compensation for Occupational Injuries and Diseases Act 130 of 1998 for disablement caused by occupational injuries or diseases sustained or contracted by workers, or death resulting from such injuries and diseases, and provide for matters connected therewith.

Compensation Commissioner

Delta Heights

167 Thabo Sehume Street

Pretoria 0001

ABSA

ABSA Towers, 15 Troy Street, Johannesburg, 2001

Auditor General of South Africa

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

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The financial statements set out on pages 75 to 167, which have been prepared on the going concern basis, were approved by the Director-General on 31 May 2018 and were signed on his behalf by:

Mr V Mafata

Compensation Commisioner

Financial Statements for the year ended 31 March 2018

Statement of Financial Position as at 31 March 2018

		2018	2017 Restated*
	Note(s)	R'000	R'000
Assets			
Current Assets			
Inventories	3	2 013	1 787
Investments	2	9 573 838	7 590 979
Receivables from exchange transactions	5	189 430	181 878
Receivables from non-exchange transactions	4	1 701 229	6 001 727
Prepayments		39 311	3 854
Cash and cash equivalents	6	181 278	588 841
		11 687 099	14 369 066
Non-Current Assets			
Investment property	7	8 000	8 000
Property, plant and equipment	8	239 775	129 737
Intangible assets	9	67 537	103 348
Investments in associates	37	216 448	272 269
Investments	2	54 351 536	47 000 669
Investments in subsidiary	38	693 628	584 184
		55 576 924	48 098 207
Current Assets		11 687 099	14 369 066
Non-Current Assets		55 576 924	48 098 207
Total Assets		67 264 023	62 467 273
Liabilities			
Current Liabilities			
Lease Liability	10	(94)	707
Payables from exchange transactions	12	1 188 138	691 950
Payables from non-exchange transactions	11	108 945	530 091
Capitalised value of pensions	14	15 327	1 100 001
Provision for outstanding claims	16	3 644 384	3 878 000
Accruals	13	124 179	99 807
		5 080 879	6 300 556

Financial Statements for the year ended 31 March 2018

Statement of Financial Position for the year ended 31 March 2018

	<u> </u>		
		2018	2017 Restated*
	Note(s)	R'000	Restated R'000
Non-Current Liabilities			
Lease Liability	10	3 903	668
Capitalised value of pensions	14	20 732 594	20 656 999
Provision for outstanding claims	16	8 494 000	8 494 000
	_	29 230 497	29 151 667
Current Liabilities		5 080 879	6 300 556
Non-Current Liabilities		29 230 497	29 151 667
Total Liabilities		34 311 376	35 452 223
Assets		67 264 023	62 467 273
Liabilities		(34 311 376)	(35 452 223)
Net Assets	_	32 952 647	27 015 050
Reserves			
Revaluation reserve	15	136 683	102 441
Unclaimed monies		555 568	97 557
Accumulated surplus		32 260 396	26 815 052
Total Funds and Reserves		32 952 647	27 015 050

Financial Statements for the year ended 31 March 2018

Statement of Financial Performance for the period ending 31 March 2018

		2018	2017 Restated
	Note(s)	R'000	R'000
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment	17	1 118	1 290
Penalties and interest received	17	134 771	110 535
Miscellaneous income	17	2 005	-
Administrative contributions by exempted employers (S88)	17	36 165	32 001
Interest received	17	3 790 657	3 651 605
Dividends received	17	420 307	368 654
Total Revenue from exchange transactions		4 385 023	4 164 085
Davanus from non avalous transportions			
Revenue from non-exchange transactions Revenue from employers			
Contributions by employer	17	6 972 843	8 852 341
Penalties on late submission of ROE's	17	325 805	370 369
Total revenue from non-exchange transactions		7 298 648	9 222 710
	_	-	-
Revenue from exchange transactions		4 385 023	4 164 085
Total revenue from non-exchange transactions		7 298 648	9 222 710
Total revenue		11 683 671	13 386 795
Expenditure			
Employee related costs	19	(726 700)	(637 648)
Depreciation and amortisation		(48 728)	(10 264)
Finance costs	21	(11 012)	(4 156)
Lease rentals on operating lease		(94 826)	(87 228)
Impairment of receivables	20	(5 378 766)	(44 753)
Repairs and maintenance		(20 682)	(5 780)
Benefits	18	(2 444 480)	(5 500 249)
General expenses	22	(432 349)	(369 476)
Total expenditure		(9 157 543)	(6 659 556)
Total revenue		11 683 671	13 386 795
Total expenditure		(9 157 543)	(6 659 553)

Financial Statements for the year ended 31 March 2018

Statement of Financial Performance for the period ending 31 March 2018

		2018	2017 Restated*
	Note(s)	R'000	R'000
Operating surplus (deficit)		2 526 128	6 727 244
Gain (loss) on disposal of assets		85	(58)
Fair value adjustments	23	2 881 750	(189 731)
Share of surpluses (deficits) from associates or joint ventures accounted for using the equity method		39 851	(112 549)
Loss from tranfer of functions between entities not under common control		(2 467)	-
Surplus for the year		5 445 347	6 424 901

Financial Statements for the year ended 31 March 2018

Statement of Changes in Net Assets as at 31 March 2018

	Revaluation reserves	Unclaimed Monies	Total reserves	Accumulated surplus	Total net assets
	R '000	R '000	R '000	R '000	R '000
Opening balance as previously reported	102 441	61 463	163 904	20 381 762	20 545 666
Adjustments					
Correction of errors		-	-	8 382	8 382
Balance at 01 April 2016 as restated*	102 441	61 463	163 904	20 390 151	20 554 055
Changes in net assets					
Surplus for the year ended 31 March 2017	-	-	-	6 424 901	6 424 901
Transfer to unclaimed monies	-	36 094	36 094	-	36 094
Balance as at 31 March 2017	102 441	97 557	199 998	26 815 052	27 015 050
Changes in net assets					
Revaluation of Land and Buildings	34 242	-	34 242	-	34 242
Transfers to Unclaimed Monies	-	458 011	458 011	-	458 011
Surplus for the year ended 31 March 2018	-	-	-	5 445 347	5 445 347
Balance as at 31 March 2018	136 683	555 568	692 251	32 260 396	32 952 647
Note(s)	15				

Financial Statements for the year ended 31 March 2018

Cash Flow Statement for the period ending 31 March 2018

		2018	2017 Restated*
	Notes	R'000	R'000
Cash flows from operating activities			
Receipts			
Receipts from non-exchange transactions		6 810 951	6 430 891
Rental facilities and equipment		1 118	1 290
Interest income		135 109	110 534
Other income		34 578	358
		6 981 756	6 543 073
Payments			
Payments to suppliers and employees		(1 266 438)	(1 400 084)
Finance costs		(11 012)	(4 156)
Benefits		(3 687 175)	(4 235 249)
		(4 964 625)	(5 639 489)
Total Receipts		6 981 756	6 543 073
Total Payments		(4 964 625)	(5 639 489)
Net cash flows from operating activities	24	2 017 131	903 584
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(88 713)	(1 625)
Disposal of property, plant and equipment	8	85	17
Purchase of intangible assets	9	-	(100 187)
Net outflows to investments		(2 338 500)	(300 000)
Net cash flows from investing activities		(2 467 311)	(401 795)
Cash flows from financing activities			
Finance lease		2 434	(344)
Net increase in cash and cash equivalents		(407 563)	501 443
Cash and cash equivalents at the beginning of the year		588 841	87 398
Cash and cash equivalents at the end of the period/year	6	181 278	588 841

Financial Statements for the year ended 31 March 2018

Statement of Comparison of Budget and Actual Amounts for the year ended 31 March 2018

	Approved budget	Adjustments R '000	Final Budget	Actual amounts on comparable basis R '000	Difference between final budget and actual R '000	Reference R '000
Statement of Financial Perform	nance					
Revenue						
Revenue from exchange transactions						
Administration contribution by exempted employer s88	-	-	-	-	-	
Rental of facilities and equipment	924	-	924	1 118	194	
Penalty and interest received	65 283	(65 283)	-	134 771	134 771	
Miscellaneous other revenue	-	-	-	2 005	2 005	
Administration Fees	22 590	-	22 590	36 165	13 575	1
Financial instruments - Fee income	2 000	-	2 000	-	(2 000)	
Interest received - investment	4 381 777	-	4 381 777	3 790 657	(591 120)	2
Dividends received	325 314	-	325 314	420 307	94 994	3
Total revenue from exchange transactions	4 797 888	(65 283)	4 732 605	4 385 023	(347 582)	
Revenue from non-exchange t	ransactions					
Revenue						
Contributions by employer	7 945 282	-	7 945 282	6 972 843	(972 439)	4
Penalties and interest charged	646 440	-	646 440	325 805	(320 635)	5
Total revenue from non- exchange transactions	8 591 722	-	8 591 722	7 298 648	(1 293 074)	
Total revenue	13 389 610	(65 283)	13 324 327	11 683 671	(1 640 656)	

Financial Statements for the year ended 31 March 2018

Statement of Comparison of Budget and Actual Amounts for the year ended 31 March 2018

	Approved budget	Adjustments R '000	Final Budget	Actual amounts on comparable basis R '000	Difference between final budget and actual R '000	Reference R '000
Expenditure						
Employee costs	(653 769)	-	(653 769)	(726 700)	(72 931)	6
Depreciation and amortisation	(22 696)	-	(22 696)	(48 728)	(26 032)	7
Finance costs	-	-	-	(11 012)	(11 012)	
Lease rentals on operating lease	(74 592)	-	(74 592)	(94 826)	(20 234)	8
Impairment	(140 000)	-	(140 000)	(5 378 766)	(5 238 766)	9
Repairs and maintenance	(8 488)	-	(8 488)	(20 682)	(12 194)	10
Benefits	(7 775 060)	-	(7 775 060)	(2 444 480)	5 330 580	11
Reversal of impairment in associates	-	-	-	(432 345)	(432 345)	
Total expenditure	(8 674 605)	-	(8 674 605)	(9 157 539)	(482 934)	
Operating surplus	4 715 005	(65 283)	4 649 722	2 526 132	(2 123 590)	
Gain on disposal of assets and liabilities	-	-	-	85	85	
Fair value adjustments	1 234 684	-	1 234 684	2 881 750	1 647 066	
Share of surpluses or deficits from associates	-	-	-	39 851	39 851	
	1 234 684	_	1 234 684	2 921 686	1 687 002	
Actual Amount on Comparable	5 949 689	(56 283)	5 884 406	5 447 818	(436 588)	
Basis as Presented in the Budget and Actual Comparative Statement	5 545 685 	(30 203)	5 004 406	9 44/ 010	(430 300)	

Financial Statements for the year ended 31 March 2018

Statement of Comparison of Budget and Actual Amounts for the year ended 31 March 2018

Budget Explanations:

1. Administration fee

Administration fees are higher than the budgeted amount due to increases in number of claim handled by the Fund on behalf of exempted employers and national departments.

2. Investment Income

Interest on investments is below budget due to financial market conditions as a result of low economic growth environment and average bond yields remaining flat in the current financial year.

3. Dividends received

Dividends are higher than expected due to more companies declaring dividends.

4. Contribution by Employer

Contributions decrease due to non-compliance by employers.

5. Penalties and interest charged

Penalties and interest charged were based on contribution from employers and less revenue was collected from employer.

6. Employees Cost

Employee costs are higher than the budget due to the implementation of new structure.

7. Depreciation and amortisation

Depreciation and amortisation is higher than expected due to capitalisation of SAP licence and addition furniture for Delta Heights building.

8. Lease rental

Over expenditure is due to rental of Delta Heights building.

9. Impairement

The Fund raised assessments in 2017 financial year based on estimated earnings as per s.83(6) of COIDA. These debts were not recovered by the Fund and furthermore some employer who were assessed on submitted did not pay.

10. Repairs and maintenance

Increase is due to repairs and maintenance on Compensation House building and Delta Heights.

11. Benefit

Benefits are lower than expected as the annual provision as per actuarial valuation is outstanding.

Financial Statements for the year ended 31 March 2018

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board and in accordance with Section 55(1)(b)(c) of the Public Finance Management Act (Act 1 of 1999).

1.1. Basis of Presentation

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise. A summary of the significant accounting policies of these financial statements are disclosed below.

1.2. Presentation currency

These financial statements are presented in South African Rand(ZAR), which is the functional currency of the Fund.

1.3. Going concern assumption

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

1.4. Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

1.4.1. Provision for outstanding claims

Liabilities for unpaid claims are calculated based on the long-term trend of annual claim payments. The long-term trend is achieved by grouping claims paid in each of the previous ten financial years according to the year of the accident or diagnosis of the disease and the number of years until the payment is made. The fund makes an allowance for short-term factors and future claims inflations to project the likely incedence of future claim payments. Furthermore, a 'tail factor' is applied to the results to reflect the fact that the claim data contains claim payments in respect of accidents that occurred ten or more years ago. Additional disclosure of these estimates of provisions are included in the note 16 - Provision for outstanding claims.

Financial Statements for the year ended 31 March 2018

Accounting Policies

Provision for outstanding claims (continues)

Claims incurred comprise the total estimated cost of claims that have occurred in the year and for which the Fund is responsible, whether or not reported by the end of the year. Claims and loss adjustment expenses are charged to surplus or deficit as incurred, based on the estimated liability for compensation. The Fund does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are calculated based on an estimated average cost per claim for each underwriting year. The incurred but not reported claims ("IBNR") are based on estimated unreported claims as calculated by the actuaries. The average cost per claim is based on the actual claims paid and awards made, and estimated outstanding costs (based on the latest and most reliable information available), and the number of claims registered.

1.4.2 Capitalised value of pensions

Annually, the Fund through its actuaries, determines the technical liability reflecting the funds that should be kept aside for all the existing pensioners in order to ensure that there will be adequate reserves invested at PIC. This will ensure that all pensioners including their spouses and children will be paid for their entire natural lives.

The assumptions used to determine the natural life is based on the factors that will be catered for in note 14.

1.4.3. Liability adequacy test in respect of claims benefits

Contracts under which the Fund accepts significant insurance risk from another party (the claimant), by agreeing to compensate the claimant for a specified uncertain future event (the insurable event) which affects the claimant adversely are classifed as insurance contracts. The Fund accepts insurance risk as it is mandated by legislation to compensate victims of work-related accidents for injuries suffered.

1.4.4. Allowance for doubtful debts

An impairment loss is recognised in surplus or deficit when there is objective evidence that a debtor is impaired. The impairment is measured as the difference between the debtors carrying amount and the recoverable amount.

It is the policy of the Fund to fully impair all debtors that are over 180 days unless:

- The debtor is on installment plan and has not breached the terms.
- The debtor is blocked or is an estate debtor in which case these are impaired 100% despite being aged less than 180 days.

Financial Statements for the year ended 31 March 2018

Accounting Policies

1.4.5. Accrued Revenue: assesments not raised

Where employer assessments have not been finalised and the ROE remains open, the Fund makes an estimate of assessments revenue due from the employers. The estimate is based on the most recent assessments recognised in the previous two years with the third year being used as a base. Impaired, blocked and inactive employers are excluded from the estimate.

The applicable minimum assessment is also applied where ROEs have remained open during the two year estimation years.

1.4.6. Accrual for accumulated leave and service bonus

The cost of all short-term employee benefits is recognised during the period in which the employee renders related services. Employee entitlements are recognised when they accrue to employees. An accrual is recognised for the estimated liability as a result of services rendered by employees up to the reporting date. Accruals relating to employee benefits include annual leave, capped leave and a thirteenth cheque.

1.5. Investment property

Investment property is property (land or a building or part of a building or both) held to earn rentals or for capital appreciation or both, rather than for:

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

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

Investment property is initially recognised at cost and transaction costs are included in the initial measurement.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

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

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

Financial Statements for the year ended 31 March 2018

Accounting Policies

1.5 Investment property (continued)

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Subsequent to initial measurement investment property is measured at fair value, the fair value of investment property reflects market conditions at the reporting date and determined annually by an independent valuer.

A gain or loss arising from a change in fair value is included in surplus or deficit for the period in which it arises

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

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

Property, plant and equipment is initially measured at cost and is subsequently carried at cost less any accumulated depreciation and any accumulated impairment losses (except land and buildings).

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 assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment

Buildings are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Land is carried at revalued amount being fair value at the date of revaluation and is not depreciated.

Financial Statements for the year ended 31 March 2018

Accounting Policies

1.6 Property, plant and equipment (continued)

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against gross carrying amount of the asset and net amount restated to the revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to accumulated surplus when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

Item	Depreciation method	Average useful life
Land	Not depreciated	Indefinite
Buildings	Straight line	50 years
Furniture and fixtures	Straight line	6 - 10 years
Motor vehicles	Straight line	5 years
IT equipment	Straight line	3 years
Leasehold improvements	Straight line	Over the lease term
Escalators and elevators	Straight line	12 -20 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

Financial Statements for the year ended 31 March 2018

Accounting Policies

1.6 Property, plant and equipment (continued)

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.7 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.

Financial Statements for the year ended 31 March 2018

Accounting Policies

1.7 Intangible assets (continued)

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.

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(useful life) and the amortisation method for intangible assets are reviewed at each reporting date.

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

ItemUseful lifeComputer software, other3 - 9 Years

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

1.8 Investments in associates

Where the Fund holds, directly or indirectly 20% or more of the voting power of the investee, it is presumed that we have significant influence. A substantial or majority ownership by another investor does not necessarily preclude the Fund from having significant influence.

The Compensation Fund classifies an investment as an Associate where it has significant influence.

When assessing whether an entity has significant influence, the existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered. Potential voting rights can be obtained by owning share call options, debt or equity instruments, share warrants or other similar instruments that are convertible into ordinary shares.

Financial Statements for the year ended 31 March 2018

Accounting Policies

1.8 Investments in associates (continued)

Investments in associates are accounted for using the equity method.

The existence of significant influence is usually evidenced by one or more of the following:

- Representation on the board of directors or equivalent governing of the investee;
- Participation in policy-making processes, including participation in decisions about dividends or similar distributions:
- Material transactions between the investor and investee;
- Interchange of managerial personnel; or
- Provision of essential technical information.

Investments in asociates are derecognised when the Fund loses significant influence. The Fund loses significant influence over the investee when it loses the power to participate in the financial and operating policy decision of the investee.

Investment in associates are assessed for impairment whenever there are indications that the recoverability of the carrying amount of the associate maybe in doubt. The resulting impairment loss is allocated first to goodwill. Goodwill is not tested separately but as an integral part of the carrying amount of the Associate.

1.9 Financial assets and Liabilities

The relationship is accordingly, not established by contract but by legislation. Management decided to enhance certain disclosures by applying some principles of GRAP 104. The following items are accordingly presented in the notes to the annual financial statements:

- · Disallowances (Benefits paid in error)
- · Benefits paid
- · Legal costs.

1.9.1. Classification of Financial assets and liabilities

Financial assets and financial liabilies at fair value through surplus or deficit:

Financial instruments held for trading

These include equities, capital market instruments, money market instruments, options and all derivatives in a net receivable position (positive fair value). All derivatives in a net payable position are reported as financial liabilities. Derivatives are designed to facilitate the transfer and isolation of risk and are used by the fund for both risk transfer and investment purposes. The Fund does not use derivatives for speculative or gearing purposes. Fair value adjustments and gains losses are recognised in the statement of financial performance.

Assets in this category are classified as current assets if they are expected to be realised within 12 months from the statements of financial position date.

At initial recognition, the Fund may designate a non-derivative fiancial instrument with fixed or determinable payment at fair value when the following criteria is met:

- The designation is made on an instrument by instrument basis
- A narrative description of the criteria used to make such designation should be provided.

Financial Statements for the year ended 31 March 2018

Accounting Policies

1.9.1. Classification of Financial assets and liabilities (continues)

Financial instruments held for trading (continues)

Bills and promisionary note have been designated at fair value due to the money market curve valuation method that is used to value these financial assets. This is consistent with prior years.

Financial instruments at amortised cost

Investments

Investments at amortised cost are non-derivative financial assets with fixed or determinable payments that are quoted in an active market. They are included in current assets ,except for maturities greater than 1 year after the reporting date.

These are classified as non- current assets. Investments at amortised cost are subsequently measured using effective interest method.

Cash and cash equivalents

Cash and cash equivalents include cash-in-hand ,deposits held on call with South African banks and amounts due from banks and National Treasury on demand. Cash and cash equivalents are short - term highly liquid investments that are readily convertible to known amounts of cash ,are subject to an insignificant risk of changes in value ,and are held for the purpose of meeting short -term cash commitments rather than for investments for other purposes.

Bank overdrafts is shown as current liabilities on the statement of financial positon.

Trade and other receivables

Trade and other receivables are initially measured at fair value (transaction price), and are subsequently measured using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired.

Trade and other payables

Trade payables are initially measured at fair value (transaction price) and are subsequently measured using the effective interest rate method. Trade and other payables are presented at their respective outstanding balances at year-end. These are subject to normal trade credit terms and relatively short payment cycles.

1.9.2.Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provision of the instrument, i.e. trade-date accounting.

Financial liabilities are not recognised unless one of the parties has performed or the contract is a derivative contract not exempted from the scope of GRAP 104.



Financial Statements for the year ended 31 March 2018

Accounting Policies

1.9.3.Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in the case of financial assets or financial liability, subsequently measured at amortised cost, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liability. Transaction costs are excluded from financial instruments which are subsequently measured at fair value at initial recognition. These transaction costs are expensed in the statement of financial performance, while on other financial instruments they are capitalised.

1.9.4. Fair value measurement principles

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at reporting date. For instruments where there are no active markets the fair value of the insturment is determined using valuation techniques, including use of recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow techniques or any other valuation technique making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Certain financial instruments, including derivative financial instruments, are valued using pricing models that consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve, volatility factors and/or prepayment rates of the underlying position. The use of different pricing models and assumptions could produce materially different estimates of fair values. Inputs are based on market data at the statement of financial position date where other pricing models are used.

The fair value of derivatives that are not exchange-traded is estimated as the amount that the Fund would receive or pay to terminate the contract at the statement of financial position date, taking into account current market conditions (volitality, appropriate yield curves) and the current creidit worthiness of the counterparties.

Unlisted investment are measured at fair value determined by the external valuator. The external valuator uses valuation methods which comply with Generally Accepted Accounting Principles (GRAP) and the International Private Equity and Venture Capital (IEPVC) valuation guidelines. For the unlisted equity investments, the price of recent investment approach method, the discounted cash flow techniques (DCF) and price earnings multiple (PE Multiple) is used to determine fair value after adjusting for any subsequent events where necessary.

The fair value of floating rate and overnight deposits with credit institutions are their carrying value. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the statement of financial position date. If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

1.9.5. Gains and losses on subsequent measurement

Gains or losses arising from changes in the fair value of the "Financial assets at fair value through surplus or deficit" category are presented in the statement of financial performance within "Fair value adjustment" gains or losses in the period in which they arise.

1.9.6. Expenses

All expenses, including management fees, custodian fees and other transaction costs, are recognised in the statement of financial performance on an accrual basis.

Financial Statements for the year ended 31 March 2018

Accounting Policies

1.9.7. Dividend income

Dividend income relating to exchange-traded equity is recognised in the statement of financial performance on the ex- dividend date (when the Fund's right to receive payment is established). In such cases, the Fund may receive or choose to receive dividends in the form of additional shares rather than cash. In such cases, the Fund recognises the dividend income for the amount of the cash dividend, alternative with the corresponding debit, treated as an additional investment.

Dividend income is recognised as part of "Investment Revenue."

1.9.8. Impairment of financial assets

The Fund assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets that are stated at amortised cost are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the statement of financial performance as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

If in a subsequent year, the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the statement of financial performance. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been previously recognised.

A provision for trade receivables impairment is made when there is objective evidence (the probability of insolvency or significant financial difficulties of the debtor, probability that the debtors will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired) that the Fund will not be able to collect all the amounts due under the original term of the invoice.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Short-term receivables are not discounted. 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 statement of financial performance within "administrative costs." An uncollectable trade receivable is written off against the allowance account for trade receivables. Changes in the carrying amount of the allowance account are recognised in the statement of financial performance. Subsequent recoveries of amounts previously written off are credited against "other income" in the statement of financial performance.

In the case of financial assets at fair value, through surplus or deficit, gains and losses arising from changes in fair value are included in surplus or deficit of the statement of financial performance.

Financial Statements for the year ended 31 March 2018

Accounting Policies

1.9 Financial assets and Liabilities (continued)

1.9.9. Derecognition

1.9.9.1. Financial Assets

The financial assets or a portion of a financial asset are derecognised where:

- The rights to received cash flows from the asset have expired;
- The Fund retains the right to receive cash flows from the asset, but has assumed obligation to pay them in full without any material delay to a third party under a "pass-through" arrangement; or
- The Fund has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset or has neither transferred no retained substantially all the risks and rewards of the asset but has transferred control of the asset.

1.9.9.2. Financial liabilities

The financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the statement of financial performance.

1.9.10. Interest income and expense

Interest income and expenses from financial instruments measured at amortised cost and interest bearing financial instruments classified as designated at fair value through surplus or deficit are recognised in the statement of financial performance as it accrues, using the original effective interest rate of the instrument calculated at the acquisiton at origination date. Interest income includes amortisation of any discount or premium or any other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis. Interest income and expenses are recognised as part of "Investment Revenue."

1.10 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.

1.10.1. Finance lease - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Financial Statements for the year ended 31 March 2018

Accounting Policies

1.10.2. Operating leases - lessor

Operating lease revenue is recognised on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

1.10.3. Operating leases - lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement 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.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently, inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

1.12 Unclaimed monies

1.12.1 Beneficiaries

If money owing to beneficiaries/claimant or his dependant has remained unpaid after 12 months because it has not been claimed and the person cannot be traced (by utilising different method of communication and correspondence), the Compensation Commissioner shall effect a notice to be published annually in the Government Gazette with particulars of the claimant relating to amounts more than R100. Any person claiming the amount shall be called upon to submit his claim to the Commissioner within one month after the date of the notice.

If at the expiration of the said month, no claim has been submitted, or a claim that has been submitted has been rejected by the Compensation Commissioner, the said amount shall be paid into the reserve fund until an acceptable claim has been lodged within a specific period of time.

Financial Statements for the year ended 31 March 2018

Accounting Policies

1.12.2 Unallocated deposits

Unallocated funds received in the bank accounts must be identified as such and be promptly followed up and cleared. Initially, unallocated funds will be posted to a suspense account if not cleared within three months, where if they are not cleared within twelve months, they can be transferred to the relevant reserve account.

1.13 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.

1.14 Contingencies

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised in the books of the entity. However for any depending litigation against and/or for the Fund is only disclosed as a note to the financial statement. This is done in order to show how the Fund is exposed.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingents Liabilities are recognised when:

- 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.

1.15 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 provided in respect of unrecognised contractual commitments.

Financial Statements for the year ended 31 March 2018

Accounting Policies

1.15 Commitments (continued)

Commitments are disclosed in a note to the financial statements, if both the following criteria are met:

- The Contract should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- The Contracts 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.

1.16 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the economic entity directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable. Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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

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

Revenue is measured at the fair value of the consideration received or receivable. When the inflow of cash or cash equivalents is deferred and the fair value of the consideration is less than the nominal amount of cash received or receivable, the arrangement effectively constitutes a financing transaction.

1.16.1. Measurement

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

1.16.2. Contributions

Judgement is required in determining the provision for Assessment not raised due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the entity to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Financial Statements for the year ended 31 March 2018

Accounting Policies

1.17 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

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.

The fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Service charges relating to contributions from employers are based on rates according to class in which they are categorised under. Provisional estimates of revenue are made yearly when Return Of Earning (ROE) have not been submitted and are based on the ROE historical information. Adjustments to provisional estimates are recognised as revenue in the invoicing period.

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.

1.17.1 Measurement

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

Financial Statements for the year ended 31 March 2018

Accounting Policies

1.18 Finance costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

The Fund discloses comparative information in respect of the previous period for all amounts reported in the financial statements, both on the face of the financial statements and in the notes, unless standards require otherwise.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified to conform to changes in the current year.

The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.20 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.

1.21 Irregular expenditure

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

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

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



Financial Statements for the year ended 31 March 2018

Accounting Policies

1.21 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law.

Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.22 Budget information

The Fund is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar. Management assumes deviations between budget and actual amounts to be material when a deviation of more than 10% exists. All material differences are explained in the notes to the annual financial statements

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 linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/04/01 to 2018/03/31.

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

Financial Statements for the year ended 31 March 2018

Accounting Policies

1.23 Related parties

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

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

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

1.24 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 Fund will adjust the amounts recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred

The Fund will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cdannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.25 Capitalised value of pensions

Pensions are paid to disabled claimants and widows and children of deceased workers from work related accidents or occupational diseases. The capitalised value of pensions ("CVP") is the present value of future pension payments. The liability is based on assumptions as to future pension increases, mortality, demographics, management expenses and investment income which are reviewed by management on an annual basis for reasonableness.

The present value also provides for probable costs payable to the spouse and/or children on subsequent death of the pensioner. In addition to this basic liability value, contingency reserves are held to cover the possible impact of adverse variations in the liability. The liability is recalculated at each financial year -end, using the assumptios above. Valuation of the CVP are projected over the course of the year, and reassessed annually where adjustments are made for the changes in the assumptions. Adjustments to the CVP are ncluded in the surplus or deficit for the year.

1.26 Prior period error

Prior period comparative information has been presented in the current year's financial statements. Where necessary figures included in the prior period financial statements have been reclassified to ensure that the format in which the information is presented is consistent with the format of the current year's financial statements

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

	2018	2017
	R'000	Restated* R'000
2. Investments		
Designated at fair value		
Listed shares	14 268 125	12 518 082
Unlisted shares	676 745	671 006
Bonds	39 518 483	34 693 230
Bills and promissory notes	871 970	295 109
Loans and receivables	8 590 051	6 414 221
	63 925 374	54 591 648
Reconciliation of investment		
Opening balance	55 175 832	51 386 619
Restatement of prior year errors	-	(178 628)
Interest received	3 790 301	3 651 605
Dividends received	420 307	368 654
Fair value adjustments	2 861 485	(199 882)
Bank charges and management fees	(63 860)	(59 492)
Transaction costs	(11 377)	(12 267)
Net deposits	2 338 500	300 000
Movement in investment receivable	(5 963)	26 147
Movement in investment payables	288	3 687
Investement classified as investment in associate	113 489	(110 611)
Investment in subsidiary	(693 628)	(584 184)
	9 443 170	3 789 213
	63 925 374	54 591 648
Non-current assets		
Designated at fair value	55 351 536	47 584 853
Current assets		
Designated at fair value	9 573 838	7 590 979

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

Investment Categories Per Portfolio

Fair Value: Compensation Portfolio 2018

rail value. Compensation Portiono 2016				
	Loans and other receivable	Far value throught profit and loss	Designated as at fair value through profit and loss	Total
	R'000	R'000	R'000	
Capital Market	-	26 046 573	-	26 046 573
Equity - Listed Share	-	9 139 628	-	9 139 628
Isibaya - Unlisted Share	-	676 745	-	676 745
Bills	-	-	69 453	69 453
Promissory Notes	-	-	48 326	48 326
Certificate of Deposit	-	-	101 696	101 696
Fixed Deposit	4 423 660	-	-	4 423 660
Trading Cash	263 744	-	-	263 744
	4 687 404	35 862 946	219 475	40 769 825

Fair Value: Pensions Portfolio 2018

	Loans and other receivable	Far value throught profit and loss	Designated as at fair value through profit and loss	Total
	R'000	R'000	R'000	
Capital Market	-	13 773 937	-	13 773 937
Equity - Listed Share	-	5 128 496	-	5 128 496
Bills	-	-	73 907	73 907
Promissory Notes	-	-	71 545	71 545
Certificate of Deposit	-	-	205 018	205 018
Fixed Deposit	3 521 146	-	-	3 521 146
Trading Cash	381 500	-	-	381 500
	3 902 646	18 902 433	350 470	23 155 549
Total investments	8 590 050	54 765 379	569 945	63 925 374

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

Investment Categories Per Portfolio

Fair Value: Compensation Portfolio 2017

Tuli Value. Compensation Fortione 2011	Loans and other receivable	Far value throught profit and loss	Designated as at fair value through	Total
		allu 1055	profit and loss	
	R'000	R'000	R'000	
Capital Market	-	22 937 913	-	22 937 913
Equity - Listed Share	-	8 022 373	-	8 022 373
Isibaya unlisted shares		671 006		671 006
Bills	-	-	91 505	91 505
Promissory Notes	-	-	33 785	33 785
Fixed Deposit	4 116 614	-	-	4 116 614
Trading Cash	246 317	-	-	246 317
	4 362 931	31 631 292	125 290	36 119 513

Fair Value: Pensions Portfolio 2017

	Loans and other receivable	Far value throught profit and loss	Designated as at fair value through profit and loss	Total
	R'000	R'000	R'000	
Capital Market	-	11 755 317	-	11 755 317
Equity - Listed Share	-	4 495 708	-	4 495 708
Bills	-	-	98 606	98 606
Promissory Notes	-	-	71 213	71 213
Fixed Deposit	1 662 231	-	-	1 662 231
Trading Cash	389 060	-	-	389 060
	2 051 291	16 251 052	169 819	18 472 135
Total investments	6 414 222	47 882 317	295 109	54 591 648

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

Maturity Schedule as at 31 MARCH 2018

Fair Value Compensation Portfolio	Money Market	Capital Market	Equity	SRI Isibaya	Trading Cash	Total
	R'000	R'000	R'000	R'000	R'000	R'000
0 to 3 months	1 593 189	50 000	-	-	263 744	1 906 929
3 to 12 months	3 049 945	332 343	-	-	-	3 382 290
1 to 3 years	-	753 276	-	-	-	753 277
3 to 7 years	-	3 689 174	-	676 745	-	4 365 919
7 to 12 years	-	6 362 912	9 139 628		-	15 502 540
12+ years	-	14 858 868		-	-	14 858 686
Total	4 643 134	26 046 573	9 139 628	676 745	263 744	40 769 824
Fair Value Pension Portfolio						
	Money Market	Capital Market	Equity	SRI Isibaya	Trading Cash	Total
	R'000	R'000	R'000	R'000	R'000	R'000
0 to 3 months	1 189 987	31 498	-	-	381 500	1 602 987
3 to 12 months	2 681 630	-	-	-	-	2 681 630
1 to 3 years	-	390 253	-	-	-	390 253
3 to 7 years	-	3 496 623	-	-	-	3 496 623
7 to 12 years	-	3 216 563	5 128 496	-	-	8 345 059
12+ years	-	6 639 000	-	-	-	6 639 000
Total	3 871 617	13 773 937	5 128 496	-	381 500	23 155 550
TOTAL at end of the period	8 514 751	39 820 510	14 268 124	676 745	645 244	63 925 374

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

Maturity Schedule as at 31 March 2017

Fair Value Compensation Portfolio	Money Market	Capital Market	Equity	SRI Isibaya	Trading Cash	Total
	R'000	R'000	R'000	R'000	R'000	R'000
0 to 3 months	1 663 961	551 642	_	_	246 317	2 461 920
3 to 12 months	2 577 942	225 778	-	-	-	2 803 720
1 to 3 years	-	442 479	-	-	-	442 479
3 to 7 years	-	2 094 208	-	671 006	-	2 765 214
7 to 12 years	-	6 633 610	8 022 373		-	14 655 983
12+ years	-	12 990 197	-	-	-	12 990 197
Total	4 241 903	22 937 914	8 022 373	671 006	246 317	36 119 513

Fair Value Pension Portfolio	Money Market	Capital Market	Equity	SRI Isibaya	Trading Cash	Total
	R'000	R'000	R'000	R'000	R'000	R'000
0 to 3 months	701 975	-	-		389 060	1 091 035
3 to 12 months	1 130 075	104 229	-	-	-	1 234 304
1 to 3 years	-	213 460	-	-	-	213 460
3 to 7 years	-	2 990 082	-	-	-	2 990 082
7 to 12 years	-	2 746 767	4 495 708	-	-	7 242 475
12+ years	-	5 700 779	-	-	-	5 700 779
Total	1 832 050	11 755 317	4 495 708		389 060	18 472 135
TOTAL at end of the period	6 073 953	34 693 231	12 518 081	671 006	635 377	54 491 648

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

	2018	2017
	R '000	R '000
3. Inventories		
Consumable stores	2 013	1 787
4. Receivables from non-exchange transactions		
Trade receivables	12 663 342	11 370 122
Other receivables	2 339	2 248
Recoverable medical expenses	24 472	24 285
Duplicate payments to service providers	34 529	34 529
Accrued assessment revenue	1 301 447	1 515 595
Third party claims	182 131	182 131
Disallowances	65 355	64 925
Provision for doubtful debts	(13 084 325)	(7 707 893)
Unallocated payment	59 181	61 142
Advance to Medical Service Providers	452 758	454 643
	1 701 229	6 001 727

Receivables are carried at amortised cost and the carying amount approximates the fair value.

Debtors (employers assessed) are granted credit term of 30 days from the date of invoice to settle outstanding debt.

Total receivables from non-exchange transactions

Receivables from non-exchange transactions past due but not impaired

Receivables which are 30 days and 180 days past due are not considered to be impaired (no provision is raised). As at 31 March 2018, R 274 825, (2017: R1 320 444) were past due but not impaired.

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

	274 825	1 320 444
Due for 180 days	213 965	642 863
Due for 90 days	27 612	652 153
Due for 60 days	33 248	25 428

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

4. Receivables from non-exchange transactions (continues)

Receivables from non-exchange transactions impaired

As of 31 March 2018, receivables were assessed for impairment and the allowance for impairment has been provided for. As at 31 March 2018 amount of the provision was R 13 084 325 (2017: R7707893)

The ageing of these loans is as follows:

365 days outstanding	3 414 785	1 029 286
More than 365 days	6 972 161	3 791 324
Significant debtors	1 842 863	1 105 935
Blocked employers	552 228	1 395 935
Estate employers	306 286	388 624
	13 088 823	7 711 104

Impairment Reconciliation: Non-Exchange transactions

Reconciliation of impairments of receivables from non-exchange transactions is as follows:

	13 084 325	7 707 891
Amount written off as uncollectable		(2 422 869)
Impairment loss for the year	5 376 434	44 390
Opening balance	7 707 891	10 086 370

Ageing of significant receivables from non-exchange transactions

2018	30 days	60 days	90 days	180 days	365 days	>365 days	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Contribution by employers	68 263	33 248	27 237	213 887	4 165 902	8 154 805	12 663 342
Medical advance	-	-	-	-	-	452 758	452 758
Recoverable medical expenses	558	-	-	-	-	23 914	24 472
Duplicate payment to service Providers	-	-	-	-	-	34 529	34 529
Provision for assessment not raised	1 301 447	-	-	-	-	-	1 301 447
Third party	-		-	-	-	182 131	182 131
Disallowance	-	-	-	-	-	65 355	65 355
Other receivables		-	375	78	-	1 786	2 239
	1 370 268	33 248	27 612	213 315	4 165 902	8 915 278	14 726 273

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

2017	30 days	60 days	90 days	180 days	365 days	>365 days	Total
	R'000	R'000	R'000	R'000	R'000	R'000	
Contribution by employers	3 127 403	25 428	644 523	640 167	1 431 640	5 500 961	11 370 122
Medical advance	-	-	-	-	-	454 643	454 643
Recoverable medical expenses	6 853	-	5 857	2 691	372	8 512	24 285
Duplicate payment to service Providers	-	-	-	-	-	34 529	34 529
Provision for assessment not raised	1 515 595	-	-	-	-	-	1 515 595
Third party	-	-	-	-	-	182 131	182 131
Disallowance	-	-	-	-	-	64 925	64 925
Other receivables	-	-	1 773	5	-	-	1 778
	4 649 851	25 428	652	642 863	1 432 012	6 245 701	13 648 008

5. Receivables from exchange transactions

Advance	362	362
Investment income receivables	150 940	110 832
Rent Receivable	604	1 909
Provision for impairment	(12 852)	(10 520)
Accrued interest	2 223	4 041
Contribution Exempted Employer	48 153	75 254
	189 430	181 878

Receivales are carried at amortised cost and the carrying amount approximates the fair values.

Debtors are granted credit term of 30 days from the the date of the invoice to settle outstanding debts.

Trade and other receivables impaired

As of 31 March 2018, receivables were assessed for impairment and the allowance for impairment has been provided for. As at 31 March 2018 ,provision amount was R 12,852 (2017:R10,520)

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

5. Receivables from exchange transactions (continues)

Significant receivables from exchange transaction - 2018

	Investmen income receivable	Advances	Contribution Exempted Employer	Accrued Interest	Rent Receivable	Trade receivables
	R'000	R'000	R'000	R'000	R'000	R'000
30 days	150 940	-	35 848	2 200	561	33 828
180 days	-	-	1	-	-	-
365 days	-	-	2 632	-	-	-
>365 days	-	362	9 672	23	43	-
Totals	150 940	362	48 153	2 223	604	33 828

Significant receivables from exchange transaction - 2017

	Investmen income receivable	Advances	Contribution Exempted Employer	Accrued Interest	Rent Receivable	Trade receivables
	R'000	R'000	R'000	R'000	R'000	R'000
30 days	110 832	-	65 778	-	1 866	24 712
180 days	-	-	27	-	-	-
365 days	-	60	22	-	34	-
>365 days	-	302	9 427	4 041	9	-
Totals	110 832	362	75 254	4 041	1 909	24 712

Reconciliation of provision for impairment of receivables from exchange transactions

Opening balance	10 520	10 157
Impairment loss for the year	2 332	363
	12 852	10 520

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

					2018 R '000	2017 R '000
6. Cash and cash equivale	ents					
Cash and cash equivalents	consist of:					
Cash on hand					480	2 293
Bank balances					150 939	59 484
Call accounts					29 859	527 064
					181 278	588 841
		31-Mar-18 R'000			31-Mar-17 R'000	
7. Investment property	Valuation	Accumulated depreciation & impairment	Carrying value	Valuation	Accumulated depreciation & impairment	Carrying value
Total	8 000	-	8 000	8 000	-	8 000
Reconciliation of investm property - 31 MARCH 201		Opening	balance		r value stments	Total
Investment property	-		8 000		-	8 000
Reconciliation of investm property - 31 MARCH 201						
Investment property	_		8 300	(;	300)	8 000

A register containing the information required by GRAP 16 is available for inspection at the registered office of the Fund.

The investment property is situated on ERF 252, Bhisho House. The building is being leased to the Department of Public Works.

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

8. Property, Plant and Equipment

		2018 R'000			2017 R'000	
	Cost/Valuation	Accumulated depreciation & impairment	Carrying value	Cost/Valuation	Accumulated depreciation & impairment	Carrying value
Land	49 000	-	49 000	36 000	-	36 000
Building	114 920	(10 827)	104 093	93 678	(7 227)	86 451
Furniture and fixtures	39 173	(29 686)	9 487	19 489	(17 171)	2 318
Motor Vehicles	2 825	(1 567)	1 258	2 825	(1 481)	1 344
IT equipment	12 313	(10 476)	1 837	11 824	(9 490)	2 334
Leasehold improvements	46 921	(5 141)	41 780	-	-	-
Finance leased assets	5 832	(2 113)	3 719	4 861	(3 571)	1 290
Assets under construction	28 601	-	28 601	-	-	-
Total	299 585	(59 810)	239 775	168 677	(38 940)	129 737

Reconciliation of Property, Plant and Equipment - 31 March 2018

	Opening balance R'000	Additions R'000	Revaluations R'000	Depreciation R'000	Total R'000
Land	36 000	-	13 000	-	49 000
Building	86 451	-	21 242	(3 600)	104 093
Furniture and fixtures	2 318	8 406	-	(1 237)	9 487
Motor Vehicles	1 344	-	-	(86)	1 258
IT equipment	2 334	489		(986)	1 837
Leasehold improvements	-	46 921	-	(5 141)	41 780
Finance leased assets	1 290	4 296	-	(1 867)	3 719
Assets under construction	-	28 601		-	28 601
Total	129 737	88 713	34 242	(12 917)	239 775

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

8. Property, Plant and Equipment (continued)

Reconciliation of Property, Plant and Equipment - 31 March 2017

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Total R'000
Land	36 000	-	-	-	36 000
Building	88 149	-	-	(1 698)	86 451
Furniture and fixtures	2 856	428	-	(966)	2 318
Motor Vehicles	1 437	-	-	(93)	1 344
IT equipment	3 361	82	(74)	(1 035)	2 334
Finance leased assets	1 434	1 115	(63)	(1 196)	1 290
Total	133 237	1 625	(137)	(4 988)	129 737

The carrying value of assets is not pleadged as security.

Assets under construction relates to Leasehold improvements being affected to the Delta Heights building, the premises to which the Fund relocated to in December 2018.

Compensition House on 90 Farm Prinshof, No 349, Pretoria.

The property was revaluated by an independent valuer, Strata Properties on 15 March 2018.

The Valuer is not connected to the Fund and have recent experience in the loaction and catagory of the property being value.

The Valuation was based on open market vaue for existing use.

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

					2018 R '000	2017 R '000
9. Intangible assets				,		11 000
Č		2018 R'000			2017 R'000	
Intangible assets	Cost / Valuation	Accumulated depreciation & impairment	Carrying value	Cost / Valuation	Accumulated depreciation & impairment	Carrying value
Software Licence	121 515	(53 978)	67 537	121 515	(18 167)	103 348

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
	R'000	R'000	R'000	R'000
Software Licence	103 348	-	(35 811)	67 537

Reconciliation of intangible assets - 2017

Compensation, medical and pension creditors control

	Opening balance	Additions	Amortisation	Total
	R'000	R'000	R'000	R'000
Software Licences	8 437	100 187	(5 276)	103 348

10. Finance lease oblogation

- within one year	(94)	707
- in second to fifth year inclusive	3 903	668
Present value of minimum lease payments	3 809	1 375
Non-current liabilities	3 903	668
Current liabilities	(94)	707
	3 809	1 375
11. Payables from non-exchange transactions		

108 945

530 091

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

	2018 R '000	2017 R '000
12. Payables from exchange transactions		
Trade creditors	15 560	55 117
Debtors with creditors balances	1 001 195	604 911
Unsettled investments	10 663	1 801
Unallocated receipts	160 720	30 121
	1 188 138	691 950

13. Accruals

Reconciliation of accruals - 2018

	Opening balance	Additions	Utilised during the year	Total
Accumulated leave	40 106	2 028	(1 580)	40 554
Service and performance bonus	18 457	8 751	(6 312)	20 896
Accrued expenses	32 712	247 192	(226 486)	53 418
Performance bonus	8 532	8 751	(7 972)	9 311
	99 807	266 722	(242 350)	124 179

Reconciliation of accruals - 2017

	Opening balance	Additions	Utilised during the year	Total
Accumulated leave	31 443	16 858	(8 195)	40 106
Service and performance bonus	14 844	4 196	(583)	18 457
Accrued expenses	400 609	799 070	(1 166 967)	32 712
Performance bonus	6 748	7 276	(5 492)	8 532
	453 644	827 400	(1 181 237)	99 807

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

14. Capitalised value of pensions

Defined benefit plan

The defined benefit plan, to which -% (2017: -%) belong, consists of the (specify Pension Fund) governed by the Pension Fund Act of 1956.

The actuarial valuation determined that the retirement plan was in a sound financial position, however that it was recommended that the contribution should be increased by -% for - months. This recommendation is presently being implemented.

The plan is a final salary pension / flat plan or a post employment medical benefit plan.

The amounts recognised in the statement of financial position are as follows:

Opening balance	(21 757 000)	(20 784 000)
Addition to Pension as per Acturial Valuation	-	(1 101 000)
Increase in capitalised value	(75 595)	(845 374)
Pension paid	1 084 674	973 374
	(20 747 921)	(21 757 000)
Non-current liabilities	(20 732 594)	(20 656 999)
Current liabilities	(15 327)	(1 100 001)
	(20 747 921)	(21 757 000)

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

	2018 R '000	2017 R '000
15. Revaluation reserve		
Opening balance	102 441	102 441
Change during the year	34 242	-
	136 683	102 441

The property and its value forming attributes are benchmarked against the current market and fair consideration is then made in order to indicate what value the property may realise in the broader investment or end user market based on the principal of willing buyer and willing seller.

Assumptions and special assumptions that are reasonable and relevant to the valuation:

Competent property management, reasonably stable economic conditions and stable interest rates which influence real estate value are assumed. It is assumed that on lease expiry that the rental achievable from the property may increase if the rent has lagged the market or revert to market if the rent is higher than market.

Market rentals have been used to indicate value. Comparable sales have also been used as an indicator of value.

A discounted cashflow calculation has also been calculated as a check and a balance against the capitalised value.

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

Current liabilities	(3 644 384) (12 138 384)	(3 878 000) (12 372 000)
Non-current liabilities	(8 494 000)	(8 494 000)
	(-, -, -, -, -, -, -, -, -, -, -, -, -, -	
Total provision for outstanding claims	(12 138 384)	(12 372 000)
Claims paid	233 616	3 288 000
Increase in provision	-	(3 580 000)
Opening balance	(12 372 000)	(12 080 000)
16. Provision for outstanding claims		
	R '000	R '000
	2018	2017

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

	2018 R '000	2017 R '000
17. Revenue		
Revenue from exchange transactions		
Investment income		
Other Investment Income	2 005	-
Interest received	3 970 657	3 651 605
Dividends received	420 307	368 654
	4 212 969	4 020 259
Other income		
Rental of facilities and equipment	1 118	1 290
Interest received	134 771	110 535
Administrative contributions by exempted employers (S88)	36 165	32 001
	172 054	143 826
The amount included in revenue arising from non-exchange transactions	s is as follows:	
Revenue from employers		
Contributions by employer	6 972 843	8 852 341
Penalties charged	325 805	370 369
	7 298 648	9 222 710
18. Benefits		
Funeral Expense	3 223	10 763
Compensation for temporary disability	848	-
Compensation for Permanent Disability	4 588	123 687
Pension Capitalised during the year	30 115	2 812 943
Medical Claims	2 433 165	2 580 207
Recovery of Medical expenses	(27 459)	(27 351)
	2 444 480	5 500 249

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

	2018 R '000	2017 R '000
19. Employee related costs		
Salaries	513 988	442 571
Performance Bonus	13 299	8 077
Leave pay	3 061	10 689
Allowances	43 590	39 396
Overtime benefits	12 312	10 186
Thirteenth cheque	36 668	36 816
Bargaining council contributions	167	143
Pension contributions	63 190	54 188
Medical aid contributions	40 425	35 582
	726 700	637 648
20. Impairment of receivables		
Impairment of receivables	5 378 766	44 753

The Fund raised revenue in 2017 financial year based on estimated earnings as per section 83(6) of COIDA. These debts were not recovered by the fund and furthermore some employer who were assessed on submitted did not settle thier debt as they were due.

21. Finance costs

Interest paid 11 012 4 156

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

	2018	2017
	R '000	R '000
22. General expenses		
Auditors remuneration	9 490	8 318
Consulting and professional fees	57 164	91 624
Printing and stationery	4 635	3 611
Subsidies for accident prevention	11 428	2 372
ICT expenses	121 040	61 641
Subsistence and travel	36 121	29 724
Training	25 449	8 001
Assets expensed(Less than R 5000)	13 212	(4 047)
Assessors' fees	1 646	1 596
Other expenses	66 012	89 959
Investment management fees	79 869	70 978
Compensation board	685	847
Venue expenses	5 598	4 854
	432 349	369 478

ICT expenses increased as a result of implementing CF Filling and the instalation of IT infructructure at Delta Heights.

23. Fair value adjustments

	2 881 750	(189 731)
• Investments	2 881 750	(189 431)
Other financial assets		
Investment property	-	(300)

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

	2018 R '000	2017 R '000
24. Cash generated from operations		
Surplus	5 445 347	6 424 901
Adjustments for:		
Depreciation and amortisation	48 728	10 264
Loss on disposal of assets	(85)	58
Share of losses/(profits) from associates	(39 851)	112 549
Administration contribution	(36 165)	(32 001)
Fair value adjustments	(2 881 750)	189 731
Invesment management fees and transaction costs	77 243	71 759
Interest income from investments	(3 790 319)	(3 651 605)
Dividends received	(420 307)	(368 654)
Other investment income	(2 005)	-
Debt impairment	5 378 766	44 753
General Expenses	-	63
Increase in the Actuarial pension adjustment	(1 009 079)	973 000
Increase in the Provision for outstanding claims	(233 616)	292 000
Bargain/excess purchase price	2 467	-
Changes in working capital:		
Increase in inventories	(226)	629
Receivables from exchange transactions	34 578	358
Receivables from non-exchange transactions	(487 697)	(2 791 819)
Prepayments	(35 458)	(2 915)
Payables from exchange transactions	363 338	(15 640)
Payable from non-exchange transactions	(421 146)	(11)
Accuals	24 368	(353 836)
	2 017 131	903 584

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

	2018 R '000	2017 R '000
25. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
Property, plant and equipment	8 729	175
Not yet contracted for and authorised by members		
Property, plant and equipment	-	
Total capital commitments		
Already contracted for but not provided for	8 729	-
Authorised operational expenditure		
Already contracted for but not provided for		
• Services	2 144	5 446
• Goods	160	29
Minor Assets	4 231	37 721
Contract: 0 - 1	56 854	48
Contracts: 2 - 5	44 650	-
	108 039	43 244
Not yet contracted for and authorised by members		
Total operational commitments		
Already contracted for but not provided for	108 039	43 244
Not yet contracted for and authorised by members	8 730	175
	116 769	43 419

This committed expenditure relates to property and other goods and services and will be financed by available bank facilities, accumulated surplus, existing cash resources and internally generated funds.

Operating leases - as lessee (expense)

Operating lease payments represent rentals payable by the Fund for certain of its office properties and equipment. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

26. Contingencies

Licences in terms of section 30 of the act to carry out the business of the fund in certain industries have been granted by the Minister of Labour to two Mutual Associations. These mutual associations must deposit securities with the fund to cover its liabilities. Furthermore, certain local authorities have been granted excemption from paying annual assessments and are liable to pay compensation benefits to employees who get injured while on duty. In terms of section 31 of the COIDA, these exempted employers are required to deposit securities/cede securities to the Fund which are equivalent to the capitalized value of pension of their employees.

If a mutual association or an exempted employer fails to meet its liabilities in full in terms of the Act,the Accounting Authorities may apply such securities to pay the liabilities and the balances of any liabilities not paid from such securities will have to be paid from Reserves from the fund which creates a contigent liability to the fund. The extent of securities held/ceded to the fund amounts R91.3 billion (2017: R21.4 billion)

Furthermore the Fund have received approximately 322 (2017:235) notices of motions and summons and as a result thereof to approximately R16 Million (2017: R 21 Million)

27. Related parties

Relationships

Board Members
Senior Management
Audit and Risk Committees
Investment in Associates
Rand Mutual Association
FEMA

Refer to members' report note 29 Refer to note 29 Refer to note 29 Refer to note 37 Cross sharing of Board members Cross sharing of Board members

Related party balances

Loan accounts - Owing (to) by related parties

Life Care	108 223	108 223
Coid Link	45 639	47 690
Comsol	148 672	148 672
Netcare	150 000	150 000

The full balance of R452,534 has been provided for impairment in full

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

	2018 R '000	2017 R '000
27. Related parties (continues)		
Related party transactions		
Depatment of Labour (Amounts paid and recovered on behalf of DoL)		
Compensation of Employees	725 186	634 592
Goods and Services	204 066	232 164
Rand Mutual Associations		
Umehluko Licences	76 402	30 364

Board Members who are serving without compensation:

Mr Gys Mcintosh

Mr Charles Mbekeni

Mr B Kistansamy

Mr Tibor Szana

Mr Mongezi Mngqibisa

Mr Patrick Matshidze

Ms N Manyonga

Dr S Tshabalala

During the year under review Ms Thelma Pugh retired from FEMA and as a result she will no longer be serving on the board.

Department of Labour:

Transactions and balances with the National departments of government and state controlled entities which occur other than in accordance with the operating parameters established are regarded as related parties transactions. The Fund is an entity of the Department of labour. Salaries of the Commissioner and officers and employees are remunerated out of the National Revenue Fund which is in turn reimbursed out of the Fund. Expenditure in respect of COIDA related services rendered to the Fund by provincial offices and labour centres of the Department of labour are also reimbursed to the Department of Labour. The Director-General is the Accounting Authority and the Minister is the Executive Authority

Transactions between the Fund and Rand Mutual Association:

There are several board members of RMA who are also on the board of the Fund. This creates a related party transaction between the Fund and RMA. The Fund has the use of the RMA system for claims and it pays a monthly maintenance and licences fee for this system. The system came into operation on 1 August 2014 and the costs for the period ended 31 March 2018 amounted to R76,402 (2017: R30,364).

The Public Investment Corporation

In terms of section 18 subsection 1 which reads: "The Director-General may transfer any part of the monies in the Compensation Fund and the reserve fund to the (PIC) for investments". The PIC is where the Fund has invested its surplus funds with the PIC. There is a memorandum of understanding between the PIC and the Fund which spells out on how to invest the surplus funds. The Fund invested in bonds, equities and trading cash. Over and above that the Fund has made socially responsible investments at the PIC for job creation. The PIC is a standing member of the Investment Committee.

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

28. Executive Emoluments

Executive

2018

	Emoluments	Other benefits*	Pension paid or receivable	Total
Compensation Commissioner	870	455	164	1 489
Chief Financial Management	919	211	188	1 318
Chief Director: Corporate Services	587	121	115	823
Chief Director: COID Services	501	217	91	809
Director: Medical claims	678	127	139	944
Director: Financial Reporting	709	143	135	987
Director: Income Management	646	172	133	951
Director: Communications and Management	734	192	139	1 065
Director: Human Resources Management	699	126	133	958
Director: Organisational effectiveness	703	122	133	958
Director: Compensation Benefits	657	272	125	1 054
Director: Risk Management	710	165	135	1 010
Director: Customer Care	686	172	141	999
Director: SCM	702	142	110	954
Director: Financial Control	653	290	123	1 066
Director: Internal audit	648	176	133	957
Director: Legal Services	702	140	133	975
Director Medical payments	646	261	123	1 030
Director: Income*****	590	316	121	1 027
Director: Project Management	591	20	-	611
<u> </u>	66	247	13	326
_	13 697	4 087	2 527	20 311

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

28. Executive Emoluments (continues)

2017

	Emoluments	Other benefits*	Pension paid or receivable	Total
Compensation Commissioner	828	423	157	1 408
Chief Financial Management	888	183	182	1 253
Chief Director: Corporate Services	535	203	99	837
Chief Director: COID Services	378	105	78	561
Director: Medical claims	672	112	130	914
Director: Financial Reporting	642	138	129	909
Director: Income Management	617	153	127	897
Director: Communications and Management	686	167	130	983
Director: Human Resources Management	672	127	127	926
Director: Organisational effectiveness	672	105	127	904
Director: Compensation Benefits	620	267	118	1 005
Director: Risk Management	675	143	128	946
Director: Customer Care	698	157	132	987
Director: SCM	672	134	127	933
Director: Financial Control	605	274	115	994
Director: Internal audit	620	170	127	917
Director: Legal Services	672	139	127	938
Director Medical payments	605	264	118	987
Director: Income*****	550	295	113	958
Director: Project Management	622	281		903
_	12 929	3 840	2 391	19 160

^{*} During the year under review the Fund paid the emoluments for the following official who were seconded to DoL and SOE in the previous year respectively as following: Chief Director: Corporate services (Mr T Mokomatsidi) seconded to DoL was recognised in the Fund's responsibilites until 31 January 2016 and Director Income (Ms E Ntshabele) and Medical Services (Ms WK Tselane) respectively are still within the responsibility fo the Fund.

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

28. Executive Emoluments (continues)

Board members fees

Emoluments		
Mr FA Xaba	137	168
Mr Cowley: Busa	35	46
Mr S Samela:Nactu	29	23
Mr S Tsiane	45	128
Ms J Bodibe	62	64
Mr S Motloung	44	66
Ms E Kula	32	35
Ms S Sobuwa	9	9
Mr A Letshele	41	41
Mr P Dala	39	-
	473	580
Audit committee member fees		
Mr FK Buthelezi	-	47
Ms R Kalidass	35	65
Mr D Hlatshwayo	51	100
Mr LM Manqguku	38	36
Mr N Mhlongo	36	48
Mr CF Terhoeven	47	195
Mr FA Xaba	75	21
Mr P Dala	29	-
Mr LZ Francois	2	
	313	512
Risk Committee		
Mr FK Buthelezi	-	26
Mr L Mangquku	129	216
Mr N Mhlongo	17	-
Mr D Hlatshwayo	2	-
	148	242

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

29. Prior periods errors (continues)

Analysis of prior year error adjustments

Statement of financial position

Investments - current assets

Investments in the prior year that were incorrectly classified as current assets were reclassified to non-current assets as these are not recoverable within the 12 months. These included listed equities as well as unlisted equities which are expected to be realized within 7 to 12 years and 3 to 7 years respectively.

Investments non-current assets

Investments in the prior year that were incorrectly classified as current assets were reclassified to non-current assets as these are not recoverable within next 12 months. These include listed equities which are expected to be realized within 7 to 12 years and 3 to 7 year respectively. A reclassification adjustment of R12 518 081 was processed.

Included in the prior year audited financial statements balance were investments that meet the requirements to be accounted for in terms of GRAP 6 and 7. Please refer to Note 37: Investments in Associates for the new associates accounted for in the current year.

Investments in associates

In the prior year audited financial statements, only Afric Oil was disclosed as an associates however during the year management interrogated the other investments and additional associates were identified that should have been disclosed and accounted for in the prior year. These were accounted for at fair value in the prior year and they have been restated to be in line with GRAP 6 requirements. Refer to note37 for the detailed breakdown of the additional associates.

Adjustment have been processed to the prior year disclosed amount for Afric Oil as follows:

The share of our profit as disclosed in the prior year was adjusted to take into account other Non-controlling interest. It was identified during the year that the amount disclosed was only attributable to Afric Oil shareholders but others outside to the Afric Oil group. An adjustment was processed to correct this.

The reversal of prior year 2016 impairment that was incorrectly recognized of R10 635 000.

Receivables from non-exchange transactions

It was discovered during the current year that invoices that were supposed to be raised in order to recover fraud related payments in the prior year were not raised. An adjustment was processed to reduce the benefits expense in the prior year so it is in line with the rue expense incurred. A debtor was then raised for the recovery.

Prepayments

It was discovered during the confirmation of the current year GCIS balance that there was a prepayment processed in 2015/2016 financial year. As at the end of 2017 an amount of R53 800 was still not used and should have classified as a prepayment instead of being expensed.

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

29. Prior periods errors (continues)

Payable from exchange transaction

The Vat due to NICS that was supposed to be accrued for the prior years was only accrued and paid for in the current year. A prior year adjustment was processed to correctly account for VAT and interest in the prior year. This resulted in an increase of R52 618 844.19. in the prior year trade payable balance.

It was identified that costs incurred to the value of R703 290.55 in March 2017 for consultants to assess the ABSA building whether it would be suitable for occupation were only accounted for in the current year. An adjustment was processed to correct prior year misstatement of consulting fees and trade payables.

It was discovered in the current year that various invoices were incorrectly captured in the prior year GRIR balance and adjustments have been processed to correct the prior year misstatement totalling to R 847 890.3 on repairs and maintenance.

Accruals

It was identified during the year that DoL had sent the Fund and incorrect invoice with respect to the 201/2017 claim. A reconciliation was done to confirm the under recovery and adjustment was processed to correct the understatement of expenditure and liability in the prior year.

Management analysed the balance of accruals raised the prior year after being disclaimed by the auditors. It was identified hat certain invoices not supposed to be part of the prior year accrual balance and were reversed accordingly.

It was discovered during the year that payment of salaries to seconded employees that was processed in the current year relates to services proved in the 2015/2016 financial year. An adjustment of R1 292 172 .21 was processed to correct the under expenditure (employee related costs and cell phone costs) and accrual in the prior year.

Statement of financial performance

Rental of facilities and equipment

During the year it was discovered that rental for an amount of R 76.5 thousand was incorrectly reversed in the prior year. An adjustment was processed for the correction of incorrect reversal.

Recoveries from third parties

It was identified during the year that recoveries from DoL with regard to X cases were incorrectly recognised as income in the prior year when they should have been netted off against the benefits expense account. This relates to a reimbursement income from DoL and does not meet the definition of income as defined. An amount of R27 351 disclosed in the prior year has been reclassified to Benefits paid expense accounts.

Employee related costs

It was discovered during the day the that payment of salaries to seconded employees that was processed in the current year relates to services provided in the 2015/2016 financial year. An adjustment of R1 272 77.22 was processed to correct the under expenditure (employee related costs) and accrual in the prior year.

Benefits Paid

It was identified during the year that the recoveries from DoL with regards to cases were incorrectly recognised as income in the prior year when they should have netted off against the benefits expense account. This relates to reimbursement from DoL with regards to benefits paid and does not meet the definition of income as defined. An amount of R27 351 disclosed in the prior year as recoveries from third parties has been reclassified to benefits paid expense account.

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

29. Prior periods errors (continues)

It was discovered during the current year that invoices that were supposed to be raised in order to recover fraud related payments in the prior year were not raised. An adjustment was processed to reduce the benefits expense in the prior year so it is in the line with the true expense incurred. A debtor was then raised for the recovery.

Finance costs

Finance charges on outstanding VAT payments to NICS. It was identified in the current year that VAT should have accrued and paid to NICS in the prior year was only processed in the current year. An adjustment of R2.6 million was processed to correct the understatement in the prior year.

Lease rental and operating lease

The total amount disclosed in the prior year was adjusted in order to correct the accrual balance that was incorrectly reflecting in the statement of financial position.

Repairs and maintenance

It was discovered in the current year that various invoices were incorrectly captured in the prior year GRIR balance adjustment have been processed to correct the prior year misstatement totalling to R847 890.3 on repairs and maintenance.

Other adjustments were also processed to correct the accrual balance at the end of 2017 financial year.

Consulting and professional fees

The VAT due to NICS was supposed to be accrued for the prior year was only accrued and paid for in the current year. A prior adjustment was processed to correctly accrue for VAT and interest in the prior year. This resulted in an increase of R48 882 357.16 in the prior year Consulting and professional fees expense.

It was also discovered that there were under recoveries from DoL regarding the 2016/2017 claim that amounts to R 1 719 008.68 which were not accounted for in the prior year audited financial statements. The adjustment has resulted in an increase in Consulting and professional fees as well as prior year accruals.

It was identified that costs incurred to the value of R 703 290.55 in March 2017 for consultants to assess the ABSA Building whether it would be suitable for occupation were only accounted for in the current year. An adjustment was processed to correct the prior year misstatement of consulting fees and trade payables.

Other expenses

It was discovered during the confirmation of the current year GCIS balance that there was prepayment processed in 2015/2016 financial year. As the end of 2017 and amount of R53 800 was still not used and should have been classified as prepayment instead of being expensed under marketing expenses. The adjustment corrects over statement of expenses in 2016/2017 financial year.

Fair value adjustment

It was identified during the year investments that were disclosed at fair value with fair value adjustment was processed to correct the fair value adjustments and accounted for the investment using the equity method. An adjustment of R 2 838 393 was processed to reduce the fair value adjustment against the investment balance.

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

30. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position 2018

	Balance as per prior year	Balance as Reclassifications	Correction of Errors	Restated
Investments in Current Assets	20 109 061	(12 518 081)	-	7 590 980
Investments in Non Current Assets	35 348 306	11 936 736	(284 373)	47 000 669
Investment in associate	80 039	-	192 229	272 268
Investment in subsidiary	-	581 346	2 838	584 184
Receivables From Exchange Transaction	181 954	-	(76)	181 878
Receivables From Non -Exchange Transactions	6 001 260	-	468	6 001 727
Pre-payments	3 800	-	54	3 854
Unallocated Receipts	(28 354)	-	(1 767)	(30 121)
Trade Payables	(6 179)	-	(48 938)	(55 117)
Accruals	(95 270)	-	(4 537)	(99 807)
Opening Accumulated Surplus	(27 159 148)	-	(8 382)	(27 167 530)
Surplus for the year	-	-	152 484	152 484
-	34 435 468	-	-	34 435 468

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

Statement of finanical performance 2018

	Balance as per prior year	Balance as Reclassifications	Correction of Errors	Restated
Interest Received	(3 762 128)	-	(12)	(3 762 140)
Rental of Facilities and Equipment	(1 367)	-	76	(1 291)
Recovieries From Third Parties	(27 351)	27 351	-	
Employee related Cost	636 376	-	1 273	637 649
Benefits Paid	5 526 310	(27 351)	1 291	5 500 250
Finance Costs	238	-	3 918	4 156
Impairment of Investment in Associates	(10 635)	-	10 635	-
Lease rentals on Operating Lease	87 649	-	(421)	87 228
Repairs and Maintenance	6 337	-	(556)	5 781
Assets expensed (less that R5000)	312	-	(4 359)	(4 047)
Consulting and Proffesional Fees	41 518	-	50 107	91 625
Assessor's Fees	1 649	-	(53)	1 596
ICT expenses	61 043	-	597	61 640
Other expenses	86 591	-	3 430	90 021
Printing and stationery	3 650	-	(38)	3 612
Subsistence and Travelling	30 151	-	(426)	29 725
Training	8 100	-	(100)	8 000
Venue expenses	4 785	-	68	4 853
Fair Value Adjustments	200 182	-	(10 450)	189 732
Share of profits from associates	-	-	97 504	97 504
Surplus for the year		-	152 484	

31. Risk management

Financial risk management

In terms of Section 18(2) of the Compensation of Occupation Disease Act (act no 130 of 1993 ('COIDA"),the Public Investment Corporation ('PIC") is appointed as the Fund's Investment Manager. The Fund transfers surplus cash to the PIC to invest in term of the investment strategy and the investment policy of the Fund. All investments and deposits are registered by the PIC in the Fund's portfolio account.

The Fund is exposed to financial risk through it's financial assets and liabilities. The main components of financial risk are:

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

31. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that cash resources are not available to pay claims when due. Due to the nature of the Fund's Operational requiremens, it is exposed to daily call on its available cash resources arising mostly from short term claims. The Fund ensures that adequate levels of cash are immediately available in its bank and call accounts to cover all the operational expenses. Through its investment activities, liquidity risk is the risk of being unable to close out open financial instrument positions quickly enough and in sufficient quantities at near market prices to avoid adverse financial impacts as a result of there being insufficient volume in the market.

The Funds asset allocation range as per investment mandate for the current financial year is as follows:

Compensation Portfolio

Asset Class	Strategic asset allocation range %	Minimum %	Maximum %
Cash and Money Market	5	3	10
Capital Market	60	55	62
Equity	23	20	27
Unlisted Property	2	2	5
Social Responsibility Invstment	10	5	10
Pension Portfolio			

Asset Class	Strategic asset allocation range %	Minimum %	Maximum %
Cash and Money Market	5	3	10
Capital Market	60	55	62
Equity	23	20	27
Unlisted Property	2	2	5
Social Responsibility Invstment	10	5	10

Credit risk

The Fund has exposure to credit risks through its investments in financial market securities, which is the risk that a counterpart will be unable to pay amounts in full when due. Credit risk is managed by undertaking a risk assessment and evaluation of the creditworthiness of a counterparty in accordance with the credit risk policy and the investment mandate. This also includes on-going monitoring of the credit quality and limit compliance. Factors that influence credit decisions includes: credit ratings from rating agencies, assessment of the general operating environment, the relative competitive market position of the counterparty or issuer, counterparty's reputation, deal tenor, the level and volatility of earnings, corporate governance, risk management policies, liquidity and capital management.

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

31. Risk management (continued)

Credit risk is managed by utilising ratings from external credit ratings agencies and risk models,incorporating limit measures that accounts for both current and pottential exposures and are set and monitored by broad risk types,product type and maturity. Risk reports are submitted to the Investment Management Committee,Audit and Risk Committee and Boards. Financial assets exposed to credit risk at year end were as follows:

Credit Risk	Compensation	Compensation	% 2018	Pensions	Pensions	% 2018
Rating	2018	2017		2018	2017	
	R'000	R'000		R'000	R'000	
AAA/Aaa	-	19 319 715	-	-	9 918 626	-
AA+/Aa1	23 105 839	58 897	75	12 403 966	-	69
AA/Aa2	1 500 194	5 470 154	5	1 493 628	2 641 105	8
AA-/Aa3	4 284 901	70 038	14	3 028 539	-	17
A+/A1	-	490 565	-	-	351 604	-
BBB	-	2 017 686	-	-	1 066 923	-
В	2 017 686	-	6	1 105 075	-	6
Unrated	-	-	-	-	-	-
	30 908 620	27 427 055	100	18 031 208	13 978 258	100

Market risk

Market risk arises from fluctuations in the fair value or future cash flows actively traded financial instruments as a result of market factors such as interest rates, equity and bond prices. The Fund's investment portfolio hold more than 50 % of its financial assets in debt securities (Government and Parastatal Bonds), investments in cash and cash equivalents and money market instruments.

Interest rate risk

Interest rate risk is the risk that the market value or the income from financial instruments will fluctuate due to interest rate movements. Changes in interest rates are managed on behalf of the fund by the PIC. Price risk thatarises from changes in the price of the listed equity instruments and is managed through diversification of the investment instruments.

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

31. Risk management (continued)

Sensitivity for bonds

Spread in basis points	Compensation: Profit and loss	Compensation: Market Value of bonds	Pension:Profit and loss	Pension : Market Value of bonds
	R'000	R'000	R'000	R'000
-200	4 861 774	30 576 001	2 878 853	16 652 790
-150	3 510 341	29 224 568	2 069 377	15 843 314
-100	2 255 311	27 969 538	1 324 012	15 097 949
-50	1 087 829	26 802 055	1 324 012	15 097 949
0	-	25 714 227	-	13 773 937
50	(1 015 228)	24 698 998	(589 570 971)	13 184 366
100	(1 964 166)	23 750 060	(1 137 077)	12 636 860
150	(2 852 472)	22 861 755	(1 646 517)	12 127 420
200	(3 685 224)	22 029 003	(2 121 435)	11 652 503
	-	-	-	_

Sensitivity for Money Market

Spread in basis points	Compensation: Profit and loss	Compensation: Market Value	Pension:Profit and loss	Pension : Market Value
				of bonds

R'000 R'000 R'000 R'000 3 904 625 -200 38 471 5 013 950 33 008 -150 28 774 5 004 252 24 683 3 896 300 -100 19 130 4 994 609 16 407 3 888 024 -50 9 539 498 017 8 180 3 879 796 0 4 975 479 3 871 617 50 (9486)4 965 992 (8 132)3 863 484 100 (18922)4 956 557 (16218)3 855 399 150 $(28\ 307)$ 4 947 172 (24256)3 847 360 (37641)200 4 937 838 (32249)3 839 367

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

31. Risk management (continued)

Equity price risk

The entity is exposed to equity securities price risk because of investments held by the entity and classified on the consolidated statement of financial position either as available-for-sale or at fair value through surplus or deficit. The entity is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the entity diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the entity.

The entity's investments in equity of other entities that are publicly traded and are included in the SWIX40 equity index.

The sensitivity analysis is employed to measure the impact of price movements in the investment portfolio and is based on the portfolio holdings as at 31 March 2017, and it involves a full revaluation of the portfolio constituents at the relative price points. The sensitivity analysis methodology on equities and listed properties has been improved. Previously, in the exercise absolute changes on portfolio were considered to reflect the impact on the portfolio if such changes were to be realised. This implies that the equities in the portfolio move in tandem with one another and are perfectly correlated to the portfolio benchmark. For 31 March 2017, beta sensitivity were employed to capture the expected equity returns given a certain impact on the benchmark. The sensitivity analysis excludes cash and makes a distinction between listed property and listed equity

The table below summarises the impact of increases/decreases of the indexes on the entity's post-tax surplus for the year and on equity. The analysis is based on the assumption that the equity indexes has increased/decreased by 5% with all other variables held constant and all the entity's equity instruments moved according to the historical correlation with the index:

Price changes percentage	Compensation Profit/(Loss)	Portfolio Market Value R'000	Pension Profit/(Loss)	Portfolio Market Value R'000
-1%	(93 960)	9 266 579	(52 718)	5 198 431
0%	-	9 360 540	-	5 251 149
1%	93 960	9 454 500	52 718	5 303 868

surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified a available-for-sale.

32. Going concern

We draw attention to the fact that at 31 March 2018, the entity had accumulated surplus of R 32 311 108 and that the entity's total assets exceed its liabilities by R 33 522 178.

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

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the members continue to procure funding for the ongoing operations for the entity.

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

	2018 R '000	2017 R '000
33. Fruitless and wasteful expenditure		
Fruitless and wasteful expenditure	436 114	436 126
Add: New Cases	9 533	3
Less: Cases Condoned	-	(15)
	445 647	436 114

The Fund had a total of 32 cases of Fruitless and Wasteful expenditure at the beginning of the current year.

86 additional cases of Fruitless and Wasteful expenditure were identified and recorded in the Financial Misconduct register during the current period.

This resulted in cumulative total of 118 cases recorded in the Financial Misconduct register as Fruitless and Wasteful expenditure.

During the current financial year, no new or prior period cases were derecognised by the Accounting Authority. During the current financial year no new or prior period cases were condoned by the Accounting Authority.

34. Irregular expenditure

Opening balance	762 423	1 016 162
Add: Irregular Expenditure - current year	2 851	424
Less: Amounts condoned	-	(1 283)
Less: Amounts De-recognised	(793)	(252 880)
	764 481	762 423
Analysis of expenditure awaiting condonation per age classification		
Current year	2 851	424
Prior years	761 630	761 999
_	764 481	762 423
Details of irregular expenditure – current year		
Not all SCM documents were submitted as		234
required		
Service rendered before the start of a contract		739
Services rendered before issuing Purchase Order		1 801
SCM process not followed		76
		2 850

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

34. Irregular expenditure (continues)

The Fund had a total of 143 cases recorded in the Financial Misconduct register as at the beginning of the financial year. In the current year, 7 cases were identified and recorded as irregular expenditure.

2 cases were derecognised by the Accounting Authority in the current year.148 cases are still under investigation as at the end of the financial year.

17 cases were derecognised by the Accounting Authority in the current year and 7 cases were condoned by the Accounting Authority.

35. Material losses

Total number of cases	Number of cases	Rand Value R'000
Cases carried forward 01/04/2017	101	39 826
Prior year adjustment	(15)	(483)
Registered allegations	51	405 309
	137	444 652
Increase/(Decrease) in estimates		
Decrease in estimate		(227 852)
Total number of finalised cases		
Cases finalised externally	-	-
Cases finalised internally	58	183 395
	58	183 395
Breakdown of the above finalised cases		
Cases finalised - prior year	47	7 339
Cases finalised - current year	11	176 057
Closing balance as at 31 March 2018	94	33 883

Analysis serve as an illustration of how the actual, potential & referral to law enforcement have been broken down (the analysis amounts should not be reconciled to the information above)

Recovered	2	164
Actual Loss	13	183 395
Potential loss	10	14 381
Referred to law enforcement	22	410 946
Recommended write-off	-	-
Cases with no loss	34	-

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

	2018 R '000	2017 R '000
35. Material losses (continued)		
Comparison figures from prior year		
Cases carried forward 01/04/2016	102	12 408
Registered allegations	48	30 957
Total number of cases	150	43 365
Increase/(Decrease) in estimates		1 958
Cases finalised externally	-	-
Cases finalised internally	49	1 581
Total number of cases finalised	49	1 581
Breakdown of the above finalised cases		
Cases finalised - prior year	41	1 573
Cases finalised - current year	8	7
Closing balance as at 31/03/2017	101	39 826

Analysis serve as an illustration of how the actual, potential & referral to law enforcement have been broken down (the analysis amounts should not be reconciled to the information above)

Recovered	-	-
Actual Loss	10	1 581
Potential loss	7	1 762
Referred to law enforcement	14	40 709
Recommended write-off	-	-
Cases with no loss	29	-

The opening balance of 101 cases on 01 Aprl 2017 decreased by 15 cases to 86, this resulted in a reduced estimated amount of R39.8 million. These (101) cases are now stated as 86 cases in the report.

The 15 cases were removed in the case register as the reported allegations could not be established, as such investigations could not be pursued.

36. Taxation

The Fund is exempted from normal income tax on its income, including income from investment and reserve fund in terms of section 21 of the Compensation for Occupational Injuries and Disease Act 130/1993, as amended by Act 61 of 1997.

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

	2018 R '000	2017 R '000
7. Investments in associates	17 000	17 000
Reconciliation		
Opening Balance	272 269	85 603
Prior year error	-	187 012
Restated opening balance	272 269	272 615
Reclassification of subordinated/unsecured loans	(93 205)	113 357
Share of profits	39 851	(112 548)
Impairement (loss)/reversal of investment	-	10 635
Dividends received	-	(1 155)
Bargain/(excess) purchase price	(2 467)	-
	216 448	272 269

Investee	Principal activity	Holding	Holding (%)	Carrying	Unrecognised losses for the	Cumulative unrecognised
		(%)		amount 2018	year	losses
Afric Oil	Distribution of 0 petroleum		28,87 %	106 758	-	-
Daybreak Farm	products		12,00 %	48 840	-	-
	Poultry 0					
Fountain Civil Engineering	Farming		10,00 %	14 928	-	-
	Civil 0					
Gurb Investments	Engineering		10,00 %	123	-	-
LA Crushers	Investing 0		13,00 %	-	11 205	14 460
Modderfontein	Engineering 0		36,00 %	-	21 234	50 905
	Private 0					
Musa Capital	Hospital		15,00 %	-	16 098	19 034
Saldosat Investments	Investing 0		36,00 %	45 799	-	-
	Letting of 0					
SME Fund	property		3,00 %	-	788	788
	Financing					
	small					
Zamalwandle Transport Logistics	businesses		10,00 %	-	377	377
	Transport 0					
	Construction			216 448	49 702	85 564

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

Financial information	Reporting date	Assets	Liabilities	Net Assets	Revenue	Net Proft/ (Loss)
		R'000	R'000	R'000	R'000	R'000
Afric Oil	28 February 2018	448 264	388 677	59 587	3 681 720	(83 694)
Daybreak Farms	28 February 2018	1 507 433	644 226	863 207	3 465 662	258 809
Fountain Civil	28 February 2018	429 187	411 528	17 659	659 807	(63 890)
Engineering						
Gurb Investments	31 March 2018	111 345	102 383	8 963	2 652	(9 257)
LA Crusher	28 February 2017	218 466	283 972	(65 506)	250 931	(36 361)
Modderfontein	28 February 2018	140 227	331 751	(191 522)	67 606	(58 984)
Musa Capital	28 February 2018	2 128 354	443 470	1 684 884	843 570	(240 184)
Saldosat Investments	28 February 2018	488 368	445 524	424 844	76 486	38 032
SME Fund	28 February 2018	125 701	9 704	115 998	6 592	(23 665)
Zamalwandle Transport	28 February 2018	193 283	231 984	(38 701)	136 404	10 563
Logistics						
38. Investment in sub	osidiary					
Reconciliation of inv	estment in subsid	liary				
Opening balance					584 184	228 782
Prior year adjustment					-	2 838
Restated opening bala	ince				584 184	213 620
Capital contribution					92 239	228 609
Fair value adjustment					17 205	123 955
					693 628	584 184

The fund has 57.6% in Razorite Healthcare and Rehabilitation fund and has a right to remove the General Partner in case of breach of the mandate. Therefore Razorite is classified as a subsidiary.

39. Events after the Reporting Date

On 10 April 2018, the compensation Fund obtained approval to write off an amount of R403,6 million that was previously incurred as fruitless and wasteful expenditure. The write off was as result of the outcome of a forensic investigation where the Fund paid damages to a former service provider in s litigation matter.

2.2 CONSOLIDATED FINANCIAL STATEMENTS

Financial Statements for the year ended 31 March 2018

Statement of Financial Position as at 31 March 2018

		2018	2017 Restated*
	Note(s)	R '000	R '000
Assets			
Current Assets			
Inventories	3	2 013	1 787
Investment	2	9 573 836	7 590 980
Receivables from exchange transactions	5	223 258	206 590
Receivables from non-exchange transactions	4	1 701 229	6 001 727
Prepayments		39 311	3 854
Cash and cash equivalents	6	249 193	631 770
		11 788 840	14 436 708
Non-Current Assets			
Investment property	7	313 410	183 621
Property, plant and equipment	8	284 712	173 763
Intangible assets	9	68 030	103 798
Investments in associates	37	228 170	272 269
Loans to economic entities		410 271	-
Investment	2	54 901 730	47 802 868
Deferred tax		365	1 436
Other asset 1		12 159	
		56 218 847	48 537 755
Total Assets		68 007 687	62 974 463

Financial Statements for the year ended 31 March 2018

Statement of Financial Position as at 31 March 2018

		2018	2017
	Note(s)	R '000	Restated* R '000
Liabilities			
Current Liabilities			
Finance lease obligation	10	(94)	707
Payables from exchange transactions	12	1 241 301	710 643
Payable from non-exchange transactions	11	108 945	530 091
Capitalised value of pensions	14	15 327	1 100 001
Provision for outstanding claims	16	3 644 384	3 878 000
Accruals	13	124 179	99 807
		5 134 042	6 319 249
Non-Current Liabilities			
Other financial liabilities		55 175	32 354
Finance lease obligation	10	3 903	668
Capitalised value of pensions	14	20 732 594	20 656 999
Provisions for outstanding claims	16	8 494 000	8 494 000
Other liability 3		65 795	51 295
		29 351 467	29 235 316
Total Liabilities		34 485 509	35 554 565
Net Assets		33 522 178	27 419 898
Net Assets Attributable to Owners of Controlling Entity Reserves			
Revaluation reserve	15	136 683	102 441
Unclaimed monies		555 568	97 557
Accumulated surplus		32 311 108	26 814 454
		33 003 359	27 014 452
Non-controlling interest		518 819	405 446
Total Net Assets		33 522 178	27 419 898

Financial Statements for the year ended 31 March 2018

Statement of Financial Performance for the period ended

		2018	2017 Restated*
	Note(s)	R '000	Restated R '000
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment	17	1 223	1 290
Other investment income		2 005	2 806
Administrative contributions by exempted employers (S88)	17	36 165	32 001
Interest received	21	3 970 652	3 792 823
Dividends received	21	420 307	368 654
Total revenue from exchange transactions		4 430 352	4 197 574
Revenue from non-exchange transactions			
Revenue from employers			
Contributions by employer	17	6 972 843	8 852 341
Penalties and interest charged	17	325 805	370 369
Total revenue from non-exchange transactions		7 298 648	9 222 710
Total revenue		11 729 000	13 420 284
Expenditure			
Employee related costs	19	(725 714)	(644 298)
Depreciation and amortisation		(56 192)	(17 602)
Finance costs	22	(11 012)	(4 156)
Lease rentals on operating lease		(94 826)	(87 228)
Impairment of receivables	20	(5 378 766)	(44 753)
Repairs and maintenance		(20 682)	(5 780)
Benefits	18	(2 444 480)	(5 500 249)
General expenses	23	(479 988)	(424 610)
Total expenditure		(9 211 660)	(6 728 676)
Total revenue		11 729 000	13 420 284
Total expenditure		(9 211 660)	(6 728 676)

Financial Statements for the year ended 31 March 2018

Statement of Financial Performance for the period ended

		2018	2017 Restated*
	Note(s)	R '000	R '000
Operating surplus		2 517 340	6 691 608
Gain (loss) on disposal of assets and liabilities		85	(58)
Fair value adjustments	24	2 991 419	(28 845)
Share of surpluses or deficits from associates or joint ventures accounted for using the equity method		39 973	(115 663)
Loss from transfer of functions between entities not under common control		(2 467)	-
Surplus before taxation		5 546 350	6 547 042
Taxation		14 286	52 062
Surplus for the year		5 532 064	6 494 980

Financial Statements for the year ended 31 March 2018

Statement of Changes in Net Assets as at 31 March 2018

	Revaluation reserve	Unclaimed Monies	Total reserves	Accumulated surplus	Total attributable to owners of the economic entity / controlling entity	Non-controlling interest	Total net assets
	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Opening balance as previously reported	102 441	61 463	163 904	20 381 765	20 545 669	-	20 545 669
Adjustments							
Correction of errors		-	-	(35 619)	(35 619)	93 695	58 076
Balance at 01 April 2016 as restated*	102 441	61 463	163 904	20 346 145	20 510 049	93 695	20 603 744
Changes in net assets							
Capital contributions	-	-	-	-	-	285 080	285 080
Net income (losses) recognised directly in net assets	-	-	-	-	-	285 080	285 080
Surplus for the year ended 31 March 2017		-	-	6 468 309	6 468 309	26 671	6 494 980
Total recognised income and expenses for the year	-	-	-	6 468 309	6 468 309	311 751	6 780 060
Transfer to unclaimed monies		36 094	36 094	-	36 094	-	36 094
Balance as at 31 March 2017	102 441	97 557	199 998	26 814 454	27 014 452	405 446	27 419 898
Changes in net assets							
Capital contributions	-	-	-	-	-	77 963	77 963
Revaluation of Land and Buildings	34 242	-	34 242	-	34 242	-	34 242
Transfers to Unclaimed Monies	-	458 011	458 011	-	458 011	-	458 011
Surplus for the year ended 31 March 2018	-	-	-	5 496 654	5 496 654	35 410	5 532 064
Balance as at 31 March 2018	136 683	555 568	692 251	32 311 108	33 003 359	518 819	33 522 178
Note(s)	15						

Financial Statements for the year ended 31 March 2018

Cash Flow Statement for the year ended 31 March 2018

		2018	2017 Restated*
	Note(s)	R '000	R '000
Cash flows from operating activities			
Receipts			
Receipts from non-exchange transactions		6 810 951	6 430 198
Rental facilities and equipment		1 223	1 291
Interest income		138 139	141 218
Other Income		59 605	(5 021)
Taxation		1 285	(3 377)
		7 011 203	6 564 309
Payments			
Payments to suppliers and employees		(1 272 238)	(1 446 215)
Finance costs		(11 012)	(4 156)
Benefits		(3 687 175)	(4 235 249)
		(4 970 425)	(5 685 620)
Net cash flows from operating activities	25	2 040 778	878 689
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(30 714)	(52 926)
Proceeds from sale of property, plant and equipment	8	28	16
Purchase of investment property	7	(140 288)	(122 921)
Purchase of other intangible assets	9	(43)	(100 637)
Loans receivables	9	(380 574)	(100 001)
Net investment deposits	·	(1 974 982)	(376 145)
Net cash flows from investing activities		(2 526 573)	(652 613)
Cash flows from financing activities			
Increase in borrowings		22 821	32 354
Contributions from non-controlling interest		77 963	285 080
Finance lease payments		2 434	(344)
Net cash flows from financing activities		103 218	317 090
Net increase in cash and cash equivalents		(382 577)	543 166
Cash and cash equivalents at the beginning of the year		631 770	88 604
Cash and cash equivalents at the end of the year		249 193	631 770
Cash and Cash equivalents at the end of the year	6	243 133	031770

Financial Statements for the year ended 31 March 2018

Statement of Comparison of Budget and Actual Amounts for the year ended 31 March 2018

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R '000	R '000	R '000	R '000	R '000	R '000
Statement of Financial Perform	ance					
Revenue						
Revenue from exchange transactions						
Administration contribution by exempted employer s88	-	-	-	-	-	
Rental of facilities and equipment	924	-	924	1 223	299	
Miscellaneous other revenue	-	-	-	2 005	2 005	
Service rendered: Admin	22 590	-	22 590	36 165	13 575	
Financial instruments - Fee income	2 000	-	2 000	-	(2 000)	
Interest received - investment	4 447 060	-	4 447 060	3 970 652	(476 408)	2
Dividends received	325 314	-	325 314	420 307	94 993	3
Total revenue from exchange transactions	4 797 888	-	4 797 888	4 430 352	(367 536)	
Revenue from non-exchange transactions						
Revenue						
Contributions by employer	7 945 282	-	7 945 282	6 972 843	(972 439)	1
Penalties on late submission of ROEs	646 440	-	646 440	325 805	(320 635)	4
Total revenue from non- exchange transactions	8 591 722	-	8 591 722	7 298 648	(1 293 074)	
Total revenue	13 389 610	-	13 389 610	11 729 000	(1 660 610)	

Financial Statements for the year ended 31 March 2018

Statement of Comparison of Budget and Actual Amounts for the year ended 31 March 2018

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budge t and actual	Reference
	R '000	R '000	R '000	R '000	R '000	R '000
Expenditure						
Employee costs	(653 769)	_	(653 769)	(725 714)	(71 945)	
Depreciation and amortisation	(22 696)	_	(22 696)	(56 192)	(33 496)	
Finance costs	-	_	-	(11 012)	(11 012)	
Lease rentals on operating lease	(74 592)	-	(74 592)	(94 826)	(20 234)	
Impairment	(140 000)	_	(140 000)	(5 378 766)	(5 238 766)	
Repairs and maintenance	(8 488)	-	(8 488)	(20 682)	(12 194)	
Benefits	(7 775 060)	-	(7 775 060)	(2 444 480)	5 330 580	
Reversal of impairment in associates	(583 374)	-	(583 374)	(479 979)	103 395	
Total expenditure	(9 257 979)	-	(9 257 979)	(9 211 651)	46 328	
Operating surplus	4 131 631	-	4 131 631	2 517 349	(1 614 282)	
Gain on disposal of assets and liabilities	-	-	-	85	85	
Fair value adjustments	1 234 684	-	1 234 684	2 991 419	1 756 735	
Share of surpluses or deficits from associates	-	-	-	39 973	39 973	
	1 234 684	-	1 234 684	3 031 477	1 796 793	
Taxation	-	-	_	14 286	14 286	
Actual Amount on Comparable	5 366 315	-	5 366 315	5 534 540	168 225	
Basis as Presented in the Budget and Actual Comparative Statement						

Financial Statements for the year ended 31 March 2018

Statement of Comparison of Budget and Actual Amounts for the year ended 31 March 2018

Budget Explanations:

1. Contribution by employer

The increase is result of implementation of estimation policy

2. Investment income

Interest on investments is below budget due to financial market conditions as a result of low economic growth environment and average bond yields remaining flat in the current financial year.

3 Dividends received

Dividends are below budget as companies declared less income than was expected in the current low economic growth environment and as result of the equity allocation remaining flat.

4. Penalties on late submission

The variance is as result of increase in non compliance which correlates with increase in estimated ROE

5. Lease Rentals and Operating Lease

The over spending on the budget is due to the decentralization of processing centres and on-line services.

The under budgeting was due to the backdrop that the Fund will be relocation to ABSA building as it was clear that the Fund should vacate the Compensation House as a matter of urgency, the move didn't materialise due to unforeseen circumstances. It was envisaged that almost R50 million should be made available for rental and other logistics relating to relocation.

6. Repairs and Maintenance

The underexpenditure was due to the fact that the Fund intended to renovate Compensation House, Over R10 million was put aside to renovate the Compensation House after the move to ABSA building, but since the move was halted, the envisaged repairs didn't happen. Only repairs that where necessary for day to day did happen. Due to unforeseen circumstances the project did not kick - off the ground. The fund will engage the PIC through its property management division to renovate the building.

7. Benefits

The over expenditure is due to the actuarial valuation that was done at year end for the provision of outstanding claims and the increase in medical expenditure paid out. The reason for the under-recovery is that the due to the outstanding actuarial valuation that is due in the 13th period. Once that is passed in the SAP system the expenditure will be within acceptable limits.

Financial Statements for the year ended 31 March 2018

Statement of Comparison of Budget and Actual Amounts for the year ended 31 March 2018

8. Finance Costs

Management didn't budget for interest as it be like budgeting for failure, all the interest was due to the court orders. The Fund is really trying to pay all invoices within the prescribed time. Management cannot budget for fruitless and wasteful expenditure

9. Investment management fees

Investment Management fees are above budget as a result of increase in Social Responsible Investments, these fees are incurred on committed investments for new projects and on-going fees. During the financial year there was an increase in the balance of these investments.

10. ICT

The over expenditure was due to the R90 million that the Fund had to pay for the SAP licences

11. Travel and subsistence

Due to the austerity (cost Containment) measures that were imposed by National Treasury the Fund tried hard to ensure that only crucial travelling is done only by top management. Budgeting was done due to the nature of the Fund's business in that Provinces are to be catered for. However again due to austerity (cost containment) measures Department of Labour put a halt on travelling of other officials. Travelling was allowed only in critical circumstances.

12. General Expense

Most of the under expenditure was due to the austerity (cost Containment) that National Treasury imposed.

13. Impairment Expenditure

The impairment variance is due to change in accounting estimates and writing off of interest and penalties.

14. Capital Expenditure

The underexpenditure was due to the fact that the Fund intended to renovate Compensation House. Due to unforeseen circumstances, the project did not kick off the ground.

The Fund will engage the PIC through its property management division to renovate the building.

Financial Statements for the year ended 31 March 2018

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board and in accordance with Section 55(1)(b)(c) of the Public Finance Management Act (Act 1 of 1999).

1.1. Basis of Presentation

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise. A summary of the significant accounting policies of these financial statements are disclosed below.

1.2. Presentation currency

These financial statements are presented in South African Rand(ZAR), which is the functional currency of the Fund.

1.3. Going concern assumption

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

1.4. Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

1.4.1. Provision for outstanding claims

Liabilities for unpaid claims are calculated based on the long-term trend of annual claim payments. The long-term trend is achieved by grouping claims paid in each of the previous ten financial years according to the year of the accident or diagnosis of the disease and the number of years until the payment is made. The fund makes an allowance for short-term factors and future claims inflations to project the likely incedence of future claim payments. Furthermore, a 'tail factor' is applied to the results to reflect the fact that the claim data contains claim payments in respect of accidents that occurred ten or more years ago. Additional diasclosure of these estimates of provisions are included in the note - Provision for outstanding claims.

Financial Statements for the year ended 31 March 2018

Accounting Policies

1.4.1. Provision for outstanding claims (continued)

Claims incurred comprise the total estimated cost of claims that have occurred in the year and for which the Fund is responsible, whether or not reported by the end of the year. Claims and loss adjustment expenses are charged to surplus or deficit as incurred, based on the estimated liability for compensation. The Fund does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are calculated based on an estimated average cost per claim for each underwriting year. The incurred but not reported claims ("IBNR") are based on estimated unreported claims as calculated by the actuaries. The average cost per claim is based on the actual claims paid and awards made, and estimated outstanding costs (based on the latest and most reliable information available), and the number of claims registered.

1.4.2 Capitalised value of pensions

Annually, the Fund through its actuaries, determines the technical liability reflecting the funds that should be kept aside for all the existing pensioners in order to ensure that there will be adequate reserves invested at PIC. This will ensure that all pensioners including their spouses and children will be paid for their entire natural lives.

The assumptions used to determine the natural life is based on the factors that will be catered for in note 14.

1.4.3. Liability adequacy test in respect of claims benefits

Contracts under which the Fund accepts significant insurance risk from another party (the claimant), by agreeing to compensate the claimant for a specified uncertain future event (the insurable event) which affects the claimant adversely are classifed as insurance contracts. The Fund accepts insurance risk as it is mandated by legislation to compensate victims of work-related accidents for injuries suffered.

1.4.4. Allowance for doubtful debts

An impairment loss is recognised in surplus or deficit when there is objective evidence that a debtor is impaired. The impairment is measured as the difference between the debtors carrying amount and the recoverable amount.

It is the policy of the Fund to fully impair all debtors that are over 180 days unless:

- The debtor is on installment plan and has not breached the terms.
- The debtor is blocked or is an estate debtor in which case these are impaired 100% despite being aged less than 180 days.

Financial Statements for the year ended 31 March 2018

Accounting Policies

1.4.5. Accrued Revenue: assesments not raised

Where employer assessments have not been finalised and the ROE remains open, the Fund makes an estimate of assessments revenue due from the employers. The estimate is based on the most recent assessments recognised in the previous two years with the third year being used as a base. Impaired, blocked and inactive employers are excluded from the estimate.

The applicable minimum assessment is also applied where ROEs have remained open during the two year estimation years.

1.4.6. Accrual for accumulated leave and service bonus

The cost of all short-term employee benefits is recognised during the period in which the employee renders related services. Employee entitlements are recognised when they accrue to employees. An accrual is recognised for the estimated liability as a result of services rendered by employees up to the reporting date. Accruals relating to employee benefits include annual leave, capped leave and a thirteenth cheque.

1.5. Investment property

Investment property is property (land or a building or part of a building or both) held to earn rentals or for capital appreciation or both, rather than for:

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

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

Investment property is initially recognised at cost and transaction costs are included in the initial measurement.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

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

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

Financial Statements for the year ended 31 March 2018

Accounting Policies

1.5 Investment property (continued)

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Subsequent to initial measurement investment property is measured at fair value, the fair value of investment property reflects market conditions at the reporting date and determined annually by an independent valuer.

A gain or loss arising from a change in fair value is included in surplus or deficit for the period in which it arises

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- · it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost and is subsequently carried at cost less any accumulated depreciation and any accumulated impairment losses (except land and buildings).

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 assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment

Buildings are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Land is carried at revalued amount being fair value at the date of revaluation and is not depreciated.

Financial Statements for the year ended 31 March 2018

Accounting Policies

1.6 Property, plant and equipment (continued)

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against gross carrying amount of the asset and net amount restated to the revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to accumulated surplus when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

Item	Depreciation method	
Land	Straight line	Indefinite
Buildings	Straight line	50 years
Furniture and fixtures	Straight line	6 - 10 years
Motor vehicles	Straight line	5 years
IT equipment	Straight line	3 years
Leasehold improvements	Straight line	Over the lease term
Escalators and elevators	Straight line	12 -20 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

Financial Statements for the year ended 31 March 2018

Accounting Policies

1.6 Property, plant and equipment (continued)

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.7 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.

Financial Statements for the year ended 31 March 2018

Accounting Policies

1.7 Intangible assets (continued)

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.

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(useful life) and the amortisation method for intangible assets are reviewed at each reporting date.

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

ItemUseful lifeComputer software, other3 - 9 Years

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.8 Investments in associates

Where the Fund holds, directly or indirectly 20% or more of the voting power of the investee, it is presumed that we have significant influence. A substantial or majority ownership by another investor does not necessarily preclude the Fund from having significant influence.

The Compensation Fund classifies an investment as an Associate where it has significant influence. Investment in Asociates are accounted for using the equity method.

When assessing whether an entity has significant influence, the existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered. Potential voting rights can be obtained by owning share call options, debt or equity instruments, share warrants or other similar instruments that are convertible into ordinary shares.

Financial Statements for the year ended 31 March 2018

Accounting Policies

1.8 Investments in associates (continued)

Investments in associates are accounted for using the equity method.

The existence of significant influence is usually evidenced by one or more of the following:

- Representation on the board of directors or equivalent governing of the investee;
- Participation in policy-making processes, including participation in decisions about dividends or similar distributions:
- Material transactions between the investor and investee;
- Iterchange of managerial personnel; or
- Provision of essential technical information.

Investments in asociates are derecognised when the Fund loses significant influence. The Fund loses significant influence over the investee when it loses the power to participate in the financial and operating policy decision of the investee.

Investment in associates are assessed for impairment whenever there are indications that the recoverability of the carrying amount of the associate maybe in doubt. The resulting impairment loss is allocated first to Godwill. Goodwill is not tested separately but as an integral part of the carrying amount of the Associate.

1.9 Financial assets and Liabilities

The relationship is accordingly, not established by contract but by legislation. Management decided to enhance certain disclosures by applying some principles of GRAP 104. The following items are accordingly presented in the notes to the annual financial statements:

- Disallowances (Benefits paid in error)
- · Benefits paid
- · Legal costs.

1.9.1. Classification of Financial assets and liabilities

Financial assets and financial liabilies at fair value through surplus or deficit:

Financial instruments held for trading

These include equities, capital market instruments, money market instruments, options and all derivatives in a net receivable position (positive fair value). All derivatives in a net payable position are reported as financial liabilities. Derivatives are designed to facilitate the transfer and isolation of risk and are used by the fund for both risk transfer and investment purposes. The Fund does not use derivatives for speculative or gearing purposes. Fair value adjustments and gains losses are recognised in the statemet of financial performance.

Assets in this category are classified as current assets if they are expected to be realised within 12 months from the statements of financial position date.

If an instrument is a non-derivative instrument with fixed or determinable payments, an entity may designate on derivative instruments with fixed or determinable payments at fair value at initial recognition when the following criteria is met:

- The desgination is made at initial recognition, on an instrument by instrument basis
- A narrative description of the criteria used to desginate financial assets at fair value should be provided.

Financial Statements for the year ended 31 March 2018

Accounting Policies

1.9.1. Classification of Financial assets and liabilities (continues)

Bills and promisionary note have been desginated at fair value due to the money market curve valuation method that is used to value these financial assets. This is consistent with prior years.

Financial instruments held at amortised cost

Investments

Investments at amortised cost are non derivative financial assets with fixed or determinable payments that are quoted in an active market. They are included in current assets ,except for maturities greater than 1 months after the reporting date.

These are classified as non- current assets. Investments at amortised cost are subsequently measured using effecive interest method.

Cash and cash equivalents

Cash and cash equivalents include cash-in-hand ,deposits held on call with South African banks and amounts due from banks and National Treasury on demand. Cash and cash equivalents are short - term highly liquid investments that are readily convertible to known amounts of cash ,are subject to an insignificant risk of changes in value ,and are held for the purpose of meeting short -term cash commitmets rather than for investments for other purposes.

Bank overdrafts are shown as current liabilities on the statement of financial positon.

Trade and other receivables

Trade and other receivables are initially measured at fair value (transaction price), and are subsequently measured using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired.

Trade and other payables

Trade payables are initially measured at fair value (transaction price) and are subsequently measured using the effective interest rate method. Trade and other payables are presented at their respective outstanding balances at year-end. These are subject to normal trade credit terms and relatively short payment cycles.

1.9.2.Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provision of the instrument, i.e. trade-date accounting.

Financial liabilities are not recognised unless one of the parties has performed or the contract is a derivative contract not expemted from the scope of GRAP 104.



Financial Statements for the year ended 31 March 2018

Accounting Policies

1.9.3.Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in the case of financial assets or financial liability, subsequently measured at amortised cost, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liability. Transaction costs are excluded from financial instruments which are subsequently measured at fair value at initial recognition. These transaction costs are expensed in the statement of financial performance, while on other financial instruments they are capitalised.

1.9.4. Fair value measurement principles

The fair value of investments that are actively traded in orginised financial markets is determined by reference to quoted market bid prices at reporting date. For instruments where there are no active markets the fair value of the insturment is determined using valuation techniques, including use of recent arm's length market transactions, reference to the current market value of another instrument that is substitutially the same, discounted cash flow techniques or any other valuation technique making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Certain financial instruments, including derivative financial instruments, are valued using pricing models that consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve, volatility factors and/or prepayment rates of the underlying position. The use of different pricing models and assumptions could produce materially different estimates of fair values. Inputs are based on market data at the statement of financial position date where other pricing models are used.

The fair value of derivatives that are not exchange-traded is estimated as the amount that the Fund would receive or pay to terminate the contract at the statement of financial position date, taking into account current market conditions (volitality, appropriate yield curves) and the current creidit worthiness of the counterparties.

Unlisted investment are measured at fair value determined by the external valuator. The external valuator uses valuation methods which comply with Generally Accepted Accounting Principles (GRAP) and the International Private Equity and Venture Capital (IEPVC) valuation guidelines. For the unlisted equity investments, the price of recent investment approach method, the discounted cash flow techniques (DCF) and price earnings multiple (PE Multiple) is used to determine fair value after adjusting for any subsequent events where necessary.

The fair value of floating rate and overnight deposits with credit institutions are their carrying value. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the statement of financial position date. If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

1.9.5. Gains and losses on subsequent measurement

Gains or losses arising from changes in the fair value of the "Financial assets at fair value through surplus or deficit" category are presented in the statement of financial performance within "Fair value adjustment" gains or losses in the period in which they arise.

Financial Statements for the year ended 31 March 2018

Accounting Policies

1.9.6. Expenses

All expenses, including management fees, custodian fees and other transaction costs, are recognised in the statement of financial performance on an accrual basis.

1.9.7. Dividend income

Dividend income relating to exchange-traded equity is recognised in the statement of financial performance on the ex- dividend date (when the Fund's right to receive payment is established). In some cases, the Fund may receive or choose to receive dividends in the form of additional shares rather than cash. In such cases, the Fund recognises the dividend income for the amount of the cash dividend, alternative with the corresponding debit, treated as an additional investment.

Dividend income is recognised as part of "Investment Revenue"

1.9.8. Impairment of financial assets

The Fund assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets that are stated at amortised cost are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the statement of financial performance as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

If in a subsequent year, the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the statement of financial performance. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been previously recognised.

A provision for trade receivables impairment is made when there is objective evidence (the probability of insolvency or significant financial difficulties of the debtor, probability that the debtors will enter bankrupcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired) that the Fund will not be able to collect all the amounts due under the original term of the invoice.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Short-term receivables are not discounted. 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 statement of financial performance within "administrative costs." An uncollectable trade receivable is written off against the allowance account for trade receivables. Changes in the carrying amount of the allowance account are recognised in the statement of financial performance. Subsequent recoveries of amounts previously written off are credited against "other income" in the statement of financial performance.

In the case of financial assets at fair value, through surplus or deficit, gains and losses arising from changes in fair value are included in surplus or deficit of the statement of financial performance.

Financial Statements for the year ended 31 March 2018

Accounting Policies

1.9.9. Derecognition

1.9.9.1. Financial Assets

The financial assets or a portion of a financial asset are derecognised where:

- The rights to received cash flows from the asset have expired;
- The Fund retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without any material delay to a third party under a "pass-through" arrangement; or
- The Fund has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

1.9.9.2. Financial liabilities

The financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the statement of financial performance.

1.9.10. Interest income and expense

Interest income and expenses from financial instruments measured at amortised cost and interest bearing financial instruments classified as designated at fair value through surplus or deficit are recognised in the statement of financial performance as it accrues, using the original effective interest rate of the instrument calculated at the acquisiton at origination date. Interest income includes amortisation of any discount or premium or any other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis. Interest income and expenses are recognised as part of "Investment Revenue."

1.10 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.

1.10.1. Finance lease - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Financial Statements for the year ended 31 March 2018

Accounting Policies

1.10.1. Finance lease - lessee (continues)

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

1.10.2. Operating leases - lessor

Operating lease revenue is recognised on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

1.10.3. Operating leases - lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement 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.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently, inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

1.12 Unclaimed monies

1.12.1 Beneficiaries

If money owing to beneficiaries/claimant or his dependant has remained unpaid after 12 months because it has not been claimed and the person cannot be traced (by utilising different method of communication and correspondence), the Compensation Commissioner shall effect a notice to be published annually in the Government Gazette with particulars of the claimant relating to amounts more than R100. Any person claiming the amount shall be called upon to submit his claim to the Commissioner within one month after the date of the notice.

Financial Statements for the year ended 31 March 2018

Accounting Policies

1.12.1 Beneficiaries (continues)

If at the expiration of the said month, no claim has been submitted, or a claim that has been submitted has been rejected by the Compensation Commissioner, the said amount shall be paid into the reserve fund until an acceptable claim has been lodged within a specific period of time.

1.13 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.

1.14 Contingencies

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised in the books of the entity. However for any depending litigation against and/or for the Fund is only disclosed as a note to the financial statement. This is done in order to show how the Fund is exposed.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingents Liabilities are recognised when:

- 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.

Financial Statements for the year ended 31 March 2018

Accounting Policies

1.15 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 provided in respect of unrecognised contractual commitments.

Commitments are disclosed in a note to the financial statements, if both the following criteria are met:

- The Contract should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- The Contracts 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.

1.16 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the economic entity directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable. Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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

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

Revenue is measured at the fair value of the consideration received or receivable. When the inflow of cash or cash equivalents is deferred and the fair value of the consideration is less than the nominal amount of cash received or receivable, the arrangement effectively constitutes a financing transaction.

1.16.1. Measurement

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

1.16.2. Contributions

Judgement is required in determining the provision for Assessment not raised due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Financial Statements for the year ended 31 March 2018

Accounting Policies

1.16 Revenue from exchange transactions (continued)

1.16.2. Contributions (continued)

The entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the entity to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

1.16.3. Rendering of service

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.

Stage of completion is determined by costs incurred to date as a percentage of total costs to provide the service.

1.17 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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.

The fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Financial Statements for the year ended 31 March 2018

Accounting Policies

1.17 Revenue from non-exchange transactions (continues)

Service charges relating to contributions from employers are based on rates according to class in which they are categorised under. Provisional estimates of revenue are made yearly when Return Of Earning (ROE) have not been submitted and are based on the ROE historical information. Adjustments to provisional estimates are recognised as revenue in the invoicing period.

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.

1.17.1 Measurement

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

1.18 Finance costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

The Fund discloses comparative information in respect of the previous period for all amounts reported in the financial statements, both on the face of the financial statements and in the notes, unless standards require otherwise.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified to conform to changes in the current year.

The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.20 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.

1.21 Irregular expenditure

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

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

Financial Statements for the year ended 31 March 2018

Accounting Policies

1.21 Irregular expenditure (continued)

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):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law.

Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.22 Budget information

Entity 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. Management assumes deviations between budget and actual amounts to be material when a deviation of more than 10% exists. All material differences are explained in the notes to the annual financial statements

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 linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/04/01 to 2018/03/31.

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

Financial Statements for the year ended 31 March 2018

Accounting Policies

1.23 Related parties

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

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

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

1.24 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 Fund will adjust the amounts recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred

The Fund will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cdannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.25 Capitalised value of pensions

Pensions are paid to disabled claimants and widows and children of deceased workers from work related accidents or occupational diseases. The capitalised value of pensions ("CVP") is the present value of future pension payments. The liability is based on assumptions as to future pension increases, mortality, demographics, management expenses and investment income which are reviewed by management on an annual basis for reasonableness.

The present value also provides for probable costs payable to the spouse and/or children on subsequent death of the pensioner. In addition to this basic liability value, contingency reserves are held to cover the possible impact of adverse variations in the liability. The liability is recalculated at each financial year -end, using the assumptios above. Valuation of the CVP are projected over the course of the year, and reassessed annually where adjustments are made for the changes in the assumptions. Adjustments to the CVP are ncluded in the surplus or deficit for the year.

1.26 Prior period error

Prior period comparative information has been presented in the current year's financial statements. Where necessary figures included in the prior period financial statements have been reclassified to ensure that the format in which the information is presented is consistent with the format of the current year's financial statements

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

	2018	2017
2. Investment	R '000	R '000
2. IIIVestillelit		
Designated at fair value		
Listed shares	14 268 125	12 518 082
Unlisted shares	1 226 937	1 473 205
Bonds	39 518 483	34 693 230
Bills and promissory notes	871 970	295 109
Loans and receivables	8 590 051	6 414 221
	64 475 566	55 393 847
Non-current assets		
Designated at fair value	54 901 730	47 806 143
Current assets		
Designated at fair value	9 573 836	7 590 980

Investment Categories Per Portfolio

Fair Value: Compensation Portfolio 2018

	Loans and other receivable	Far value throught profit and loss	Designated as at fair value through profit and loss	Total
	R'000	R'000	R'000	R'000
Capital Market	-	26 046 569	-	26 046 569
Equity - Listed Share	-	9 139 628	-	9 139 628
Isibaya - Unlisted Share	-	1 226 937	-	1 226 937
Bills	-	-	69 453	69 453
Promissory Notes	-	-	48 326	48 326
Certificate of Deposit	-	-	101 696	101 696
Fixed Deposit	4 423 660	-	-	4 423 660
Trading Cash	263 744	-	-	263 744
	4 687 404	36 413 134	219 475	41 320 013

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

2. Investment (continues)

Fair Value: Pension Portfolio 2018

	Loans and other receivable			Total
	R'000	R'000	R'000	R'000
Capital Market	-	13 773 941	-	13 773 937
Equity - Listed Share	-	5 128 496	-	5 128 496
Bills	-	-	73 907	73 907
Promissory Notes	-	-	71 545	71 545
Certificate of deposit	-	-	205 018	205 018
Fixed Deposit	3 521 146	-	-	3 521 146
Trading Cash	381 500	-	-	381 500
	3 902 646	18 902 437	350 470	23 155 549
Total investments	8 590 050	554 315 571	569 945	64 475 566

Fair Value: Compensation Portfolio 2017

Tail Value. Compensation Fortiono 2017	Loans and other receivable	Far value throught profit	Designated as at fair value through	Total
	R'000	and loss R'000	profit and loss R'000	R'000
Capital Market	-	22 937 913	-	22 937 913
Equity - Listed Share	-	8 022 373	-	8 022 373
Isibaya - Unlisted Share	-	1 473 205	-	1 476 481
Bills	-	-	91 505	91 505
Promissory Notes	-	-	33 785	33 785
Fixed Deposit	4 116 614	-	-	4 116 614
Trading Cash	246 317	-	-	246 317
	4 362 931	32 433 491	125 290	36 924 988

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

2. Investment (continues)

Fair Value: Pension Portfolio 2017

	Loans and other receivable	Far value throught profit and loss	Designated as at fair value through profit or loss	Total
	R'000	R'000	R'000	R'000
		R'000	R'000	
Capital Market	-	11 755 317	-	11 755 317
Equity - Listed Share	-	4 495 708	-	4 495 708
Bills	-	-	98 606	98 606
Promissory Notes	-	-	71 213	71 213
Fixed Deposit	1 662 231	-	-	1 662 231
Trading Cash	389 060	-	-	389 060
	2 051 291	16 251 025	169 819	18 472 135
Total investments	6 414 22	48 684 516	295 109	55 397 123

Maturity Schedule Compensation Portfolio as at 31 March 2018

	Money Market	Capital Market	Equity	SRI Isibaya	Trading cash	Total
0 - 3 months	1 593 189	50 000	-	-	263 744	1 906 933
3 - 12 months	3 049 947	332 343	-	-	-	3 382 290
1 - 3 years	-	753 276	-	-	-	753 276
3 - 7 years	-	3 689 174	-	1 226 937	-	4 916 111
7 - 12 years	-	6 362 911	9 139 628	-	-	15 502 539
12+ years	-	14 858 865	-	-	-	14 858 865
	4 643 136	26 046 569	9 139 628	1 226 937	263 744	41 320 014

Maturity Schedule Pensions Portfolio as at 31 March 2018

	Money Market	Capital Market	Equity	SRI Isibaya	Trading cash	Total
0 - 3 months	1 189 987	31 498	-	-	381 500	1 602 985
3 - 12 months	2 681 630	-	-	-	-	2 681 630
1 - 3 years	-	390 253	-	-	-	390 253
3 - 7 years	-	3 496 623	-	-	-	3 496 623
7 - 12 years	-	3 216 563	5 128 496	-	-	8 345 059
12+ years	-	6 639 000	-	-	-	6 639 000
	3 871 617	13 773 937	5 128 496	-	381 500	23 155 550
Total investments	8 514 753	39 820 510	14 268 124	1 370 373	645 244	64 619 002

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

Total	6 073 953	34 693 231	12 518 081	1 255 190	635 377	55 175 832
	1 832 050	11 755 317	4 495 708	-	389 060	18 472 135
12+ years	-	5 700 779	-	-	-	5 700 779
7 - 12 years	-	2 746 767	4 495 708	-	-	7 242 475
3 - 7 years	-	2 990 082	-	-	-	2 990 082
1 - 3 years	-	213 460	-	-	-	213 460
3 - 12 months	1 130 075	104 229	-	-	-	1 234 304
0 - 3 months	701 975	-	-	-	389 060	1 091 035
Maturity Schedul	Money Market	lio as at 31 March 26 Capital Market	017 Equity	SRI Isibaya	Trading cash	Total
			1	1 473 203	240 317	30 921 712
121 years	4 241 903	22 937 914	8 022 373	1 473 205	246 317	36 921 712
7 - 12 years 12+ years	-	12 990 197	0 022 373	-	-	12 990 197
3 - 7 years	-	6 633 610	8 022 373	1 473 205	-	14 655 983
1 - 3 years	-	442 479 2 094 208	-	- 1 473 205	-	442 479 3 567 413
3 - 12 months	2 577 942	225 778	-	-	-	2 803 720
0 - 3 months	1 663 961	551 642	-	-	246 317	2 461 920
	Money Market	Capital Market	Equity	SRI Isibaya	Trading cash	Total
Maturiry Schedu	le Compensation P	ortfolio as at 31 Ma	rch 2017			
2. Investment (co	ontinues)					
					R '000	R '000

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

	2018	2017
	R '000	R '000
3. Inventories		
Consumable stores	2 013	1 787
4. Receivables from non-exchange transactions		
Trade receivables	12 663 342	11 370 122
Other receivables	2 339	2 248
Recoverable medical expenses	24 472	24 285
Duplicate payments to service providers	34 529	34 529
Accrued assessment revenue	1 301 447	1 515 595
Third party claims	182 131	182 131
Disallowances	65 355	64 925
Provision for doubtful debts	(13 084 325)	(7 707 893)
Unallocated payment	59 181	61 142
Advance to Medical Service Providers	452 758	454 643
	1 701 229	6 001 727

Receivables are carried at amortised cost and the carying amount approximates the fair value.

Debtors (employers assessed) are granted credit term of 30 days from the date of invoice to settle outstanding debt.

Total receivables from non-exchange transactions

Receivables from non-exchange transactions past due but not impaired

Receivables which are 30 days and 180 days past due are not considered to be impaired (no provision is raised). As at 31 March 2018, R 274 825, (2017: R1 320 444) were past due but not impaired.

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

Due for 60 days	33 248	25 428
Due for 90 days	27 612	652 153
Due for 180 days	213 965	642 863

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

4. Receivables from non-exchange transactions (continues)

Receivables from non-exchange transactions impaired

As of 31 March 2018, receivables were assessed for impairment and the allowance for impairment has been provided for. As at 31 March 2018 amount of the provision was R 13 084 325 (2017: R 7 707 893)

The ageing of these loans is as follows:

365 days outstanding	3 414 785	1 029 286
More than 365 days	6 972 161	3 791 324
Significant debtors	1 842 863	1 105 935
Blocked employers	552 228	1 395 935
Estate employers	306 286	388 624

Impairment Reconciliation: Non-Exchange transactions

Reconciliation of impairments of receivables from non-exchange transactions is as follows:

Opening balance	7 707 891	10 086 370
Impairment loss for the year	5 376 434	44 390
Amount written off as uncollectable		(2 422 869)
	13 084 325	7 707 891

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

4. Receivables from non-exchange transactions (continued)

Ageing of significant receivables from non-exchange transactions

2018	30 days	60 days	90 days	180 days	365 days	>365 days	Total
	R'000	R'000	R'000	R'000	R'000	R'000	
Contribution by employers	67 058	33 248	27 237	213 887	4 165 902	8 154 805	12 662 137
Medical advance	-	-	-	-	-	452 758	452 758
Recoverable medical expenses	558	-	-	-	-	23 914	24 472
Duplicate payment to service Providers	-	-	-	-	-	34 529	34 529
Provision for assessment not raised	1 301 447	-	-	-	-	-	1 301 447
Third party	-		-	-	-	182 131	182 131
Disallowance	-	-	-	-	-	65 355	65 355
Other receivables	-	-	-	-	-	1 763	1 763
	1 369 063	33 248	27 237	213 887	4 165 902	8 915 255	14 724 592

2017	30 days	60 days	90 days 180 days		365 days	>365 days	Total
	R'000	R'000	R'000	R'000	R'000	R'000	
Contribution by employers	3 127 403	25 428	644 523	640 167	1 431 640	5 500 961	11 370 122
Medical advance	-	-	-	-	-	454 643	454 643
Recoverable medical expenses	6 853	-	5 857	2 691	372	8 512	24 285
Duplicate payment to service Providers	-	-	-	-	-	34 529	34 529
Provision for assessment not raised	1 515 595	-	-	-	-	-	1 515 595
Third party	-	-	-	-	-	182 131	182 131
Disallowance	-	-	-	-	-	64 925	64 925
Other receivables	-	-	1 773	5	-	-	1 778
	4 649 851	25 428	6 483	6 483	6 483	-	13 648 008

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

	2018	2017
	R '000	R '000
5. Receivables from exchange transactions		
Trade receivables	33 828	24 712
Advance	362	362
Investment income receivables	150 940	110 832
Rent Receivable	604	1 909
Provision for impairment	(12 852)	(10 520)
Accrued interest	2 223	4 041
Contribution Exempted Employer	48 153	75 254
	223 258	206 590

Receivales are carried at amortised cost and the carrying amount approximates the fair values. Debtors are granted credit term of 30 days from the date of the invoice to settle outstanding debts.

Trade and other receivables impaired

As of 31 March 2018, receivables were assessed for impairment and the allowance for impairment has been provided for. As at 31 March 2018 ,provision amount was R 12,852 (2017:R10,520)

Significant receivables from exchange transaction - 2018

	Investment income receivable R'000	Advances R'000	Contribution Exempted Employer R'000	Accrued Interest R'000	Rent Receivable R'000	Trade receivables R'000
30 days	150 940	-	35 848	2 200	561	33 828
180 days	-	-	1	-	-	-
365 days	-	-	2 632	-	-	-
>365 days	-	362	9 672	23	43	-
Totals	150 940	362	48 153	2 223	604	33 828

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

Significant receivables from exchange transaction - 2017

	R'000	Advances	Contribution Exempted Employer	Accrued Interest	Rent Receivable	Trade receivables
30 days	110 832	_	65 778	-	1 866	24 712
180 days	-	-	27	-	-	-
365 days	-	60	22	-	34	-
>365 days	-	302	9 427	4 041	9	-
Totals	110 832	362	75 254	4 041	1 909	24 712

Reconciliation of provision for impairment of receivables from exchange transactions

Opening balance	10 520	10 157
Impairment loss for the year	2 332	363
	12 852	10 520

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

	2018 R '000	2017 R '000
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	480	2 293
Bank balances	218 854	102 413
Short-term deposits	29 859	527 064
	249 193	631 770

7. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	313 410	-	313 410	183 621	-	183 621

Reconciliation of investment property - 2018

	Opening balance	Additions	Fair value adjustments	Total
Investment property	183 621	140 288	(10 499)	313 410

Reconciliation of investment property - 2017

	Opening balance	Additions	Razorite	Fair value adjustments	Total
Investment property	8 300	122 921	52 700	(300)	183 621

A register containing the information required by GRAP 16 is available for inspection at the registered office of the Fund.

The Investment propety is situated on ERF 252, Bhisho House. The Building has been leased to the Department of Public Works.

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

8. Property, plant and equipment

_	2018			2017			
_	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	
Land	49 000	-	49 000	36 000	-	36 000	
Buildings	114 920	(10 827)	104 093	93 678	(7 227)	86 451	
Furniture and fixtures	95 661	(44 192)	51 469	70 853	(24 509)	46 344	
Motor vehicles	2 825	(1 567)	1 258	2 825	(1 481)	1 344	
IT equipment	12 313	(10 476)	1 837	11 824	(9 490)	2 334	
Leasehold improvements	46 921	(5 141)	41 780	-	-	-	
IT Infrastructure	3 251	(296)	2 955	-	-	-	
Finance leased assets	5 832	(2 113)	3 719	4 861	(3 571)	1 290	
Assets Under Construction	28 601	-	28 601	-	-	-	
Total	359 324	(74 612)	284 712	220 041	(46 278)	173 763	

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Revaluations	Depreciation	Total
Land	36 000	-	13 000	-	49 000
Buildings	86 451	-	21 242	(3 600)	104 093
Furniture and fixtures	46 343	13 532	-	(8 406)	51 469
Motor vehicles	1 344	-	-	(86)	1 258
IT equipment	2 334	489	-	(986)	1 837
Leasehold improvements	-	46 921	-	(5 141)	41 780
IT Infrastructure	-	3 251	-	(296)	2 955
Finance leased Assets	1 290	4 296	-	(1 867)	3 719
Assets Under Construction	-	28 601	-	-	28 601

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Land	36 000	-	-	-	36 000
Buildings	88 149	-	-	(1 698)	86 451
Furniture and fixtures	2 856	51 791	-	(8 304)	46 343
Motor vehicles	1 437	-	-	(93)	1 344
IT equipment	3 361	82	(74)	(1 035)	2 334
Finance leased Assets	1 434	1 115	(63)	(1 196)	1 290
	133 237	52 988	(137)	(12 326)	173 762

The carrying value of assets is not pledged as security.

Assets under construction relates to Leasehold improvements being effected to the Delta Heights building, the premises to which the Fund relocated to in December 2018.

Details of properties

Compensation House on 90 of the farm Prinshof, No 349, Pretoria.

The property was revaluated by an independent valuer, Strata Properties on 15 March 2018.

The Valuer are not connected to the Fund and have recent experience in the location and category of the property being valued.

The Valuation was based on open market value for existing use.

9. Intangible assets

		2018			2017	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Licenses and franchises	493	-	493	450	_	450
Software Licence	121 515	(53 978)	67 537	121 515	(18 167)	103 348
Total	122 008	(53 978)	68 030	121 965	(18 167)	103 798

Financial Statements for the year ended 31 March 2018

			2018 R '000	2017 R '000
Intangible Assets (continues)		1		
Reconciliation of intangible assets - 2018				
	Opening balance	Additions	Impairment loss	Total
Licenses and franchises	450	43	-	493
Software Licence	103 348	-	(35 811)	67 537
_	103 798	43	(35 811)	68 030
Reconciliation of intangible assets - 2017				
	Opening balance	Additions	Amortisation	Total
Licenses and franchises	-	450	-	450
Software Licences	8 437	100 187	(5 276)	103 348
	8 437	100 637	(5 276)	103 798
10. Finance lease obligation				
Minimum lease payments due				
- within one year			(94)	707
- in second to fifth year inclusive			3 903	668
Present value of minimum lease payments			3 809	1 375
Non-current liabilities			3 903	668
Current liabilities			(94)	707
			3 809	1 375
11. Payables from non-exchange transactions	;			
Compensation, medical and pension creditors			108 945	530 091
12. Payables from exchange transactions				
Trade payables			68 724	73 810
Debtors with Credit Balance			1 001 195	604 911
Unsettled Investments			10 663	1 801
Unallocated receipts			160 720	30 121
			1 241 301	710 643

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

13. Accruals

2018	Opening balance	Additions	Utilised during the year	Total
	40 106	2 028	(1 580)	40 554
Accumulated Leave	18 457	8 751	(6 312)	20 896
Service Bonus	32 712	247 192	(226 486)	53 418
Accrued expenses	8 532	8 751	(7 972)	9 311
Peformance bonus	99 807	266 722	(242 350)	124 179

2017	Opening balance	Additions	Utilised during the year	Total
Accumulated Leave	31 443	16 858	(8 195)	40 106
Service Bonus	14 844	4 196	(583)	18 457
Accrued expenses	400 609	799 070	(1 166 967)	32 712
Peformance bonus	6 748	7 276	(5 492)	8 532
	453 644	827 400	(1 181 237)	99 807

14. Capitalised value of pensions

Defined benefit plan

The defined benefit plan, to which -% (2017: -%) belong, consists of the (specify Pension Fund) governed by the Pension Fund Act of 1956.

The actuarial valuation determined that the retirement plan was in a sound financial position, however that it was recommended that the contribution should be increased by -% for - months. This recommendation is presently being implemented.

The plan is a final salary pension / flat plan or a post employment medical benefit plan.

The amounts recognised in the statement of financial position are as follows:

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

	2018	2017
	R '000	R '000
14. Capitalised value of pensions (continued)		
Opening balance	(21 757 000)	(20 784 000)
Addition to Pension as per Acturial Valuation	(30 115)	(1 101 000)
Increase in capitalised value	1 039 194	(845 374)
Pension paid	-	973 374
	(20 747 921)	(21 757 000)
Non-current liabilities	(20 732 594)	(20 656 999)
Current liabilities	(15 327)	(1 100 001)
	(20 747 921)	(21 757 000)

Key assumptions used

The Pensioner and Constant Attendance Allowance Provision is determined by calculating the present value of all expected future:

- pension payments,
- constant attendance allowance payments and
- expenses associated with paying such pensions.

In the calculation, account is taken of expected future mortality, investment income and pension increases. The present value incorporates provision for the spouse and/or children on the subsequent death of a worker pensioner. It also allows for margins typically applied in actuarial valuations of insurance business.

The liability is calculated on a "best estimate" plus margins basis:

- The best estimate liability is determined such that where there is a 50% probability that the actual cost will be either lower or higher than the estimated liability.
- The purpose of adding additional margins to the best-estimate liability is to protect the Pensions Account against possible future adverse experience. Margins prescribed by actuarial practice notes for annuity business were applied.

The calculations allow for the following risk margins:

- Investment Return: Expected pension payments and expenses were discounted using an investment return assumption lower than the best estimate by 0.25%.
- Mortality: Mortality assumption used in the provision calculations were reduced by 7.5% (implying improving longevity).
- Expenses: Allowance was made for a 10% loading on the expected expenses and the inflation assumption was increased by 10%.

The Basic Chain Ladder method to estimate the future capitalised pensions was used. The Bequest-Sherman method with a number of adjustments to the data was used for the previous valuation. Claims processed in each of the previous ten financial years were grouped into a table according to year of accident (accident year) and the year of payment of the claim (development year). The claim payments are then adjusted for inflation. The link ratios per accident and development year with the following formula was calculated: (Cumulative claims paid in accident year x and development year i+1)/ (Cumulative claims paid in accident year x and development year x). After investigation of these ratios, the accident years 2012, 2009 and 2001 were excluded in the calculation of the first development factor. These accident years appear to have experienced a different development pattern compared to other accident years.

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

14. Capitalised value of pensions (continued)

Tail factor:

An increasing percentage of claims are paid in relation to development years beyond 17 years. We fitted a polynomial to the percentage of claims that developed after 17 years for financial years 1999 to 2016.

15. Revaluation reserve

Opening balance	102 441	102 441
Change during the year	34 242	<u>-</u>
	136 683	102 441

The property and its value forming attributes are benchmarked against the current market and fair consideration is then made in order to indicate what value the property may realise in the broader investment or end user market based on the principal of willing buyer and willing seller.

Assumptions and special assumptions that are reasonable and relevant to the valuation:

Competent property management, reasonably stable economic conditions and stable interest rates which influence real estate value are assumed. It is assumed that on lease expiry that the rental achievable from the property may increase if the rent has lagged the market or revert to market if the rent is higher than market.

Market rentals have been used to indicate value. Comparable sales have also been used as an indicator of value.

A discounted cashflow calculation has also been calculated as a check and a balance against the capitalised value.

16. Provisions for outstanding claims

Reconciliation Provision of outstanding claims

Opening Balance	12 372 000	12 080 000
Increase in the provision	-	3 580 000
Claims paid during the year		(3 288 000)
	12 372 000	12 372 000
		_
Non-current liabilities	8 494 000	8 494 000
Current Liabilities	3 644 384	3 878 000
	12 138 384	12 372 000

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

16. Provisions for outstanding claims (continued)

Valuation methodology:

An Adjusted Bornheutter-Fergusson method was used to determine the Outstanding Claims Provisions.

The assumptions used to determine the Outstanding Claims Provisions are informed by past valuations. Key assumptions are the claims development pattern and the anticipated level of claims arising from each historical accident year. A polynomial curve was fitted to the percentage of claims that developed after 16 years for the financial years 2000 to 2017. These assumptions were set at the start of the financial year, and used to generate an expected level of claims development over the year. Actual claims emerging over the years were compared to the expected claims experienced and used to assess the reasonableness of the assumptions.

The Outstanding Claims Provision is determined by applying the assumptions to historical accident years. For the latest accident year the Bornhuetter Fergusson method is applied by estimating the ultimate claims based on the total employed peple as a measure of claims exposure.

The provision was then discounted to reflect the extent to which it is expected that future investment returns will outstrip future inflation. For all benefit types except medical, it was assumed that future investment returns will exceed claims inflation by 1%.

In accordance with insurance industry norms, the following margins were added to the different components of the Outstanding Claims Provision:

16. Provisions for outstanding claims (continued)

Expenses: 10%
Mortality expsosure: 7.5%
Disability exposure: 10%
Medical expense expsoure: 15%.

Expense reserve

The nuymber of claims expected, based on the Outstanding Claims Provision, is determined by dividing the provision into the average claim amount expected. The average claim is derived as the average claim amount paid (in money-terms as at the valuation date) on all claims with accident date in or after the 2007/08 financial year. The average claim amount ws adjusted upwards to reconcile the 2016 expess reserve with that determined by the previous actuaries.

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

16. Provisions for outstanding claims (continued)

The expense reserve is termined as the number of claims represented in the Outstanding Claims Provision, multiplied by the assumed expense associated with administering and paying such a claim.

High-level description of the Basic Chain Ladder valuation method:

Claims proceed are groluped into a matrix according to:

Accident year: The financial year of the accident or diagnosis or disease;

Development year: The difference between the financial year within which the claim was paid and the accident year;

THe claim payments are then adjusted for inflation (based on CPI figures) from date payment till the valuation date, so that all the amoiunts int he matrix are in money terms as at this date. THe inflation rates used are:

Historixc inflation rates applied to past claims

In making this inflationary adjustment, we assure that claims are on average paid halfway through each financial year.

Benefit	Historic claims inflation used
Temporary disability payments	2% per annum above CPI over the relevant period
Permanent disability lump sum claims	2% per annum above CPI over the relevant period
Fatal accident lump sums	2% per annum above CPI over the relevant period
Medical claims	2% per annum above CPI over the relevant period
Capitalised pensions and CAA benefits	2% per annum above CPI over the relevant period

In making this inflationary adjustment, we assume that the claims are on average paid halfway through each financial year.

"Link ratios" (by how much the cumulative claim payments for a particular accident year is expected to increase from one development year to the next) are then caluclated using the following formula:

Cumulative claims paid in accident year x and development year i + 1 Cumulative claims paid in accident year x and development year x.

The development factors are then applied to total claims paid to date for each accident year to derive the total claims ultimately expected to be apid for the specific accident year.

Tail factor adjusment:

TTD, PD and Death LS claims: Payments for accidnet year 1992 are materially run off and no need exists for the application of tall factors. For Medical expensers, Claims are not yet fully run off. A polynomial curve awas fitted tot he percentage of claims that developed after 23 years for financial years 1994 to 2016. For capitalised pensions, claims are not yet fully run off. An average percentage of the claims which developed after the sixth development year for accident yearsd from 1994 to 2005 was determined.

Financial Statements for the year ended 31 March 2018

	2018 R '000	2017 R '000
17. Revenue	, , , , , , , , , , , , , , , , , , , ,	
Rental of facilities and equipment	1 223	1 290
Other Investment Income	2 005	2 806
Administrative contributions by exempted employers (S88)	36 165	32 001
Interest received	3 970 652	3 792 823
Dividends received	420 307	368 654
Contributions by employer	6 972 843	8 852 341
Penalties charged	325 805	370 369
	11 729 000	13 420 284
The amount included in revenue arising from exchanges of goods or se	rvices are as follows:	
Rental of facilities and equipment	1 223	1 290
Other Investment Income	2 005	2 806
Administrative contributions by exempted employers (S88)	36 165	32 001
Interest received	3 970 652	3 792 823
Dividends received	420 307	368 654
	4 430 352	4 197 574
The amount included in revenue arising from non-exchange transaction	s is as follows:	
Revenue from employers		
Contributions by employer	6 972 843	8 852 341
Penalties charged	325 805	370 369
	7 298 648	9 222 710
18. Benefits		
Funeral Expense	3 223	10 763
Compensation for temporary disability	848	-
Compensation for Permanent Disability	4 588	123 687
Pension Capitalised during the year	30 115	2 812 943
Medical Claims	2 433 165	2 580 207
Recovery of Medical expenses	(27 459)	(27 351)
	2 444 480	5 500 249

Financial Statements for the year ended 31 March 2018

	2018 R '000	2017 R '000
19. Employee related costs		
Salaries	513 002	449 221
Performance Bonus	13 299	8 077
Leave pay	3 061	10 689
Allowances	43 590	39 396
Overtime benefits	12 312	10 186
Thirteenth cheque	36 668	36 816
Bargaining council contributions	167	143
Pension contributions	63 190	54 188
Medical aid contributions	40 425	35 582
	725 714	644 298
20. Impairment of receivables		
Impairment of receivables	5 378 766	44 753
21. Investment revenue		
Dividend revenue		
Dividend income - Compensation portfolio	267 423	240 566
Dividend income - Pension portfolio	152 884	128 088
	420 307	368 654
Interest revenue		
Interest income - Bank	134 771	110 535
Interest charged on trade and other receivables	45 562	30 683
Interest revenue - Compensation portfolio	2 534 731	2 431 241
Interest revenue - Pension portfolio	1 255 588	1 220 364
	3 970 652	3 792 823
22. Finance costs		
Interest paid	11 012	4 156

Financial Statements for the year ended 31 March 2018

	2018	2017
	R '000	R '000
23. General expenses		
Auditors remuneration	9 490	8 318
Consulting and professional fees	58 421	91 624
Printing and stationery	4 635	3 611
Subsidies for accident prevention	11 428	2 372
ICT expenses	121 040	61 641
Subsistence and travel	36 121	29 724
Training	25 449	8 001
Assets expensed(Less than R 5000)	13 212	(4 047)
Assessors' fees	1 646	1 596
Other expenses	112 381	145 091
Investment management fees	79 869	70 978
Compensation board	698	847
Venue expenses	5 598	4 854
	479 988	424 610
24. Fair value adjustments		
Investment property Other financial assets	(10 499)	(300)
Investments	3 001 918	(28 545)
	2 991 419	(28 845

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

	2018 R '000	2017
25. Cook governed from energians	R 000	R '000
25. Cash generated from operations	5 532 063	6 404 079
Surplus	5 532 063	6 494 978
Adjustments for:		
Depreciation and amortisation	56 192	17 602
Lease rentals on operating lease	4 482	_
Loss on disposal of assets	(85)	58
Share of losses/(profits) from associates	(39 973)	115 662
Administration contribution	(36 165)	(32 001)
Fair value adjustments	(2 991 419)	28 845
Invesment management fees and transaction costs	80 404	71 759
Interest income from investments	(3 790 319)	(3 651 605)
Dividends received	(420 307)	(368 654)
Interest received other	(42 194)	-
Other investment income	(2 005)	_
Debt impairment	5 378 766	44 753
General Expenses	3 146	-
Repairs and Maintenance	4 160	-
Increase in the Actuarial pension adjustment	(1 009 079)	973 000
Increase in the Provision for outstanding claims	(233 616)	292 000
Bargain/excess purchase price	2 467	_
Taxation expenses	14 286	52 062
Changes in working capital:		
Increase in inventories	(226)	629
Receivables from exchange transactions	59 605	(7 827)
Receivables from non-exchange transactions	(487 697)	(2 792 513)
Prepayments	(35 458)	(2 915)
Deferred tax	1 285	(3 377)
Payables from exchange transactions	389 237	83
Payable from non-exchange transactions	(421 146)	(11)
Accuals	24 374	(353 839)
	2 040 778	878 689
26. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
B	0.700	4==

8 729

175

• Property, plant and equipment

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

	2018 R '000	2017 R '000
26. Commitments (continues)		
Not yet contracted for and authorised by members		
Property, plant and equipment	-	-
Total capital commitments		
Already contracted for but not provided for	8 729	-
Authorised operational expenditure		
Already contracted for but not provided for		
• Services	2 144	5 446
• Goods	160	29
Minor Assets	4 231	37 721
Contract: 0 - 1	56 854	48
Contracts: 2 - 5	44 650	-
	108 039	43 244
Not yet contracted for and authorised by members		
Total operational commitments		
Already contracted for but not provided for	108 039	43 244
Not yet contracted for and authorised by members	8 730	175
	116 769	43 419

This committed expenditure relates to property and other goods and services and will be financed by available bank facilities, accumulated surplus, existing cash resources and internally generated funds.

Operating leases - as lessee (expense)

Operating lease payments represent rentals payable by the Fund for certain of its office properties and equipment. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

27. Contingencies

Licences in terms of section 30 of the act to carry out the business of the fund in certain industries have been granted by the Minister of Labour to two Mutual Associations. These mutual associations must deposit securities with the fund to cover its liabilities. Furthermore, certain local authorities have been granted excemption from paying annual assessments and are liable to pay compensation benefits to employees who get injured while on duty. In terms of section 31 of the COIDA, these exempted employers are required to deposit securities/cede securities to the Fund which are equivalent to the capitalized value of pension of their employees.

If a mutual association or an exempted employer fails to meet its liabilities in full in terms of the Act,the Accounting Authorities may apply such securities to pay the liabilities and the balances of any liabilities not paid from such securities will have to be paid from Reserves from the fund which creates a contigent liability to the fund. The extent of securities held/ceded to the fund amounts R91.3 billion (2017: R21.4 billion)

Furthermore the Fund have received approximately 322 (2017:235) notices of motions and summons and as a result thereof to approximately R16 Million (2017: R 21 Million)

28.Related parties

Relationships

Board MembersRefer to members' report note 29Senior ManagementRefer to note 29Audit and Risk CommitteesRefer to note 29AssociatesRefer to note 37

Refer to note 37

Rand Mutual Association

FEMA

Cross sharing of Board members

Close family member of key management

Close family member of key management

Refer to note 37

Cross sharing of Board members

Name

Related party balances

Loan accounts - Owing (to) by related parties

Life Care	108 223	108 223
Coid Link	45 639	47 690
Comsol	148 672	148 672
Netcare	150 000	150 000

The full balance of R452,534 has been provided for impairment in full

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

	2018 R '000	2017 R '000
28. Related parties (continued)		
Related party transactions		
Depatment of Labour (Amounts paid and recovered on behalf of DoL)		
Compensation of Employees	725 186	634 592
Goods and Services	204 066	232 164
Rand Mutual Associations		
Umehluko Licences	76 402	30 364

Board Members who are serving without compensation:

Mr Gys Mcintosh Mr Charles Mbekeni Mr B Kistansamy Mr Tibor Szana Mr Mongezi Mngqibisa Mr Patrick Matshidze Ms N Manyonga Dr S Tshabalala

During the year under review Ms Thelma Pugh retired from FEMA and as a result she will no longer be serving on the board.

Department of Labour:

Transactions and balances with the National departments of government and state controlled entities which occur other than in accordance with the operating parameters established are regarded as related parties transactions. The Fund is an entity of the Department of labour. Salaries of the Commissioner and officers and employees are remunerated out of the National Revenue Fund which is in turn reimbursed out of the Fund. Expenditure in respect of COIDA related services rendered to the Fund by provincial offices and labour centres of the Department of labour are also reimbursed to the Department of Labour. The Director-General is the Accounting Authority and the Minister is the Executive Authority

Transactions between the Fund and Rand Mutual Association:

There are several board members of RMA who are also on the board of the Fund. This creates a related party transaction between the Fund and RMA. The Fund has the use of the RMA system for claims and it pays a monthly maintenance and licences fee for this system. The system came into operation on 1 August 2014 and the costs for the period ended 31 March 2018 amounted to R76,402 (2017: R30,364).

The Public Investment Corporation

In terms of section 18 subsection 1 which reads: "The Director-General may transfer any part of the monies in the Compensation Fund and the reserve fund to the (PIC) for investments". The PIC is where the Fund has invested its surplus funds with the PIC. There is a memorandum of understanding between the PIC and the Fund which spells out on how to invest the surplus funds. The Fund invested in bonds, equities and trading cash. Over and above that the Fund has made socially responsible investments at the PIC for job creation. The PIC is a standing member of the Investment Committee.

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

29. Executive Emoluments

Executive

2018

	Emoluments	Other benefits*	Pension paid or receivable	Total
Compensation Commissioner	870	455	164	1 489
Chief Financial Management	919	211	188	1 318
Chief Director: Corporate Services	587	121	115	823
Chief Director: COID Services	501	217	91	809
Director: Medical claims	678	127	139	944
Director: Financial Reporting	709	143	135	987
Director: Income Management	646	172	133	951
Director: Communications and Management	734	192	139	1 065
Director: Human Resources Management	699	126	133	958
Director: Organisational effectiveness	703	122	133	958
Director: Compensation Benefits	657	272	125	1 054
Director: Risk Management	710	165	135	1 010
Director: Customer Care	686	172	141	999
Director: SCM	702	142	110	954
Director: Financial Control	653	290	123	1 066
Director: Internal audit	648	176	133	957
Director: Legal Services	702	140	133	975
Director Medical payments	646	261	123	1 030
Director: Income*****	590	316	121	1 027
Director: Project Management	591	20	-	611
_	66	247	13	326
	13 697	4 087	2 527	20 311

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

29. Executive Emoluments (continues)

2017

	Emoluments	Other benefits*	Pension paid or receivable	Total
Compensation Commissioner	828	423	157	1 408
Chief Financial Management	888	183	182	1 253
Chief Director: Corporate Services	535	203	99	837
Chief Director: COID Services	378	105	78	561
Director: Medical claims	672	112	130	914
Director: Financial Reporting	642	138	129	909
Director: Income Management	617	153	127	897
Director: Communications and Management	686	167	130	983
Director: Human Resources Management	672	127	127	926
Director: Organisational effectiveness	672	105	127	904
Director: Compensation Benefits	620	267	118	1 005
Director: Risk Management	675	143	128	946
Director: Customer Care	698	157	132	987
Director: SCM	672	134	127	933
Director: Financial Control	605	274	115	994
Director: Internal audit	620	170	127	917
Director: Legal Services	672	139	127	938
Director Medical payments	605	264	118	987
Director: Income*****	550	295	113	958
Director: Project Management	622	281	-	903
_	12 929	3 840	2 391	19 160

Financial Statements for the year ended 31 March 2018

	2018 R '000	2017 R '000
29. Executive Emoluments (continued)		
Board members fees		
Emoluments		
Mr FA Xaba	- 137	168
Mr Cowley: Busa	35	46
Mr S Samela:Nactu	29	23
Mr S Tsiane	45	128
Ms J Bodibe	62	64
Mr S Motloung	44	66
Ms E Kula	32	35
Ms S Sobuwa	9	9
Mr A Letshele	41	41
Mr P Dala	39	_
	473	580
Audit committee member fees		
Mr FK Buthelezi	-	47
Ms R Kalidass	35	65
Mr D Hlatshwayo	51	100
Mr LM Manqguku	38	36
Mr N Mhlongo	36	48
Mr CF Terhoeven	47	195
Mr FA Xaba	75	21
Mr P Dala	29	-
Mr LZ Francois	2	
	313	512
Risk Committee		
Mr FK Buthelezi	-	26
Mr L Mangquku	129	216
Mr N Mhlongo	17	-
Mr D Hlatshwayo	2	-
	148	242

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

30. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2018

	Balance as per prior year	Balance as Reclassifications	Correction of Errors	Restated
Investments in Current Assets	20 109 061	(12 518 081)	-	7 590 980
Investments in Non Current Assets	35 348 306	12 518 081	(281 534)	47 584 853
Investment in associate	80 039	-	192 230	272 269
Receivables From Exchange Transaction	181 954	-	(76)	181 878
Receivables From Non -Exchange Transactions	6 001 260	-	468	6 001 728
Pre-payments	3 800	-	54	3 854
Unallocated Receipts	(28 354)	-	(1 767)	(30 121)
Trade Payables	(6 179)	-	(48 938)	(55 117)
Accruals	(95 271)	-	(4 537)	(99 808)
Opening Accumulated Surplus	(27 159 148)	-	(8 382)	(27 167 530)
Surplus for the year	-	-	152 484	152 484
	34 435 468	-	2	34 435 470

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
 R '000	R '000

Statement of finanical performance 2018

2018	Dalaman	Delever	0	Destated
	Balance as per prior year	Balance as Reclassificat ons	Correction of Errors	Restated
Interest Received	(3 762 128)	-	(12)	(3 762 140)
Rental of Facilities and Equipment	(1 367)	-	76	(1 291)
Recovieries From Third Parties	(27 351)	27 351	-	
Employee related Cost	636 376	-	1 273	637 649
Benefits Paid	5 526 310	(27 351)	1 291	5 500 250
Finance Costs	238	-	3 918	4 156
Impairment of Investment in Associates	(10 635)	-	10 635	-
Lease rentals on Operating Lease	87 649	-	(421)	87 228
Repairs and Maintenance	6 337	-	(556)	5 781
Assets expensed (less that R5000)	312	-	(4 359)	(4 047)
Consulting and Proffesional Fees	41 518	-	50 107	91 625
Assessor's Fees	1 649	-	(53)	1 596
ICT expenses	61 043	-	597	61 640
Other expenses	86 591	-	3 430	90 021
Printing and stationery	3 650	-	(38)	3 612
Subsistence and Travelling	30 151	-	(426)	29 725
Training	8 100	-	(100)	8 000
Venue expenses	4 785	-	68	4 853
Fair Value Adjustments	200 182	-	(10 450)	189 732
Share of profits from associates			97 504	97 504
Surplus for the year		-	152 484	

31. Risk management

Financial risk management

In terms of Section 18(2) of the Compensation of Occupation Disease Act (act no 130 of 1993 ('COIDA"),the Public Investment Corporation ('PIC") is appointed as the Fund's Investment Manager. The Fund transfers surplus cash to the PIC to invest in term of the investment strategy and the investment policy of the Fund. All investments and deposits are registered by the PIC in the Fund's portfolio account.

The Fund is exposed to financial risk through it's financial assets and liabilities. The main components of financial risk are:

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

31. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that cash resources are not available to pay claims when due. Due to the nature of the Fund's Operational requiremens, it is exposed to daily call on its available cash resources arising mostly from short term claims. The Fund ensures that adequate levels of cash are immediately available in its bank and call accounts to cover all the operational expenses. Through its investment activities, liquidity risk is the risk of being unable to close out open financial instrument positions quickly enough and in sufficient quantities at near market prices to avoid adverse financial impacts as a result of there being insufficient volume in the market.

The Funds asset allocation range as per investment mandate for the current financial year is as follows:

Compensation Portfolio

Asset Class	Strategic asset allocation range %	Minimum %	Maximum %
Cash and Money Market	5	3	10
Capital Market	60	55	62
Equity	23	20	27
Unlisted Property	2	2	5
Social Responsibility Invstment	10	5	10
Pension Portfolio			

Asset Class	Strategic asset allocation range %	Minimum %	Maximum %
Cash and Money Market	5	3	10
Capital Market	60	55	62
Equity	23	20	27
Unlisted Property	2	2	5
Social Responsibility Invstment	10	5	10
Pension Portfolio			

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

31. Risk management (continues)

Credit risk

The Fund has exposure to credit risks through its investments in financial market securities, which is the risk that a counterpart will be unable to pay amounts in full when due. Credit risk is managed by undertaking a risk assessment and evaluation of the creditworthiness of a counterparty in accordance with the credit risk policy and the investment mandate. This also includes on-going monitoring of the credit quality and limit compliance. Factors that influence credit decisions includes: credit ratings from rating agencies, assessment of the general operating environment, the relative competitive market position of the counterparty or issuer, counterparty's reputation, deal tenor, the level and volatility of earnings, corporate governance, risk management policies, liquidity and capital management.

Credit risk is managed by utilising ratings from external credit ratings agencies and risk models,incorporating limit measures that accounts for both current and pottential exposures and are set and monitored by broad risk types,product type and maturity. Risk reports are submitted to the Investment Management Committee,Audit and Risk Committee and Boards. Financial assets exposed to credit risk at year end were as follows:

Credit Risk	Compensation	Compensation	% 2018	Pensions	Pensions	% 2018
Rating	2018	2017		2018	2017	
	R'000	R'000		R'000	R'000	
AAA/Aaa	-	19 319 715	-	-	9 918 626	-
AA+/Aa1	23 105 839	58 897	75	12 403 966	-	69
AA/Aa2	1 500 194	5 470 154	5	1 493 628	2 641 105	8
AA-/Aa3	4 284 901	70 038	14	3 028 539	-	17
A+/A1	-	490 565	-	-	351 604	-
BBB	-	2 017 686	-	-	1 066 923	-
В	2 017 686	-	6	1 105 075	-	6
Unrated	-	-	-	-	-	-
	30 908 620	27 427 055	100	18 031 208	13 978 258	100

Market risk

Market risk arises from fluctuations in the fair value or future cash flows actively traded financial instruments as a result of market factors such as interest rates, equity and bond prices. The Fund's investment portfolio hold more than 50 % of its financial assets in debt securities (Government and Parastatal Bonds), investments in cash and cash equivalents and money market instruments.

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

31. Risk management (continued)

Interest rate risk

Interest rate risk is the risk that the market value or the income from financial instruments will fluctuate due to interest rate movements. Changes in interest rates are managed on behalf of the fund by the PIC. Price risk thatarises from changes in the price of the listed equity instruments and is managed through diversification of the investment instruments.

Sensitivity for bonds

Spread in basis points	Compensation: Profit and loss	Compensation: Market Value of bonds	Pension:Profit and loss	Pension : Market Value of bonds
	R'000	R'000	R'000	R'000
-200	4 861 774	30 576 001	2 878 853	16 652 790
-150	3 510 341	29 224 568	2 069 377	15 843 314
-100	2 255 311	27 969 538	1 324 012	15 097 949
-50	1 087 829	26 802 055	1 324 012	15 097 949
0	-	25 714 227	-	13 773 937
50	(1 015 228)	24 698 998	(589 570 971)	13 184 366
100	(1 964 166)	23 750 060	(1 137 077)	12 636 860
150	(2 852 472)	22 861 755	(1 646 517)	12 127 420
200	(3 685 224)	22 029 003	(2 121 435)	11 652 503
	-	-	-	_

Sensitivity for Money Market

Spread in basis points	Compensation: Profit and loss	Compensation: Market Value	Pension:Profit and loss	Pension : Market Value of bonds
	R'000	R'000	R'000	R'000
-200	38 471	5 013 950	33 008	3 904 625
-150	28 774	5 004 252	24 683	3 896 300
-100	19 130	4 994 609	16 407	3 888 024
-50	9 539	498 017	8 180	3 879 796
0	-	4 975 479	-	3 871 617
50	(9 486)	4 965 992	(8 132)	3 863 484
100	(18 922)	4 956 557	(16 218)	3 855 399
150	(28 307)	4 947 172	(24 256)	3 847 360
200	(37 641)	4 937 838	(32 249)	3 839 367
	-	-	-	-

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

31. Risk management (continued)

Equity price risk

The entity is exposed to equity securities price risk because of investments held by the entity and classified on the consolidated statement of financial position either as available-for-sale or at fair value through surplus or deficit. The entity is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the entity diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the entity.

The entity's investments in equity of other entities that are publicly traded and are included in the SWIX40 equity index.

The sensitivity analysis is employed to measure the impact of price movements in the investment portfolio and is based on the portfolio holdings as at 31 March 2017, and it involves a full revaluation of the portfolio constituents at the relative price points. The sensitivity analysis methodology on equities and listed properties has been improved. Previously, in the exercise absolute changes on portfolio were considered to reflect the impact on the portfolio if such changes were to be realised. This implies that the equities in the portfolio move in tandem with one another and are perfectly correlated to the portfolio benchmark. For 31 March 2017, beta sensitivity were employed to capture the expected equity returns given a certain impact on the benchmark. The sensitivity analysis excludes cash and makes a distinction between listed property and listed equity

The table below summarises the impact of increases/decreases of the indexes on the entity's post-tax surplus for the year and on equity. The analysis is based on the assumption that the equity indexes has increased/decreased by 5% with all other variables held constant and all the entity's equity instruments moved according to the historical correlation with the index:

Price changes percentage	Compensation Profit/(Loss)	Portfolio Market Value R'000	Pension Profit/(Loss)	Portfolio Market Value R'000
-1%	(93 960)	9 266 579	(52 718)	5 198 431
0%	-	9 360 540	-	5 251 149
1%	93 960	9 454 500	52 718	5 303 868

surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified a available-for-sale.

32. Going concern

We draw attention to the fact that at 31 March 2018, the entity had accumulated surplus of R 32 311 108 and that the entity's total assets exceed its liabilities by R 33 522 178.

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

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the members continue to procure funding for the ongoing operations for the entity .

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

	2018	2017
	R '000	R '000
33. Fruitless and wasteful expenditure		
Fruitless and wasteful expenditure	436 114	436 126
Add: New Cases	9 533	3
Less: Cases Condoned	-	(15)
	445 647	436 114

The Fund had a total of 32 cases of Fruitless and Wasteful expenditure at the beginning of the current year.

86 additional cases of Fruitless and Wasteful expenditure were identified and recorded in the Financial Misconduct register during the current period.

This resulted in cumulative total of 118 cases recorded in the Financial Misconduct register as Fruitless and Wasteful expenditure.

During the current financial year, no new or prior period cases were derecognised by the Accounting Authority. During the current financial year no new or prior period cases were condoned by the Accounting Authority.

34. Irregular expenditure

Opening balance	762 423	1 016 162
Add: Irregular Expenditure - current year	2 851	424
Less: Amounts condoned	-	(1 283)
Less: Amounts De-recognised	(793)	(252 880)
_	764 481	762 423
Analysis of expenditure awaiting condonation per age classification		
Current year	2 851	424
Prior years	761 630	761 999
	764 481	762 423

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

	2018	2017
	R '000	R '000
34. Irregular expenditure (continues)		
Details of irregular expenditure – current year		
Not all SCM documents were submitted as		234
required		
Service rendered before the start of a contract		739
Services rendered before issuing Purchase Order		1 801
SCM process not followed		76
		2 850

The Fund had a total of 143 cases recorded in the Financial Misconduct register as at the beginning of the financial year. In the current year, 7 cases were identified and recorded as irregular expenditure.

2 cases were derecognised by the Accounting Authority in the current year.148 cases are still under investigation as at the end of the financial year.

17 cases were derecognised by the Accounting Authority in the current year and 7 cases were condoned by the Accounting Authority.

Financial Statements for the year ended 31 March 2018

	2018 R '000	2017 R '000
35. Material losses		
Total number of cases	Number of cases	Rand Value R'000
Cases carried forward 01/04/2017	101	39 826
Prior year adjustment	(15)	(483)
Registered allegations	51	405 309
	137	444 652
Increase/(Decrease) in estimates		
Decrease in estimate		(227 852)
Total number of finalised cases		
Cases finalised externally	-	-
Cases finalised internally	58	183 395
	58	183 395
Breakdown of the above finalised cases		
Cases finalised - prior year	47	7 339
Cases finalised - current year	11	176 057
Closing balance as at 31 March 2018	94	33 883
Analysis serve as an illustration of how the actual, potential & reanalysis amounts should not be reconciled to the information at		oken down (the
Recovered	2	164
Actual Loss	13	183 395
Potential loss	10	14 381
Referred to law enforcement	22	410 946
Recommended write-off	-	-
Cases with no loss	34	-

Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements for the year ended 31 March 2018

	2018 R '000	2017 R '000
35. Material losses (continued)		
Comparison figures from prior year		
Cases carried forward 01/04/2016	102	12 408
Registered allegations	48	30 957
Total number of cases	150	43 365
Increase/(Decrease) in estimates		1 958
Cases finalised externally	-	-
Cases finalised internally	49	1 581
Total number of cases finalised	49	1 581
Breakdown of the above finalised cases		
Cases finalised - prior year	41	1 573
Cases finalised - current year	8	7
Closing balance as at 31/03/2017	101	39 826

Analysis serve as an illustration of how the actual, potential & referral to law enforcement have been broken down (the analysis amounts should not be reconciled to the information above)

Recovered	-	-
Actual Loss	10	1 581
Potential loss	7	1 762
Referred to law enforcement	14	40 709
Recommended write-off	-	-
Cases with no loss	29	-

The opening balance of 101 cases on 01 Aprl 2017 decreased by 15 cases to 86, this resulted in a reduced estimated amount of R39 825 366.15. These (101) cases are now stated as 86 cases in the report.

The 15 cases were removed in the case register as the reported allegations could not be established, as such investigations could not be pursued.

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Notes to the Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

36. Taxation

The Fund is exempted from normal income tax on its income, including income from investment and reserve fund in terms of section 21 of the Compensation for Occupational Injuries and Disease Act 130/1993, as amended by Act 61 of 1997.

37. Investments in associates

Reconciliation		
Opening Balance	80 039	85 603
Prior year error	192 230	-
Restated opening balance	272 269	-
Reclassification of subordinated/unsecured loans	(93 205)	-
Share of profits	39 851	(15 044)
Impairement (loss)/reversal of investment	-	10 635
Dividends received	-	(1 155)
Bargain/(excess) purchase price	(2 467)	-
	216 448	80 039

Financial Statements for the year ended 31 March 2018

2018	2017
R '000	R '000

Investee	Principal activity	Holding (%)	Holding (%)	Carrying amount 2018	Unrecognised losses for the year	Cumulative unrecognised losses
Afric Oil	Distribution of 0 petroleum		28,87 %	106 758	-	-
Daybreak Farm	products		12,00 %	48 840	-	-
	Poultry 0					
Fountain Civil Engineering	Farming		10,00 %	14 928	-	-
	Civil 0					
Gurb Investments	Engineering		10,00 %	123	-	-
LA Crushers	Investing 0		13,00 %	-	11 205	14 460
Modderfontein	Engineering 0		36,00 %	-	21 234	50 905
	Private 0					
Musa Capital	Hospital		15,00 %	-	16 098	19 034
Saldosat Investments	Investing 0		36,00 %	45 799	-	-
	Letting of 0					
SME Fund	property		3,00 %	-	788	788
	Financing					
	small					
Zamalwandle Transport Logistics	businesses		10,00 %	-	377	377
	Transport 0					
Ngwenyama	logistics	- %	50,00 %	11 722		-
	Construction			228 170	49 702	85 564

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2018	2017
R '000	R '000

Financial information	Reporting date	Assets	Liabilities	Net Assets	Revenue	Net Proft/ (Loss)
		R'000	R'000	R'000	R'000	R'000
Afric Oil	28 February 2018	448 264	388 677	59 587	3 681 720	(83 694)
Daybreak Farms	28 February 2018	1 507 433	644 226	863 207	3 465 662	258 809
Fountain Civil	28 February 2018	429 187	411 528	17 659	659 807	(63 890)
Engineering						
Gurb Investments	31 March 2018	111 345	102 383	8 963	2 652	(9 257)
LA Crusher	28 February 2017	218 466	283 972	(65 506)	250 931	(36 361)
Modderfontein	28 February 2018	140 227	331 751	(191 522)	67 606	(58 984)
Musa Capital	28 February 2018	2 128 354	443 470	1 684 884	843 570	(240 184)
Saldosat Investments	28 February 2018	488 368	445 524	424 844	76 486	38 032
SME Fund	28 February 2018	125 701	9 704	115 998	6 592	(23 665)
Zamalwandle Transport	28 February 2018	193 283	231 984	(38 701)	136 404	10 563
Logistics						
Ngwenyama	28 February 2018	12 425	12 424	(29)	-	-

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