ANNUAL REPORT 2015/16

Road Accident Fund

We Care

ANNUAL REPORT 2015/16

Road Accident Fund

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HUMAN RESOURCES MANAGEMENT

FINANCIAL INFORMATION

THE YEAR AT A GLANCE

Number of PERMANENT EMPLOYEES increased from **2,555** to **2,593.**

46%

REVENUE INCREASED by 46% to **R33.2 billion** from **R22.7 billion** in the previous financial year.

15%

CLAIMS PROCESSING IMPROVED by **15%** to **R32.3 billion** from **R28 billion** in the previous financial year.

33%

CLAIMS LIABILITIES INCREASED by **33%** to **R154 billion** from **R116 billion** in the previous financial year.

24%

AVERAGE VALUE of a claim paid INCREASED by **24%** from **R114,969** to **R143,127.**

36,146 CLAIMANTS were reached through 'RAF ON THE ROAD' and other RAF events throughout the year and claims to the value of R1 BILLION were settled.

320,027 CALLS WERE RESPONDED to by the Call Centre.

188,864 NEW CLAIMS were RECEIVED and **188,759** CLAIMS were FINALISED.

5,121

OPEN AND REOPENED CLAIMS INCREASED by **5,121** from **179,778** to **184,899,** on the back of increased registrations of new claims.

11%

Average FUNERAL COSTS INCREASED by 11% from R12,367 to R13,732.

3%

Average LOSS OF SUPPORT CLAIMS INCREASED by 3% from R368,883 to R379,702.

1%

Average LOSS OF EARNINGS CLAIMS INCREASED by 1% from R732,371 to R739,214.

33%

Average CLAIMANT LEGAL AND OTHER COSTS PAID per claim INCREASED by 33% from **R90,563** to **R120,385.**

32%

Average RAF LEGAL AND OTHER COSTS PAID PER CLAIM increased by 32% from **R21,564** to **R28,476.**

23%

COST-TO-INCOME RATIO for the financial year decreased to **23%.**

Cash and accrued expenditure on claims amounted to **97.6%** of the net Fuel Levy due to the higher number of claims settled.

Following public comment, the Road Accident Benefit Scheme (RABS) Bill was scrutinised and submitted to the National Economic Development and Labour Council (NEDLAC).

The FISCAL UNSUSTAINABILITY of the current compulsory motor vehicle insurance scheme REMAINS A CHALLENGE.

15%

Average GENERAL DAMAGES CLAIMS INCREASED by 15% from R334,799 to R385,673.

7%

Average MEDICAL CLAIMS INCREASED by 7% from R9,799 to R10,447.

AWARDS

The Fund received the **FIRST RUNNER-UP AWARD** at the **Second National Transport Recognition of Service Excellence Awards** ceremony in the category '**BEST PERFORMING INSTITUTION IN TRANSPORT**'.

The **RAF's Chief Audit Executive** received the **FIRST RUNNER-UP AWARD FOR 'BEST MANAGER'** at the same ceremony.

The RAF received a **MERIT AWARD FOR 'INTEGRATED REPORTING'** by the **Chartered Secretaries Southern Africa.**

A **SILVER AWARD** for the **DESIGN OF THE INTEGRATED ANNUAL REPORT 2014/15.**

The **Chief Audit Executive** was also awarded the 2015 '**EXCELLENCE IN INTERNAL AUDIT LEADERSHIP' AWARD** by the **Institute of Internal Auditors SA (IIASA)** at the Annual IIASA Awards ceremony.

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

PART A

1. GENERAL INFORMATION

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

2. ABBREVIATIONS/ACRONYMS

AGSA	Auditor-General of South Africa
Amendment Act	RAF Amendment Act, 2005 (Act No. 10 of 2005)
APP	Annual Performance Plan
ASB	Accounting Standards Board
AVE	Advertising Value Equivalent
BAC	Bid Adjudication Committee
B-BBEE	Broad-based Black Economic Empowerment
BCM	Business Continuity Management
BEE	Black Economic Empowerment
CAE	Chief Audit Executive
CBRTA	Cross-Border Road Traffic Agency
CEF	Central Energy Fund
CEO	Chief Executive Officer
CGICTPF	Corporate Governance of ICT Policy Framework
CIO	Chief Information Officer
COP	Communities of Practice
CPI	Consumer Price Index
CRMP	Compliance Risk Management Plan
CSC	Customer Service Centre
CSO	Chief Strategy Officer
CSR	Corporate Social Responsibility
DoH	Department of Health
DoT	Department of Transport
DPSA	Department of Public Service and Administration
EA	Enterprise Architecture
ECM	Enterprise Content Management
EE	Employment Equity
ESD	Enterprise Supplier Development
EWS	Employee Wellness Services
EXCO	Executive Management Committee
FID	Forensic Investigation Department
FSB	Financial Services Board
GDP	Gross Domestic Product
GIBS	Gordon Institute of Business Science
GM	General Manager
GRAP	Generally Recognised Accounting Practice
GRI	Global Reporting Initiative
HC	Human Capital
HCT	HIV Counselling and Testing
HPCSA	Health Professions Council of South Africa
HR	Human Resources
HRA	Health Risk Assessment
HRBP	Human Resources Business Partners
HRIS	Human Resource Information System
HRM	Human Resource Management
HSC	Hospital Service Centre
IBNR	Incurred, But Not yet Reported (claims)
ICA	Information Collection Agent
ICAS	Independent Counselling and Advisory Services
ICMS	Integrated Claims Management System
ICT	Information and Communications Technology
IFRS	International Financial Reporting Standards
IoDSA	Institute of Directors in Southern Africa
IIASA	Institute of Internal Auditors SA
IT	Information Technology
King III	King Code on Corporate Governance

LMS	Learning Management System
MBA	Master of Business Administration
MoU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NARSSA	National Archive and Records Service of South Africa
MVA	Motor Vehicle Accident
NDOH	National Department of Health
NDP	National Development Plan
NEAP	National Economic Active Population
NEDLAC	National Economic Development and Labour Council
NPA	National Prosecuting Authority
OECD	Organisation for Economic Co-operation and Development
OHS	Occupational Health and Safety
PAIA	Promotion of Access to Information Act, 2000(Act No. 2 of 2000)
PCOT	Portfolio Committee on Transport
PFMA	Public Finance Management Act, 1999 (Act No. 1 of 1999)
POPI Act	Protection of Personal Information Act, 2013 (Act No. 3 of 2013)
QA	Quality Assurance
RABS	Road Accident Benefit Scheme
RABSA	Road Accident Benefit Scheme Administrator
RAF	Road Accident Fund
RAF Act	Road Accident Fund Act, 1996 (Act No. 56 of 1996)
REMCO	Remuneration and Human Resources Committee
RMEC	Risk Management and Ethics Committee
RNYP	Requested but Not Yet Paid (claims)
RTMC	Road Traffic Management Corporation
SABPP	SA Board for People Practices
SALGA	South African Local Government Association
SADC	Southern African Development Community
SANBS	South African National Blood Service
SANTACO	South African National Taxi Association
SANWIT	South African Women in Transport
SAP	Enterprise Resource Planning System
SAPIA	South African Petroleum Industry Association
SAPS	South African Police Service
SARS	South African Revenue Service
SASSA	South African Social Security Agency
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
SMRs	Statutory Medical Reports
SOE	State-Owned Entity
SOPs	Standard Operating Procedures
TEC	Total Employment Cost
Transitional Act	RAF (Transitional Provisions) Act, 2012 (Act No. 15 of 2012)
UIF	Unemployment Insurance Fund
UN	United Nations
Unisa	University of South Africa
WHO	World Health Organisation

3. SCOPE OF THE REPORT

3.1 Introduction

The Road Accident Fund (RAF) welcomes the opportunity to present its Annual Report for the year ending 31 March 2016 in line with the National Treasury Annual Report Guide for Public Entities, the King Code on Corporate Governance for South Africa 2009 (King III), and the Protocol on Corporate Governance in the Public Sector (2002). In essence, corporate governance "embodies processes and systems by which corporate enterprises are directed, controlled and held to account"[1]. Oversight entails "reviewing, monitoring and overseeing the affairs, practices, activities, behaviour and conduct"[2] of an administrative authority to ensure that it meets its objectives.

3.2 Reporting Cycle

The objective of this report is to provide stakeholders with an integrated view of the RAF's organisational, operational and financial performance for the financial year 1 April 2015 to 31 March 2016. The report is intended to demonstrate the RAF's commitment to integrity, transparency and accountability and provide a complete and balanced view of its performance, including the successes and challenges, for the 2015/16 financial year, as well as those likely to form part of its future.

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

3.3 Reporting Boundary

This Annual Report covers organisational, operational and financial performance, including the audited financial results for the period 1 April 2015 to 31 March 2016 in terms of section 55(1) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). The narrative of the report is structured around the National Treasury Annual Report Guide for Public Entities. In addition, the report covers the social, environmental and broader economic impacts of the organisation's activities in Part C: Social Responsibility. The RAF acknowledges that its sustainability platform represents the beginning of a journey towards the maturation of its sustainability management and is inextricably linked to its business objectives.

3.4 Reporting Principles

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

During the 2015/16 financial year, no new GRAP standards were applied in the Annual Financial Statements.

3.5 Supporting Documents

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

3.6 Audience

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

[1] *Department of Public Enterprises. 2002. Protocol on Corporate Governance in the Public Sector, p.3.*
[2] *National Treasury. 2005. Governance Oversight Role Over State-Owned Entities, pp. 5–6.*


RAF VALUES
UBUNTU
SOLUTION FOCUSED
PRIDE IN WHAT WE DO
EXCELLENCE
EFFICIENCY

4. FOREWORD BY THE CHAIRPERSON

Introduction

On behalf of the Board of the Road Accident Fund (RAF), it is my privilege to present the organisation's Annual Report and the Annual Financial Statements for the financial year ending 31 March 2016.

This report is prepared and presented in line with the Annual Report specimen and guidelines issued by the South African National Treasury. The report has also been prepared in accordance with the King Report on Governance for South Africa 2009 (King III), which states that reporting should be focused on substance over form and should disclose information that is timely, relevant, accurate, honest and accessible and comparable with past performance. It should also contain forward-looking information.

We trust that the RAF's Annual Report for 2015/16 provides a holistic and integrated review of the Fund's performance in terms of its finances, operations and sustainability, as well as its role as one of the country's vital public entities.

Board Performance

During the year under review, an external assurance provider performed a Board effectiveness evaluation which included an appraisal of the Board, Board Committees and individual Board members.

The Board considers ethics as the foundation of corporate governance.

The Board believes that on-going director development should be encouraged in the same manner as continuing professional development is encouraged in other professions. Current Board members have collectively attended 37 director development events during the 2015/16 financial year. In addition, they have been tracking developments in respect of the King IV Report, which is due for release on 1 November 2016.

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

The Board considers ethics as the foundation of corporate governance. During the year under review, the ethics programme of the RAF was reviewed by an external assurance provider. The following rating was received: "The control design is adequate and partially effective for the achievement of organisational objectives. It is our view that the ethics maturity level is at a 'Defined' phase and leaning towards a 'Maturity' phase."

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Corporate governance is, in essence, an institution's practical expression of ethical standards. The RAF implemented Year Two of the Ethics Strategy during the 2015/16 financial year. As the Board of the RAF, we are responsible for the following four ethical values which underpin good corporate governance: responsibility, accountability, fairness and transparency.

Ethical standards inform all RAF practices, procedures, policies and conduct. Therefore, from a strategic perspective, the Board, together with the CEO, is committed to the integration of ethical standards into all the RAF's strategies and operations. Integrating these ethical standards into its daily operations requires the RAF and all who act on its behalf to conduct their business in a manner consistent with these standards. The RAF's ethical standards include, but are not limited to, public integrity, which refers to the consistency of actions, values, methods, measures and principles applied by a public entity; impartiality as a core concept of fairness; and equality in terms of outcomes.

Transformation

The transformation of the RAF, which commenced four years ago, continues and has seen the Fund becoming a key player in the country's social security system. The Fund has transformed into being the reliable, consoling arm of our government for victims of road crashes. The extensive changes taking place in the organisation cannot be solely attributed to the change of strategy introduced in the 2012/13 financial year, but also to the unflinching support from our government, and the general support and dedication of the RAF personnel.

The RAF is an organisation driven by a pursuit of excellence in service delivery and, as such, making a difference in the lives of those affected by road crashes.

Fulfilled **90%** of its APP targets.

At a South African Women in Transport (SANWIT) presentation, it was once again reiterated that the RAF has the following in place: an Employment Equity (EE) Plan; a Gender Mainstreaming Policy; a Women's Forum; an EE Committee to report on targets relating to women; employee wellness programmes designed to focus on work-life balance issues for women; and various other programmes related to the development of women in the workplace.

Diligence and improved service delivery have, once again, led to numerous awards being conferred on the RAF. These include, but are not limited to: the First Runner-up Award at the Second National Transport Recognition of Service Excellence Awards ceremony in the category 'Best Performing Institution in Transport'; the First Runner-up Award for 'Best Manager' received by the RAF's Chief Audit Executive at the same ceremony; the 2015 'Excellence in Internal Audit Leadership' Award by the Institute of Internal Auditors SA (IIASA), also awarded to our Chief Audit Executive; and a Merit and Silver Award for our Integrated Annual Report 2014/15.

These have given further impetus to an organisation that has transformed from an institution perceived as incompetent, uncaring and wasteful, into one driven by a pursuit of excellence in service delivery and, as such, making a difference in the lives of those affected by road crashes – thus worthy of such prestigious awards. Three consecutive 'clean' audit awards by the Auditor-General are further proof that despite many challenges, the RAF is not just on the right path with delivering on its mandate and providing a social security net for victims of road accidents, but is doing so in a financially sound manner by adhering to the requirements of the PFMA.

Performance

It is encouraging to note that despite the obvious challenges affecting both the country and the RAF in particular, there was an improvement in performance, with the organisation fulfilling 90% of its APP targets. In the period under review, the RAF managed to reduce the number of outstanding claims to 217,182 by 31 March 2016 despite a sharp increase in registered claims. This is a positive reduction of 528 from the number of outstanding claims the organisation held at the end of the 2014/15 financial year. It is important to note that in the same period, the RAF received an additional 188,864 new claims (representing a new high). During the reporting period, the Fund increased claims processing, further expanded its footprint throughout the country by opening offices at more hospitals and a Walk-in Centre in Beaufort West, and brought its services, through its community outreach programme 'RAF on the Road' to the doorsteps of 10 more communities, and settling claims worth R210 million in the process. All in all, the RAF serviced 36,146 claimants throughout the year via all its events and settled claims to the value of R1 billion.

The improvement in performance could be attributed to many factors, not the least being readily available support from the Department of Transport (DoT). Other factors include: the relentless pursuit of excellence in the execution of duties; a sound strategy; strong and competent leadership; recognition of staff who go beyond the call of duty; adherence to individual contracts and performance agreements linked to the mandate of the Fund. Last but not least, recruitment of competent and hard-working Executives and staff who have been able to implement and execute the strategy.

Challenges

The successes we realised during 2015/16 did not emanate from what some would call a conducive environment for success. In fact, to say the fiscal was eventful would be an understatement. We faced significant challenges, persevered, overcame and conquered many. The financial challenges that have beset the Fund for decades continued to put a severe strain on the operations and, more importantly, on our ability to carry out our core mandate, being to cover, compensate and rehabilitate victims of road crashes and their dependants. The financial strain was so severe that there were periods where the Fund was over R11 billion in arrears with settled claims that could not be paid, because there was no money available.

The Fund's financial challenges worsened with the cash constraints. However, as we have done in recent years, we were transparent in regularly communicating to all stakeholders what the challenges were. Extensive engagements took place with affected claimants and their representatives, as well as the media. Internal measures were also introduced to optimise cash flow management and time periods, but the core challenge was and remains real – the RAF dispensation is not adequately funded and remains unreasonable, inequitable, unaffordable and unsustainable.

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

Fuel Levy

Whilst financial challenges will continue to affect many of the government's projects and interventions, it was very encouraging that the biggest slice of the fuel levy increase in 2015/16 was allocated to the RAF as per the announcement in the 2015 Budget Speech. Delivery on the part of the RAF was partly the driving force behind the former Finance Minister's decision to increase the RAF Fuel Levy by 50 cents per litre (48%) from 104 cents to 154 cents per litre of fuel sold for the year under review with effect from 1 April 2015. The increase, which has brought an extra R10 billion to the RAF's budget was a significant injection in alleviating the immediate challenges the RAF faces, but will however not solve the decades-old financial predicament the Fund finds itself in.

However, during the 2016/17 Budget announcement, the Minister of Finance delivered his speech in a tough economic climate of fiscal consolidation and slowing growth with no additional fuel levy allocated to the RAF. Going into 2016/17, the RAF Fuel Levy has thus remained flat at 154 cents per litre of fuel sold. This is in keeping with the previous year's Budget Speech when the Minister granted the RAF a substantial increase based on progress made, but dependent on the need to introduce a more sustainable dispensation, i.e. the Road Accident Benefit Scheme (RABS).

Based on a continued levy of 154 cents per litre, the RAF will need to cope with the existing cash flow pressures through consistent implementation of the Cash Flow Management Strategy, which aims to sustain payments to all creditors, while reducing the cost of claims and administrative expenditure lines. Creditors will wait and payment schedules will be adhered to.

Our duty and responsibility will be to fulfil the mandate, while deriving the maximum value out of every rand received, maintaining a maximum amount of expenditure on claims-related items and delivering services.

Importantly, the retention of the 154 cents per litre signals government's determined view to refrain from sustaining an unsustainable dispensation.

The next financial year will be tough, but the Board is convinced that the RAF will surmount the challenges faced.

Road Accident Benefit Scheme

The RAF in its current format is undoubtedly financially unsustainable, discriminatory, open to abuse and fraught with extensive and costly litigation, prolonged claims finalisation and high administrative costs. Furthermore, the establishment of fault, which the current system requires, is sometimes a highly contentious and protracted issue.

Only a complete overhaul of the system, as proposed through the Road Accident Benefit Scheme (RABS), can address the fault-based, unfair and unsustainable system defined by the RAF Act.

RABS, the product of extensive public and stakeholder consultations regarding comments on the proposed RABS Bill, as well as essential changes that are backed up not only by recommendations of the Satchwell Commission of 2002, but by other Cabinet reports, as well as numerous necessary amendments to the RAF Act, seeks to create a just, efficient, equitable and sustainable social security system to look after victims of road accidents and their families.

We are therefore proud to state that the RAF has played a major supportive role to the DoT in its endeavours and legislative development and creation of a sustainable, equitable and no-fault based system, RABS, as well as the subsequent administrator, the Road Accident Benefit Scheme Administrator (RABSA), which will replace the current RAF. Public consultation, consultation of the Office of the State Law Advisor and engagement by the National Economic Development and Labour Council (NEDLAC) on the Bill has been concluded.

This no-fault based social security system will address many of the challenges that exist within the current system administered by the RAF. We are confident that when RABS is promulgated in the near future, the long legacy of an unfair, inequitable, inefficient and unsustainable third party insurance system, vulnerable to wide-spread abuse, will be something of the past.

Strategic Direction

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

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

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

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

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

- Efficient claims processing;
- Accessible services;
- Effective financial management/health;
- Optimal ICT services;
- Improved people management;
- Administrative dispensation aligned to the RABS Bill; and
- An assured control environment.

The outcome indicators are discussed elsewhere in this report.

Acknowledgements

On behalf of the Board of the RAF, I wish to extend our sincere gratitude to the Minister of Transport, Ms Dipuo Peters, her Deputy, Ms Sindisiwe Chikunga and the key role players within the DoT. We would also like to thank the members of Parliament's Portfolio Committee on Transport, as well as other government departments, related State-owned Entities, provincial leadership and municipalities for hosting many RAF activities, and in particular, Executives, Management and employees of the RAF who are tasked with fulfilling the mandate.

The unwavering support rendered by our principals, feedback and guidance provided on many issues and regular presence at many of our activities, cannot be appreciated enough.

Dr Ntuthuko Bhengu
Chairperson of the Board
29 July 2016

We are proud to state that the RAF has played a major supportive role to the DoT in its endeavours and legislative development and creation of a sustainable, equitable and no-fault based system, RABS.

5. CHIEF EXECUTIVE OFFICER'S OVERVIEW

Introduction

The RAF's Annual Report: 2015/16 is centred on the principles and recommendations of King III and National Treasury's Regulations.

The report provides context to the financial results and how the Fund has impacted on the socio-economic wellbeing of all users of South African roads. This overview of the 2015/16 financial year forms part of the Annual Financial Statements of the RAF for the year ended 31 March 2016 in accordance with section 55(1)(d) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (as amended by Act No. 29 of 1999) (PFMA).

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

In simple terms, the RAF is called on to assist crash victims by receiving, processing and paying claims effectively. In 2015/16, the RAF received more claims, processed many, paid more than ever and reduced turnaround times, while increasing its footprint.

In 2015/16, the RAF received more claims, processed many, paid more than ever and reduced turnaround times, while increasing its footprint.

Transformation

The RAF concluded the 2015/16 financial year on a high note, having achieved 90% of its APP targets as set out by the Board and approved by Parliament in the previous financial year. Targets were either new or stretched. There were great expectations for the Fund to maintain and even surpass the achievements of the 2014/15 financial year, during which the organisation achieved 84% of its APP targets. Fulfilling this mandate and ensuring that strategic objectives were achieved, while continuing the RAF's transformation into a more sustainable, customer-centric entity governed by the pursuit of excellence in performance, was never going to be an easy task.

In light of the profoundly negative impacts that victims of road traffic crashes suffer from a health, vocational and social perspective, they not only require, but deserve to have their claims assessed and finalised in a speedy and efficient manner. Delays in claims finalisation prejudice victims, and also serve to increase the RAF's liability, as historical trends have shown that generally, the later a claim is finalised the higher the liability to the RAF. In light of the above, the RAF resolved to place even greater focus on settling long outstanding claims (especially older ones), while building its profile as an accessible organisation that pro-actively interacts with victims in a caring, supportive and solution-orientated way and, where liability attaches to it, provides compensation in a time-efficient and cost-effective manner, within the context of the highest standards of financial and risk management.

We promised to work and to deliver; and our achievements, as indicated by our successes, coupled with numerous awards bestowed on us during the course of the year, are a clear indication that the RAF is set on delivering. The organisation is fast becoming a public entity that all road users have confidence in and are proud to be associated with.

Operational Statistics

We registered 188,864 new claims and finalised 188,759 in 2015/16, with claims expenditure increasing to a record R32 billion. The number of registered claims showed a sharp increase on the registrations in 2014/15. The increase in newly registered claims proves the promotion of access which the RAF has persistently implemented. The open balance of claims reduced slightly in 2015/16. During the year under review, the RAF finalised an average of 715 claims[3] each working day of the year compared to 697 in the previous year. The average loss of earnings claims increased in value by 1% from R732,371 to R739,214, while the average in general damages claims increased by 15% from R334,799 to R385,673. The combined average value of legal and other cost payments was R148,861, with the RAF share accounting for 19%, and the plaintiff share for 81% respectively. Impressively, the percentage of

During the year under review, the RAF finalised an average of 715 claims each working day of the year compared to 697 in the previous year.

[3] 188,759 claims finalised based on 22 working days per month

The Fund settled a record amount of claims worth R32.3 billion during the 2015/16 financial year.

overall expenditure due to legal fees reduced successfully to 13.4%. Obviously, as the RAF, we would prefer if this money was spent on taking care of victims and paying for rehabilitation and other post-crash care expenses.

The many successes we experienced came with numerous challenges. Some of the challenges we faced, including exacerbated financial constraints and numerous legal battles, should have caused us to buckle and falter, but the organisation and its staff remained resilient and succeeded. This is all due to a shared commitment to pursue excellence and the desire to fulfil the set mandate of making a difference in the lives of those affected by motor vehicle crashes. Singular focus, a clear set of objectives and an unyielding commitment to deliver and finish what we started, formed the cornerstone of our engagement in the execution of our duties.

Annual Performance Plan Targets

As an organisation, we are encouraged by the improved performance which saw us achieve 90% of our APP targets compared to 84% in the previous financial year. The Fund settled a record amount of claims worth R32.3 billion during the 2015/16 financial year. This amount is R4 billion more than what was settled in the 2014/15 financial year. Of the above, R10.6 billion of claims has been finalised for payment, but will only be honoured through the monthly RAF Fuel Levy in the next financial year as a result of the Fund's limited income.

Engagements with Customers

The hard work put in over recent years earned the RAF great support from government, communities and stakeholders, but has also boosted the image and reputation of the organisation. We continue to take our services to the doorsteps of previously marginalised communities with our community outreach programme, 'RAF on the Road', being an exemplary service delivery project having touched 53,979 lives and settled claims to the value of R1.1 billion since its inception in 2012. As at the end of the 2015/16 financial year, the target for claimants engaged at road shows (28,750) was far exceeded with an audited figure of 36,146. These are not just statistics, but figures which represent real lives that have been touched by the RAF. The extensive community mobilisation that precedes such events, as well as our increased media presence, has empowered millions of road users with knowledge of the RAF and its services.

Whilst on the one hand we are meeting thousands of claimants through various RAF engagements and collaborations with other stakeholders, our Call Centre, or virtual contact centre, continues to make strides in attending to claimants' queries.

Increased Call Centre responsiveness: **320,027** calls attended to, a significant growth from **286,944** in the previous fiscal.

During the year under review, the team achieved its main objective of increasing the Call Centre responsiveness to 320,027 calls attended to, a significant growth from 286,944 in the previous fiscal. Furthermore, we effectively use social media platforms (such as Twitter, Facebook and Instagram) to update the public about our activities throughout the country and as channels where we can engage on numerous issues from claiming from the RAF to road safety. Currently, we have 69,235 followers over a range of social media platforms, eager to hear what the RAF is doing or has to say, with Facebook achieving the highest number of fans at 55,738 as at the end of March 2016.

Staff Complement

Our team has grown in line with the budget approved by the DoT, National Treasury and Parliament over the medium term. Experts in numerous fields were brought in to help improve delivery in both core and support business, resulting in a permanent staff complement of 2,593 at the end of March, and reducing the vacancy rate to less than 7%. More importantly, all vacant Executive positions have been filled and work is underway to conclude the final appointments of 230 vacant positions.

We ensure optimal capacity in terms of people and performance by recruiting, remunerating, managing and retaining skilled staff; identifying talent and managing succession; training and developing, while managing outliers; and recognising and rewarding performers within the organisation.

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

Fraud and Corruption

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

R424 million worth of fraudulent claims were identified before payment was made and 136 people were arrested for fraud against the RAF.

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

Financial Review

The financial challenges we experienced in prior financial years persisted, but the RAF continued to settle claims, although the amount of settled claims exceeded our income by more than R10 billion and increased in the year under review from the R6 billion that was outstanding at 31 March 2015. Throughout the many challenges experienced, we remained transparent and communicated directly with victims, stakeholders and affected service providers.

The financial challenges that we continue to operate under remain our Achilles' heel. Our revenue for the year grew by 46%, from R22.7 billion to R33.2 billion as a result of the 50 cents per litre increase in the RAF Fuel Levy and a minimal increase in the volume of fuel sold over the previous financial year. Net fuel levies accounted for 99.7% of total revenue. The Fund recorded a loss of R35 billion in the year under review compared to a loss of R19.5 billion in the previous year. The deficit is directly related to the provision for outstanding claims, which increased from R109.3 billion (2014/15) to R143.3 billion in the current year. This provision is an actuarial estimation of what it would cost to fund claims that are on hand and being attended to, as well as those which will still be registered in future for past periods.

The Statement of Financial Position reflects the extent to which the Fund remains undercapitalised. A net deficit of R145.3 billion (2014/15: R110.2 billion) was recorded for 2015/16. It remains noteworthy that the RAF has been technically insolvent since 1981, since the business has never been capitalised appropriately.

Claims expenditure (excluding the increase in the provision for outstanding claims) increased by 15% to R32.3 billion (2014/15: R28 billion). During the reporting period, 97.6% of Fuel Levy income was required to pay claims expenditure (cash and accrued), compared to 124% in 2014/15. During the year under review, 221,329 (2014/15: 225,501) payments were made.

Total expenditure for the year, excluding the increase in the provision for outstanding claims, increased by R4.3 billion to R34.2 billion (2014/15: R29.7 billion) as a result of improved productivity in claims settlements and higher claims costs. Claims expenditure (excluding the provision) of R32.3 billion accounted for 94% of total expenses, with the balance being made up of employee costs, i.e. R1.280 billion (4%) and administration and other costs, i.e. R618 million (2%).

It is noteworthy that the sustained cash flow constraints have resulted in a significant increase in the amount of interest paid during the course of the year.

The Fund recorded cash reserves of R2.04 billion in its Statement of Financial Position at year-end (2014/15: R1.05 billion), as all available resources were utilised to pay claims and the balance mainly reflected the Fuel Levy for March that was received on 24 March 2016. This cash balance would be used to fund operations through April 2016.

Management interventions continue to be implemented to improve claim payments and efficient business processes. These interventions continued to result in improved claims processing during the year, which outstripped the RAF's cash reserves. Quite simply, by improving productivity, claims processing increased, making claim payments dependent on monthly Fuel Levy inflows.

At a broader level, the inequitable allocation of economic resources, as a result of the legislative framework, continues under the current compensation arrangement. Of nearly R33 billion in individual claim payments/ settlements per category in the 2015/16 financial year:

- R1.2 billion was paid in medical costs;
- R120 million was spent on funeral costs;

- R6.6 billion was spent on legal and other expert costs;
- R8.7 billion was paid in general damages – primarily to persons not seriously injured; and
- R16.4 billion was paid for loss of earnings and support for those who qualified.

The 50 cents per litre Fuel Levy increase received at the beginning of the 2015/16 financial year for the purpose of financing progress made by the RAF administration effectively increased the RAF's annual budget by R10 billion. Notwithstanding, it again reflects the unsustainability of the current compensation system which has accumulated a R145 billion (2014/15 R110 billion) unfunded liability, as at 31 March 2016. Although the 50 cents was a significant increase, it is still not sufficient to cover all claims the RAF currently has on hand and those that are still expected. Cash Flow Management Strategies continue over the medium term to ensure creditors receive regular and scheduled payments.

During the year under review, the RAF was once more able to reduce the number of outstanding claims where no payments had yet been made, despite the increase in new claims growing to 184,899 from 179,778 in the previous financial year. The detailed review of the results of the RAF for the year ended 31 March 2016 is included under the Operating Environment contained in Part B of this report.

Enhancing Controls

The number of instances of irregular and fruitless and wasteful expenditure pertaining to administrative expenses decreased from 104 instances in 2013/14 to 45 instances in 2014/15, and even further in 2015/16 to 18 instances. A total of 10,448 payments were made to vendors during 2015/16, of which the 18 instances amounted to 0.17% of the total payments made.

Fruitless and wasteful expenditure should be viewed in the context of total actual administrative expenditure of R618,214,000 and the budgeted expenditure of R34,900,767,000 in claims.

The driver of fruitless and wasteful expenditure stems from our Claims teams and relates to court processes, court payment time frames, writs administration, interest on late writs and the review and payment of legal cost bills. In incurring this expenditure, the RAF actually saved R1 billion (73% more than in 2014/15) by reviewing 17,280 legal cost bills – a saving which would not be realised had these reviews not taken place, even though it took longer than stipulated in the court rules and the PFMA.

During the year under review, the RAF was once more able to reduce the number of outstanding claims where no payments had yet been made.

Legislation to establish the new RABS to provide for affordable and equitable support for those injured in road accidents will be tabled in the foreseeable future.

The total value of fruitless expenditure increased year-on-year, albeit with reductions in the number of instances of administrative occurrences which speak to enhanced controls and the application of these controls. This increase, however, is not proportionate to the increase in revenue and expenditure the Fund reported in 2015/16, where trends continued to show reduced proportionality.

Total financial misconduct decreased from R49 million or 0.25% of the total budgeted expenditure in 2014 to R42.5 million or 0.12% of the total budgeted expenditure in 2016. This despite the fact that the budgeted expenditure increased by 81%.

Similarly, the total number of instances of financial misconduct decreased from 104 instances in 2014 by 81% to 20 instances in 2016.

It is important to note that the following measures have been implemented to continue strengthening the management of irregular and fruitless and wasteful expenditure:

- A Financial Misconduct Policy, derived from relevant legislations and Instruction Notes, as is applicable, is in place and adhered to.
- Monthly and quarterly reporting takes place throughout the various Management levels and in terms of the Accounting Authority oversight.
- Actions are taken in line with the Financial Misconduct and Disciplinary Policies, as is applicable, and reported on quarterly to the Audit Committee, Board and Minister of Transport. It is noteworthy that 510 staff members were counselled, 84 verbal warnings and 90 written warnings were issued (speaking to timeous action by Management).
- Awareness and training are undertaken on a continuous basis, whether as a result of, for example, new policies and Standard Operating Procedures (SOPs), such as the Supply Chain Management (SCM) Policies and SOPs, information sessions held at all regions with all employees to re-enforce compliance with the Financial Misconduct Policy, or by the Ethics Office – related to values, etc.
- The various compliance functions (Compliance, Internal Audit, Risk Departments) in the institution monitor execution against the policies and again, corrective action – whether improved internal controls or otherwise – is implemented, monitored and reported on.
- The SCM practitioners undergo continuous training to empower them to work with the various business units in advising and guiding proactively.
- A turnaround strategy has been implemented in the SCM Department, the focus of which is to streamline and mature SCM practices to ensure that compliance with the relevant legislation is sustainably maintained throughout the procurement process by revising policies and SOPs while considering previous control deficiencies identified by Internal and External Audit.

- Employees' scorecards in the Finance Department incorporate operational objectives to encourage compliance with the applicable policies to avoid fruitless and wasteful expenditure.
- Contained in every employee's scorecard in the RAF is a departmental objective relating to compliance with legislation. This enables employees to monitor their own department's non-compliance and create a culture of compliance in their department.

While the trends show improvement, corrective action was taken, further controls were introduced and existing controls were strengthened. While causes may be similar to the prior financial year, results and actions taken were considerably better.

RABS Bill

Legislation to establish the new RABS to provide for affordable and equitable support for those injured in road accidents will be tabled in the foreseeable future. Once the legislation has been passed, the levy will be assigned to the new scheme.

Government has long accepted that the RAF is an unsustainable scheme of arrangement where compensation paid far outstrips the income allocated to the Fund; where many who contribute to the RAF's income are excluded on the basis of poverty and the extent of negligence; where administration is not cost-efficient; and where the desired objective of supporting crash victims is not fully achieved.

In 2002, a Commission of Inquiry, chaired by Judge K. Satchwell, determined that RABS should be implemented and the terminology 'no fault' should be clearly defined. Various Cabinet decisions followed, together with the principle of phasing out RAF in exchange for a reasonable, equitable, affordable and sustainable system. A draft Bill was published twice for comment (and extended comment periods) in recent years. The Bill was processed by NEDLAC a few months ago, with the objectives of the Bill, especially "no fault", supported by all parties (Business, Labour and Society). A few areas of disagreement were recorded, namely: on limits and time frames, where some stakeholders wanted more benefits or longer time frames, and on the role of vocational

We have met 90% of the predetermined 2015/16 APP targets, showing that the RAF, as an organisation, will not shy away when faced with challenges, but will continue to transform its delivery record.

training. More recently, the Ministers of Finance have called for RABS and expressed support for the Bill, with some changes related to the reality of financial sustainability where benefits need to fit available funding.

The RAF's approved APPs over the last few years provided for the organisation to support the process and so it has. Importantly though, legislation development remains a function of the DoT and the responsibility of Parliament.

RABS will see the open-ended liability the RAF dispensation imposes on the country wound down and a solvent arrangement introduced. It will benefit many people who have not had access to the RAF, but the payoff would be a rationalisation of what is paid out at the upper end. Poor people will benefit from a minimum benefit they do not currently enjoy. Some may argue that a minimum benefit is low, but it will be higher than the current minimum which is often R0 for some. Socio-economic and health benefits of RABS far exceed the RAF dispensation and long-term outcomes are likely to be much better.

With regard to administration, this will be an easier and more cost-efficient change and monies spent on intermediaries will now be channelled to claimants. While RABS will usher in change, the winding down of the RAF will take many years and see at least R140 billion of RAF claims processed and honoured over time. Rationalising benefits to match available funding, through limits and time frames, is a necessary step for viability, but certainly not a popular one – but in all things there must be informed limits.

As has long been expected and known, RABS will have its fair share of critics, especially from amongst intermediaries and those who currently benefit from compensation paid on the upper end of the compensation scale.

While criticism will flow, the RAF's focus, led by the DoT, will be to do the work the Fund is required to do. The institution will communicate facts, progress and benefits and will not lose sight of the support RABS has enjoyed on the ground. Thousands have been educated on the Bill and stakeholder consultations continue. The redistribution of socio-economic benefits will not be popular for those benefiting currently, but policy change, like RABS, will see many poor people, millions of road users and many victims of crashes put in a better position than what they currently are in now.

The RAF's stakeholders are aware of the criticisms and have made it clear that RABS is an old policy decision that must be implemented on the basis of addressing historic socio-economic imbalances and, more pressingly, on the basis of affordability. Further, our principals know that the RAF is doing well in its transformation and that RABS is not a 'compromise' policy where middle-ground appeasing all stakeholders will be found.

Other Successes

The Fund reviewed and approved numerous policies and procedures during the year under review. The Supply Chain Management Turnaround Strategy and the Five-Year Information Communication Technology (ICT) Strategy are both in their second year since implementation. The year also saw the branding and launch of new Hospital Service Centres and a Walk-in Centre in Beaufort West, as well as the relocation of a Customer Service Centre in Nelspruit.

Acknowledgements

I wish to express a sincere word of thanks to the Minister of Transport, Ms Dipuo Peters, and the Deputy Minister of Transport, Ms Sindisiwe Chikunga, for their unstinting support over the past financial year.

As the Executive Management of the RAF, our gratitude is also extended to the Chairperson and members of the Portfolio Committee on Transport for the unfettered guidance provided throughout the year.

A warm message of thanks is extended to the Board, especially the Chairperson and the Vice-Chairperson for their leadership, guidance, enthusiasm and dedication shown to the organisation this year.

A word of appreciation also goes to the RAF leadership and staff for their continued support, loyalty and diligence. We have met 90% of the predetermined 2015/16 APP targets, showing that the RAF, as an organisation, will not shy away when faced with challenges, but will continue to transform its delivery record.

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

Dr Eugene Watson
Chief Executive Officer
29 July 2016

6. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

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

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

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

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

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

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

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

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

Yours faithfully

Dr EA Watson
Chief Executive Officer
29 July 2016

Dr NM Bhengu
Chairperson of the Board
29 July 2016

7. STRATEGIC OVERVIEW

Mandate of the RAF

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

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

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

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

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

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

The nine primary challenges as outlined in the NDP are:

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

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

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

The Role of the RAF in the Wider Government and National Agenda

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

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

Service Delivery Environment

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

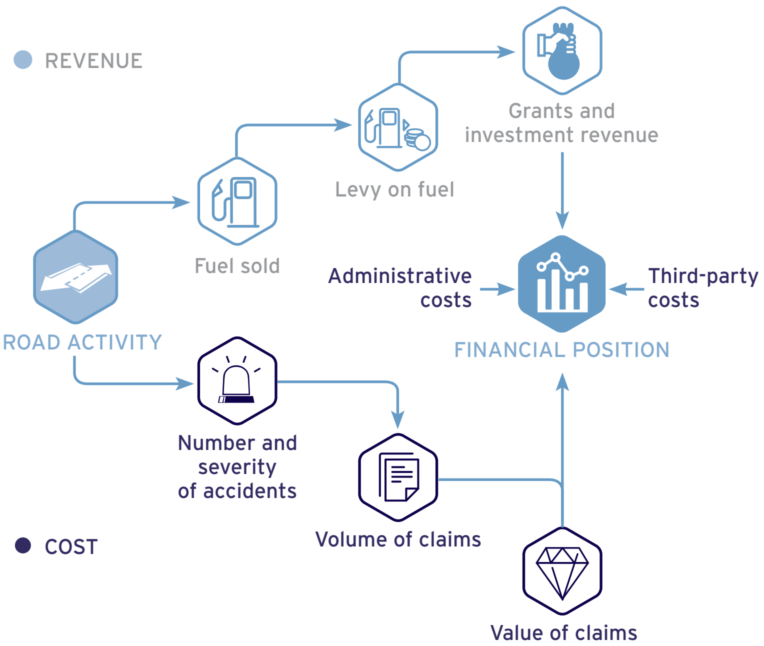


***Figure 1** - Factors influencing the RAF's financial position*

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

The fuel levy per litre is set by National Treasury on a yearly basis, whereas total fuel sales are influenced by a number of macroeconomic factors. On an annual basis, the RAF requests National Treasury for an increase in the RAF Fuel Levy, based on a financial model and a calculation of its costs during the

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

The RAF provides compulsory **social insurance cover to all users** of South African roads.

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

coming year. The full extent of the RAF Fuel Levy requested is seldom granted, because National Treasury has historically set the levy on the basis of a pay-as-you go principle, rather than with the purpose of establishing a fully-funded position for the RAF. During the 2015/16 financial year, the RAF Fuel Levy was set at 154 cents per litre.

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

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

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

- Third-party costs (e.g. attorney costs, medical and/or legal expert costs); and
- The RAF's administration costs.

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

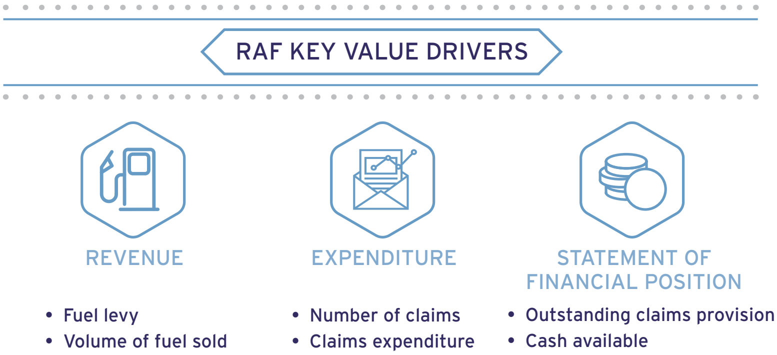


Figure 2 *– Key value drivers*

simplistically represented as follows:
Whilst the value drivers presented may appear conceptually simple, they are driven by multiple other factors. Claims expenditure is influenced, for example,

by whether a claimant chooses to claim directly or to be represented by an attorney; the awards made by courts that determine precedent; the number of expert witnesses called; and the time taken from date of accident to date of finalisation of the claim. As a consequence of these revenue and cost drivers, the gap between the RAF's deficit and its income, which has grown over the last three decades, has increased exponentially in recent years.

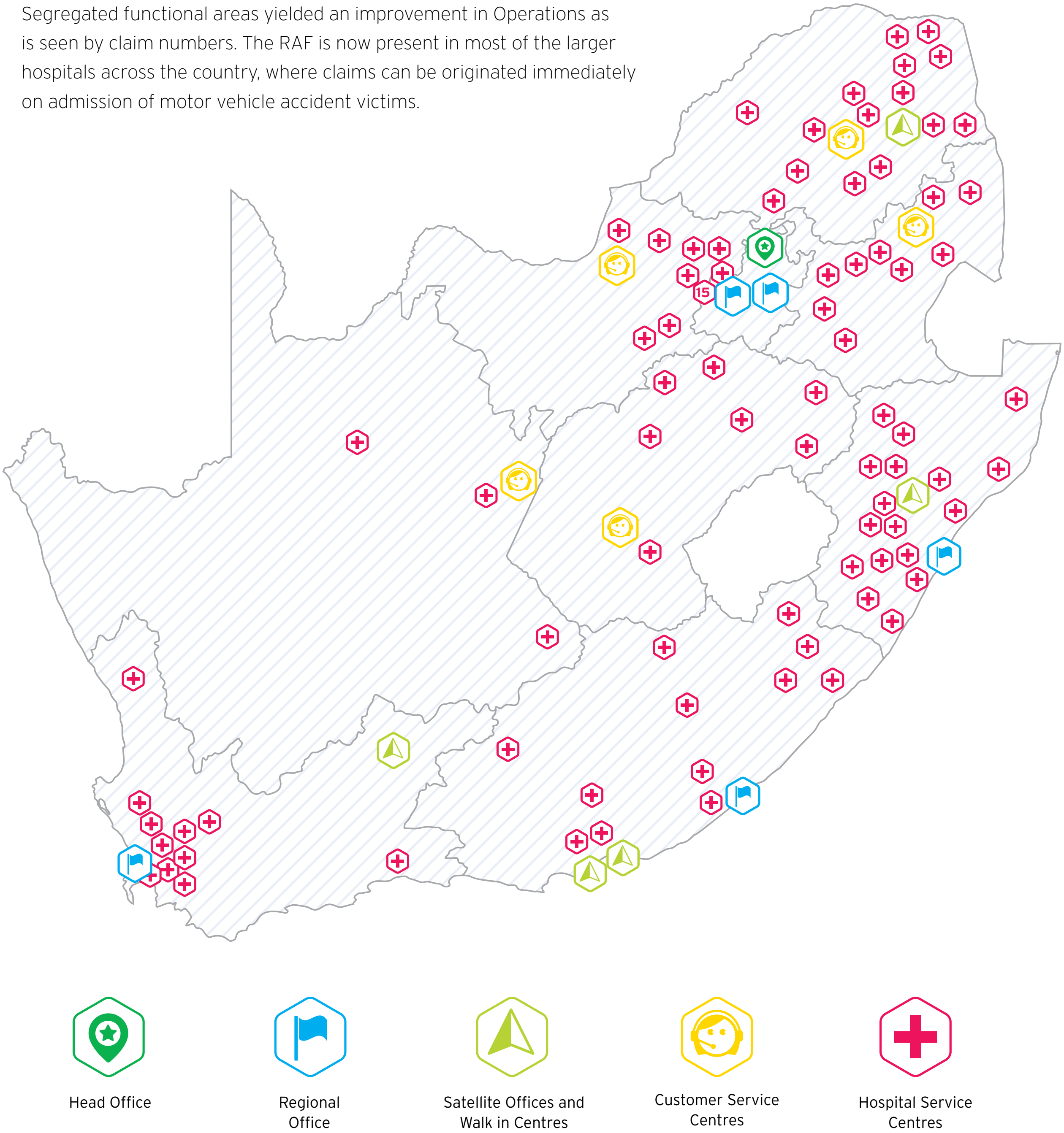
Road crashes have adverse implications for economic growth as a whole, as they affect economically active members of our society as well as those who are not.

The United Nations General Assembly proclaimed 2011–2020 the Decade of Action for Road Safety. South Africa is one of the member countries that has committed itself to the Decade of Action and as part of the declaration has committed to reducing the number of road deaths by half by 2020. While road fatalities per 100,000 people are reducing in South Africa, the undertaking to instil a culture of road safety and road traffic law compliance remains an arduous one. While South Africa strives to achieve a reduction in road traffic accidents and by extension a reduction in road traffic fatalities and injuries, many thousands of people will continue to suffer losses due to death or injury on our roads. The primary risk group is men in the 18–45 age groups, whose injury or death often have devastating impacts on the families relying on them for support. The RAF is often all that stands between the victims and their families and their descent into poverty, as many victims are unable to afford medical aid or private insurance cover.

In light of the profoundly negative impacts that victims of road traffic accidents suffer from a health, vocational and social perspective, they not only require, but deserve to have their claims assessed and finalised in a speedy and efficient manner. Delays in claims finalisation prejudice victims, and also serve to increase the RAF's liability, as historical trends have shown that generally, the later a claim is finalised the higher the liability to the RAF. In light of the above, the RAF resolved to place even greater focus on settling long outstanding claims, while building its profile as an accessible organisation that pro-actively interacts with victims in a caring, supportive and solution-orientated way and, where liability attaches to it, provides compensation in a time-efficient and cost-effective manner, within the context of the highest standards of financial and risk management.

Organisational Environment

During the year under review, the national service footprint was further expanded, with the number of Hospital Service Centres (HSCs) increasing from 96 in 2014/15 to 98 in 2015/16; and a total of five Customer Service Centres (CSCs) and five Walk-in Service Centres throughout the country. Segregated functional areas yielded an improvement in Operations as is seen by claim numbers. The RAF is now present in most of the larger hospitals across the country, where claims can be originated immediately on admission of motor vehicle accident victims.

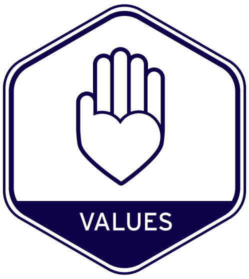


The Vision of the RAF

To provide the highest standard of care to road accident victims and to restore balance in the social system.

The Mission of the RAF

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



The Values of the RAF

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

UBUNTU

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

SOLUTION FOCUSED

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

EXCELLENCE

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

EFFICIENCY

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

WE TAKE PRIDE

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

Strategic Outcomes – 2015 – 2020

PILLARS	OUTCOME INDICATORS
Efficient Claims Processing	• Effectively manage the number of open claims • Reduce the average age of open claims • Increase the number of claims verified by objecting to or accepting within 60 days • Increase percentage of direct claims originated • Increase percentage of direct claims settled • Reduction in legal costs • Implement Post-crash Care Strategy (Pillar 6)
Accessible Services	• Increase accessibility to RAF services • Increase the number of claimants engaged at RAF outreach campaigns ('RAF on the Road') and other events • Improve Call Centre responsiveness • Improve customer satisfaction (incl. brand awareness)
Effective Financial Management/Health	• Effective cash flow management • Provision for claims incurred assessed quarterly • Improve procurement outcomes • Increase percentage of B-BBEE-rated suppliers • Implement Enterprise Supplier Development (ESD) initiatives.
Optimal ICT Services	• Ensure optimal ICT service availability • Implement the Five-year ICT Strategy (e-Enablement Strategy)
Improve People Management	• Optimise organisational performance • Improve workforce skills and placement for current and future requirements • Maintain the RAF's contribution towards government's social and economic transformation agenda • Manage absenteeism
Administrative Dispensation Aligned to the RABS Bill	• Development and approval of the RABS funding model • Board approval of RABS funding model
Assured Control Environment	• Raise ethical standards • Increase % of fraud detected before undue payments are made • Contribute to road safety by creating a database that will inform preventative measures

8. LEGISLATIVE AND OTHER MANDATES

Schedule in Terms of the PFMA

The RAF is a juristic person established by an Act of Parliament, namely, the Road Accident Fund Act, 1996 (Act No. 56 of 1996 (RAF Act). Section 3 of the RAF Act stipulates that "the object of the Fund shall be the payment of compensation in accordance with this Act for loss or damage wrongfully caused by the driving of motor vehicles".

The RAF is a national public entity listed in Schedule 3A of the Public Finance Management Act, 1999 (Act No. 1 of 1999).

Policy Frameworks Governing the RAF

Applicable legislation to the RAF is, *inter alia*:

- Constitution of the Republic of South Africa, 1996;
- Road Accident Fund Act, 1996 (Act No. 56 of 1996);
- Road Accident Fund (Transitional Provisions) Act, 2012 (Act No. 15 of 2012);
- Prescribed Rate of Interest Act, 1975 (Act No. 55 of 1975);
- Contingency Fees Act, 1977 (Act No. 66 of 1977);
- Public Finance Management Act, 1999 (Act No. 1 of 1999);
- Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);
- Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003);
- Employment Equity Act, 1998 (Act No. 55 of 1998);
- Labour Relations Act, 1995 (Act No. 66 of 1995);
- Basic Conditions of Employment Act, 1977 (Act No. 75 of 1977);
- Promotion of Access to Information Act, 2000 (Act No. 2 of 2000);
- Protection of Personal Information Act, 2013 (Act No. 14 of 2013);
- Promotion of Equality and Prevention of Unfair Discrimination Act, 2000 (Act No. 4 of 2000);
- Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000);
- Use of Official Languages Act, 2012 (Act No. 12 of 2012);
- Protected Disclosures Act, 2000 (Act No. 26 of 2000); and
- Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004).

Expected Framework Changes

Background

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

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

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

Claimants whose claims arose under the RAF Act, prior to it being amended by the Amendment Act, and whose claims were limited by the R25,000 passenger limitation section, and whose claims have further not prescribed or been finally determined by settlement or court order, have an election under the Transitional Act to have their claim determined under the RAF Act (prior to its amendment by the Amendment Act), or to have the claim determined in accordance with a transitional regime provided for in the Transitional Act.

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

Road Accident Fund Amendment Bill, 2014

On 3 November 2014, a draft Road Accident Fund Amendment Bill, 2014, was published for comment. This Bill aims to amend the RAF Act to facilitate responsible financial management and enable cost-effective delivery of compensation. The proposed amendments provide for:

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

RABS Bill

The current scheme of arrangement, being based on fault, insurance principles and common law, remains inequitable, wasteful and open to abuse. The key change proposed by the draft legislation is a move away from the insurance-based system of compensation, which has been largely unchanged in South Africa since its inception in 1946, to a system of defined and structured benefits.

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

The transformation of the current scheme, as envisaged in the RABS Bill, will address many of the challenges facing the RAF that are constraining its ability to deliver on its mandate in an effective and efficient manner.

The benefits of the proposed RABS are:

- Provision for the benefits as contained in the proposed Bill of 2014 that are reasonable, equitable, affordable and sustainable;
- Expansion of access to benefits by removing the requirement to establish 'fault' as a determinant to qualify for benefits;
- Reducing disputes by removing the 'fault' requirement and by providing pre-determined benefits;
- The availability of timely and appropriate healthcare benefits based on a reasonable tariff;
- Simplification of claims procedures;
- Wider cover to persons injured in road accidents;
- Fewer exclusions from benefits;
- Defined benefits which promote affordability; and
- Alleviation of the burden on South Africa's courts through the establishment of an internal appeal procedure.

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

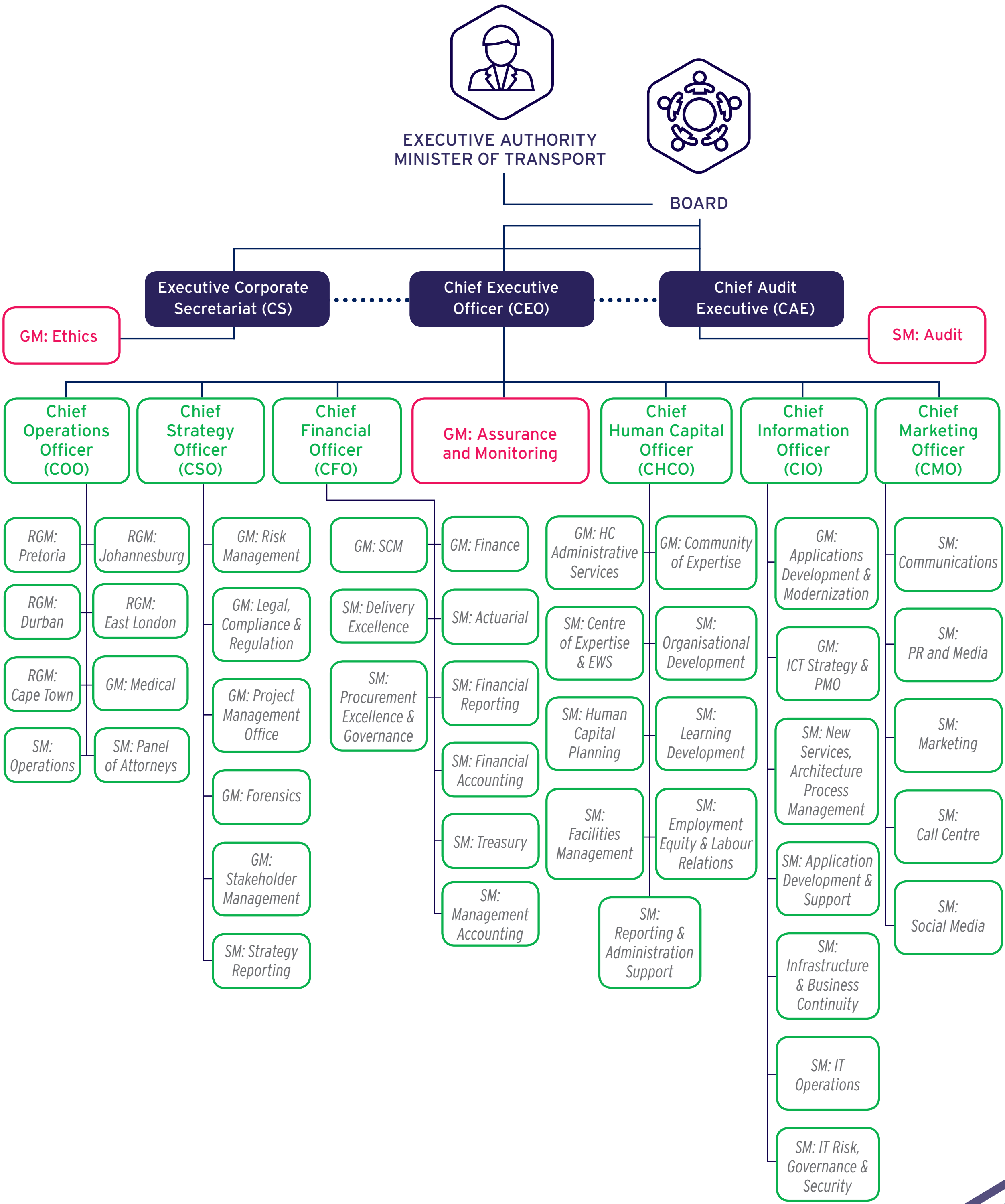
The Bill was first published for public comment on 8 February 2013 in *Government Gazette* No. 36138. Following receipt of public comments, the Bill was redrafted and new Regulations, Rules and Forms were included to enable a better understanding of how the proposed scheme would operate in practice.

The revised Bill was published for public comment on 9 May 2014 in *Government Gazette* No. 37612. The Gazette included the DoT's RABS Regulations and the draft RABS Rules and Forms of the Board. A national RABS workshop was held on 19 June 2014. Focused stakeholder consultations were also held with industry groupings from commuter groups; the insurance industry; the funeral industry; disability groups; the medical industry; and the legal fraternity. Following requests by the public, the initial 60-day comment period was extended by a further 90 days.

National RABS workshops were held in Zwelitsha Township (Eastern Cape); Empangeni; Pietermaritzburg; Durban; Mahikeng; Rustenburg; Potchefstroom; Giyani; Polokwane; Upington; Kimberley; Nelspruit; Emalahleni; Cape Town; Vredenburg (Western Cape); George; King William's Town; Port Elizabeth; Kroonstad; Mangaung; Springs; and Soweto.

DoT subsequently considered the comments received and revised the Bill. The revised Bill was then submitted for review to the Office of the State Law Advisor, whereafter the Bill was tabled for consultation at NEDLAC, which issued its final report on 28 January 2016.

9. ORGANISATIONAL STRUCTURE



PART B

PERFORMANCE INFORMATION

1. AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

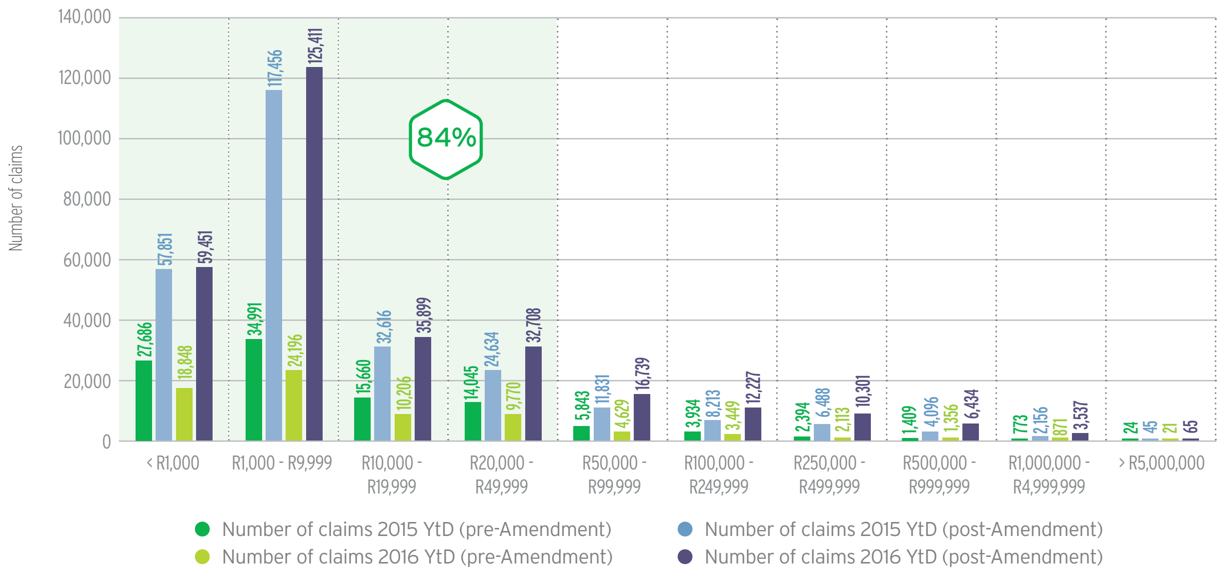
Refer to page 162 of the Annual Report for the Auditor-General's Report, published in Part E: Financial Information.

2. OPERATING ENVIRONMENT

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

Claims Analysis

Of the 188,759 total claims finalised in the 2015/16 financial year, a large number of claim payments were at values less than R1,000 and less than R10,000 (Graph 1). This can be ascribed to the accelerated approach to supplier claims, which allowed for hospitals and other service providers to be paid directly by the RAF. As a result, the RAF managed to reduce outstanding supplier claims more effectively than those of personal claims. (It is important to note that the graph below reflects payments per category and not finalised claims.)

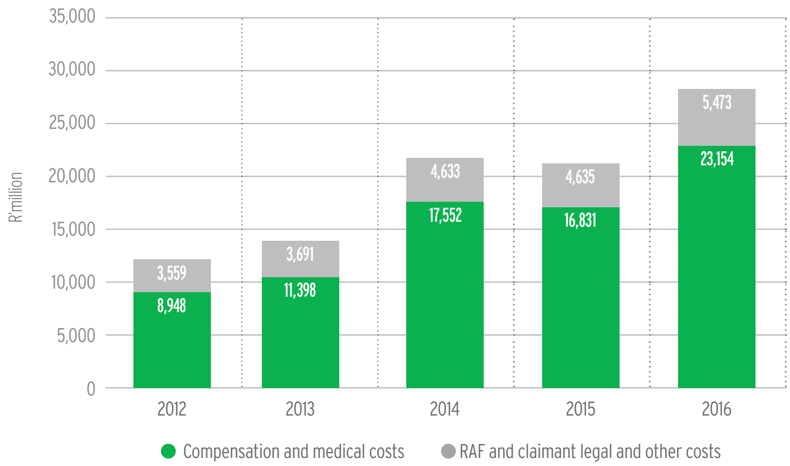


Graph 1 – Average size of claims paid

During the 2015/16 financial year, the RAF continued to receive and settle high volumes of small claims, with more than 84% (average of pre- and post-Amendment Act claims) being for settlement values below R50,000.

Claims Values

The composition of claim payments continues to reflect the inadequacies of the existing fault-based, common law system of compensation. The planned introduction of RABS (a no-fault system) should address these wastages over the longer term. In the short term, however, Management believes that interim legislative changes could address some of the wastages. Of the R28.6 billion (2014/15: R21.5 billion) cash paid out in respect of claims for the 2015/16 financial year, R23.2 billion (i.e. 81%) (2014/15: R16.8 billion (i.e. 78%)) represented compensation pay-out. The balance of 19% (2014/15: 22%) comprised legal and other expert fees. On the other hand, when claims requested that could not be paid due to cash constraints (RNYP) are added to the above scenario, the variance in the composition reflects compensation at 82% and legal and other expert fees at 18% respectively (Graph 2). The year under review therefore reflects a nominal decrease in legal and other expert fees when compared to total cash/accrued claims expenditure.



Graph 2 *– Composition of claim payments*

Definitions:

NEW CLAIMS REGISTERED

Claims received and registered during the financial year.

CLAIMS FINALISED

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

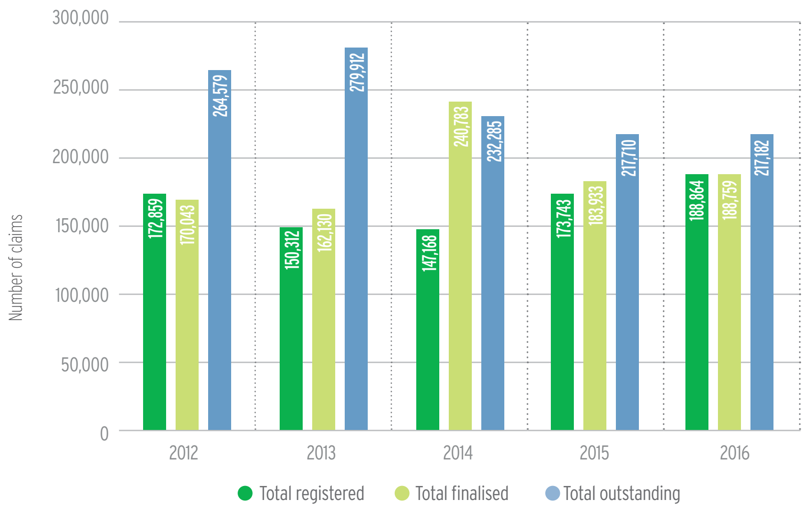
CLAIMS OUTSTANDING

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

Claim Statistics

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

	Reference	Units	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
New claims registered	**1.**	**No.**	**188,864**	**173,743**	**147,168**	**150,312**	**172,859**
Personal claims		No.	71,664	62,436	53,230	47,159	52,445
Suppliers		No.	117,200	111,307	93,938	103,153	120,414
Total: Increase/(decrease)		%	9	18	(2)	(13)	(22)
Personal claims: Increase/(decrease)		%	15	17	13	(10)	(29)
Supplier claims: Increase/(decrease)		%	5	19	(9)	(14)	(19)
Claims finalised	**2.**	**No.**	**188,759**	**183,933**	**240,783**	**162,130**	**170,043**
Personal claims		No.	72,484	65,243	115,736	53,537	68,637
Suppliers		No.	116,275	118,690	125,047	108,593	101,406
Total: Increase/(decrease)		%	3	(24)	49	(5)	(9)
Personal claims: Increase/(decrease)		%	11	(44)	116	(22)	13
Supplier claims: increase/(decrease)		%	(2)	(5)	15	7	(20)



Graph 3 *– Claims registered / finalised / outstanding*

During the 2015/16 financial year, 188,864 claims (personal claims: 71,664 and supplier claims: 117,200) were registered. Despite registering 9% more claims during the financial year, it is noteworthy that the number of new personal claims registered was considerably more (15% from 62,436 during the 2014/15 financial year). Supplier claims increased by 5% from 111,307 at the end of the 2014/15 financial year.

- 188,759 claims were finalised (personal claims: 72,484 and supplier claims: 116,275); and
- 217,182 claims were still outstanding (personal claims: 213,445 and supplier claims: 3,737) (Graph 3).

Outstanding claims decreased by 0.2% from 217,710 at the end of the previous financial year to 217,182 at the end of the reporting period, off the back of increased registrations.

This was mainly influenced by an increase of 3% in the number of open and reopened claims totalling 184,899 where compensation had not been paid and legal cost claims totalling 32,283 which were still outstanding at the end of the 2015/16 financial year, compared to the number of open and reopened claims of 179,778 and legal cost claims of 37,932 at the end of the previous financial year. This speaks to the increased number of compensation payments that were made.

Reopened claims at the end of the 2015/16 financial year decreased by 17% to 9,586 from 11,528 at the end of the previous financial year. This number confirms that claims are not prematurely being classified as 'finalised'.

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

Outstanding claims	No Compensation			Compensation paid Legal costs awaited	Total awaiting compensation or legal cost payment
	Open	Reopened	Subtotal		
Outstanding claims as at 31 March 2015					
Personal claims	**165,739**	**11,447**	**177,186**	**34,870**	**212,056**
Direct claims	28,156	437	28,593	1,813	30,406
Represented claims	137,583	11,010	148,593	33,057	181,650
Post-Amendment Act	137,214	2,763	139,977	20,433	160,410
Pre-Amendment Act	28,525	8,684	37,209	14,437	51,646
Supplier claims	**2,511**	**81**	**2,592**	**3,062**	**5,654**
Direct claims	1,915	15	1,930	2,540	4,470
Represented claims	596	66	662	522	1,184
Post-Amendment Act	2,349	20	2,369	193	2,562
Pre-Amendment Act	162	61	223	2,869	3,092
Total	**168,250**	**11,528**	**179,778**	**37,932**	**217,710**
Movement during the year					
Personal claims	**6,363**	**(1,921)**	**4,442**	**(3,053)**	**1,389**
Direct claims	7,964	(102)	7,862	167	8,029
Represented claims	(1,601)	(1,819)	(3,420)	(3,220)	(6,640)
Post-Amendment Act	16,805	(611)	16,194	(4,730)	11,464
Pre-Amendment Act	(10,442)	(1,310)	(11,752)	1,677	(10,075)
Supplier claims	**700**	**(21)**	**679**	**(2,596)**	**(1,917)**
Direct claims	602	(2)	600	(2,448)	(1,848)
Represented claims	98	(19)	79	(148)	(69)
Post-Amendment Act	833	(15)	818	77	895
Pre-Amendment Act	(133)	(6)	(139)	(2,673)	(2,812)
Total	**7,063**	**(1,942)**	**5,121**	**(5,649)**	**(528)**
Outstanding claims as at 31 March 2016					
Personal claims	**172,102**	**9,526**	**181,628**	**31,817**	**213,445**
Direct claims	36,120	335	36,455	1,980	38,435
Represented claims	135,982	9,191	145,173	29,837	175,010
Post-Amendment Act	154,019	2,152	156,171	15,703	171,874
Pre-Amendment Act	18,083	7,374	25,457	16,114	41,571
Supplier claims	**3,211**	**60**	**3,271**	**466**	**3,737**
Direct claims	2,517	13	2,530	92	2,622
Represented claims	694	47	741	374	1,115
Post-Amendment Act	3,182	5	3,187	270	3,457
Pre-Amendment Act	29	55	84	196	280
Total	**175,313**	**9,586**	**184,899**	**32,283**	**217,182**

Repudiated Claims

Repudiated claims ended 31 March 2016

OPENING BALANCE 1 APRIL 2015			MOVEMENT DURING THE YEAR			CLOSING BALANCE 31 MARCH 2016		
16,022 PERSONAL CLAIMS	27,222	11,200 SUPPLIER CLAIMS	19,138 PERSONAL CLAIMS	19,264	126 SUPPLIER CLAIMS	35,160 PERSONAL CLAIMS	46,486	11,326 SUPPLIER CLAIMS

Repudiated claims increased from 27,222 in 2014/15 to 46,486 in the current financial year. The claims processing status of all claims was monitored throughout the year to determine the exact composition of the number of outstanding claims at any stage.

The increase in repudiated claims as at 31 March 2016 was mainly influenced by the following:

- Non-compliance (no merits, no nexus, no locus standi, sole cause, etc.);
- Outstanding information on supplier claims;
- Outstanding costs delaying finalisation of claims (due to cash constraints);
- The potentially prescribed initiative;
- Deceased claimants' initiative; and
- Increased registrations resulting in higher repudiations.

After following thorough processes with regard to claims in these categories, these claims were repudiated.

Claim Categories and Averages

Individual claim payments/settlements per claims category:

Claim pay-/settlements	Ref	Units (Rounded)	31-Mar-16	31-Mar-15	31-Mar-14	31-Mar-13	31-Mar-12
All claims	**1**	**R'million**	**33,000**	**28,000**	**22,000**	**15,000**	**12,500**
Average value per claim		Rand	143,127	114,969	104,091	65,844	54,208
Total individual claim pay-/settlements		Number	230,936	242,869	211,099	227,855	225,905
Personal claims	**2**	**R'million**	**32,300**	**27,300**	**21,500**	**14,400**	**12,100**
Average value per claim		Rand	271,793	211,090	194,696	138,345	99,614
Total individual claim pay-/settlements		Number	119,068	129,256	110,168	104,016	120,728
Supplier claims	**3**	**R'million**	**700**	**700**	**500**	**600**	**400**
Average value per claim		Rand	6,179	5,613	5,215	4,950	3,379
Total individual claim pay-/settlements		Number	111,868	113,613	100,931	123,839	105,177
Claim pay-/settlements per heads of damage							
General damages	**4**	**R'million**	**8,700**	**8,000**	**5,900**	**4,000**	**3,900**
Average value per claim		Rand	385,673	334,799	221,003	152,329	83,534
Total individual claim pay-/settlements		Number	22,494	23,828	26,511	26,363	46,174
Loss of earnings	**5**	**R'million**	**13,300**	**10,300**	**7,700**	**4,600**	**3,200**
Average value per claim		Rand	739,214	732,371	649,912	535,050	433,739
Total individual claim pay-/settlements		Number	17,926	14,072	11,865	8,636	7,191
Loss of support	**6**	**R'million**	**3,100**	**2,900**	**2,700**	**1,600**	**1,100**
Average value per claim		Rand	379,702	368,883	392,744	347,861	295,970
Total individual claim pay-/settlements		Number	8,077	7,923	6,760	4,684	3,783
Medical compensation	**7**	**R'million**	**1,200**	**1,200**	**1,100**	**1,100**	**800**
Average value per claim		Rand	10,447	9,799	9,740	7,761	5,870
Total individual claim pay-/settlements		Number	116,380	117,822	103,620	127,305	113,975
Funeral costs	**8**	**R'million**	**120**	**100**	**90**	**70**	**50**
Average value per claim		Rand	13,732	12,367	11,245	10,425	9,259
Total individual claim pay-/settlements		Number	8,626	9,769	7,630	6,303	5,339
RAF's legal and other costs	**9**	**R'million**	**2,700**	**2,100**	**1,700**	**1,400**	**1,200**
Average value per claim		Rand	28,476	21,564	20,645	16,015	14,878
Total individual claim pay-/settlements		Number	96,294	96,475	84,739	85,846	83,786
Claimants' legal and other costs	**10**	**R'million**	**3,900**	**3,400**	**2,900**	**2,300**	**2,300**
Average value per claim		Rand	120,385	90,563	63,734	52,656	38,534
Total individual claim pay-/settlements		Number	33,084	37,106	45,561	43,841	60,402

Claims settled by the RAF differ materially when the composition of the claims is considered.
The table above represents all claims requested for payment in the 2015/16 financial year.

Definitions:

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

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

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

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

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

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

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

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

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

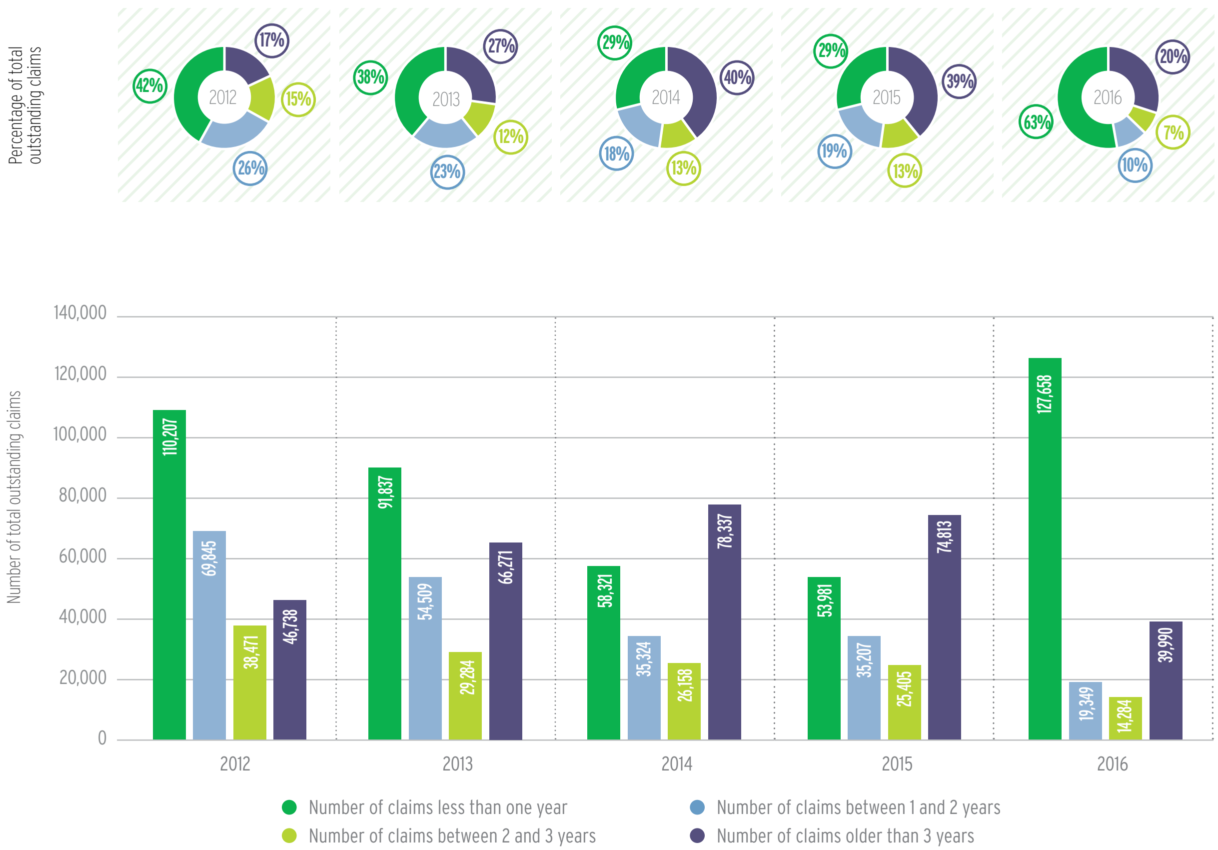
10. Claimants' Legal and Other Costs
Claimants' legal and other costs are expenses paid to accident victims' attorneys and experts for their assistance provided to the accident victim in lodging a claim with the RAF.

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

Age Analysis of Claims

Claims younger than one year increased from 29% in 2015 to 42% in 2016 as a result of increased registrations. This is indicative of a positive reduction in older claims outstanding, despite the difficulties faced when claims are litigated and require extensive expert opinion and time in court (Graph 4).

Claims age analysis as at 31 March 2016



Graph 4 – Age analysis of claims in number and percentage

STATEMENT OF FINANCIAL POSITION

Financial Analysis

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

	31 March2016	Restated 31 March 2015	31 March 2014	31 March 2013	31 March2012
	R'million	R'million	R'million	R'million	R'million
ASSETS					
Current Assets					
Cash and cash equivalents	2,044	1,048	2,505	6,144	4,245
Receivables from non-exchange transactions	7,362	5,887	4,769	4,153	3,884
Receivables from exchange transactions	10	4	16	33	19
Other financial assets	147	141	133	132	145
Consumable stock	6	5	3	3	3
	9,569	**7,085**	**7,426**	**10,465**	**8,296**
Non-current Assets					
Property, plant and equipment	201	252	247	243	214
Intangible assets	26	30	21	9	62
	227	282	268	252	276
TOTAL ASSETS	**9,796**	**7,367**	**7,694**	**10,717**	**8,572**
LIABILITIES					
Current Liabilities					
Payables from exchange transactions	194	178	139	140	84
Other financial liabilities	47	78	83	334	324
Claims liabilities	46,506	34,395	24,460	20,361	16,399
Other provisions	739	935	849	860	604
	47,486	**35,586**	**25,531**	**21,695**	**17,411**
Non-current Liabilities					
Claims liabilities	107,501	81,973	72,917	62,477	56,208
Employee benefit obligation	54	51	43	46	40
Operating lease liability	7	4	1	1	1
	107,562	**82,028**	**72,961**	**62,524**	**56,249**
TOTAL LIABILITIES	**155,048**	**117,614**	**98,492**	**84,219**	**73,660**
NET ASSETS	**(145,252)**	**(110,247)**	**(90,798)**	**(73,502)**	**(65,088)**
Reserves					
Revaluation reserve	83	130	128	124	72
Accumulated deficit	(145,335)	(110,377)	(90,926)	(73,626)	(65,160)
TOTAL NET ASSETS	**(145,252)**	**(110,247)**	**(90,798)**	**(73,502)**	**(65,088)**

STATEMENT OF FINANCIAL PERFORMANCE

	31 March 2016 R'million	Restated 31 March 2015 R'million	31 March 2014 R'million	31 March2013 R'million	31 March 2012 R'million
REVENUE					
Revenue from Exchange Transactions					
- Investment revenue and other income	93	66	238	260	115
Revenue from Non-exchange Transactions					
- Net fuel levies	33,113	22,614	20,278	17,883	16,989
TOTAL REVENUE	**33,206**	**22,680**	**20,516**	**18,143**	**17,104**
EXPENDITURE:					
- Claims expenditure (excluding provision for outstanding claims)	(32,324)	(28,027)	(22,280)	(15,202)	(12,216)
- Reinsurance premiums	(22)	(23)	(23)	(25)	(23)
- Employee costs	(1,280)	(1,164)	(907)	(763)	(657)
- Depreciation and amortisation	(47)	(45)	(38)	(61)	(64)
- Finance costs	(151)	(67)	(29)	(27)	(24)
- Loss on disposal of assets	-	(2)	(1)	(30)	-
- General expenses	(398)	(375)	(376)	(270)	(238)
TOTAL EXPENDITURE	**(34,222)**	**(29,703)**	**(23,654)**	**(16,378)**	**(13,222)**
(Deficit)/Surplus before provision for outstanding claims	(1,016)	(7,023)	(3,138)	1,765	3,882
Provision for outstanding claims	(33,942)	(12,429)	(14,162)	(10,230)	(24,961)
DEFICIT FOR THE YEAR	**(34,958)**	**(19,452)**	**(17,300)**	**(8,465)**	**(21,079)**

CASH FLOW STATEMENT

	31 March 2016 R'million	Restated 31 March 2015 R'million	31 March 2014 R'million	31 March 2013 R'million	31 March 2012 R'million
Net cash flows from operating activities	1,034	(1,399)	(3,589)	1,914	3,114
Cash flows from investing activities	(38)	(58)	(50)	(15)	(6)
Net Increase/(Decrease) in Cash and Cash Equivalents	**996**	**(1,457)**	**(3,639)**	**1,899**	**3,107**
Cash and cash equivalents at the beginning of the year	1,048	2,505	6,144	4,245	1,138
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**2,044**	**1,048**	**2,505**	**6,144**	**4,245**

Financial Ratios

	Ref.	Units	31 March 2016	Restated 31 March 2015	31 March 2014	31 March 2013	31 March 2012
PROFITABILITY							
(Deficit)/surplus to revenue	1	%	(105%)	(86%)	(84%)	(47%)	(123%)
Operating (deficit)/surplus to revenue	2	%	(3%)	(31%)	(15%)	10%	23%
Return on average equity	3	%	(27%)	(19%)	(21%)	(12%)	(39%)
Return on average total assets	4	%	(407%)	(258%)	(188%)	(88%)	(321%)
Cost-to-income ratio	5	%	23%	27%	29%	27%	27%
LIQUIDITY							
Cash-to-claims-cover ratio	6	Months	0.76	0.45	1.35	4.85	4.17
Current ratio	7	Ratio	0.20	0.20	0.29	0.48	0.48
Net working capital	8	R'm	(37,917)	(28,501)	(18,105)	(11,230)	(9,115)
Net working capital, excluding claims provision	9	R'm	8,589	5,894	6,356	9,131	7,284
SOLVENCY							
Total assets to total liabilities	10	%	6%	6%	8%	13%	12%

Definitions:

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

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

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

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

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

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

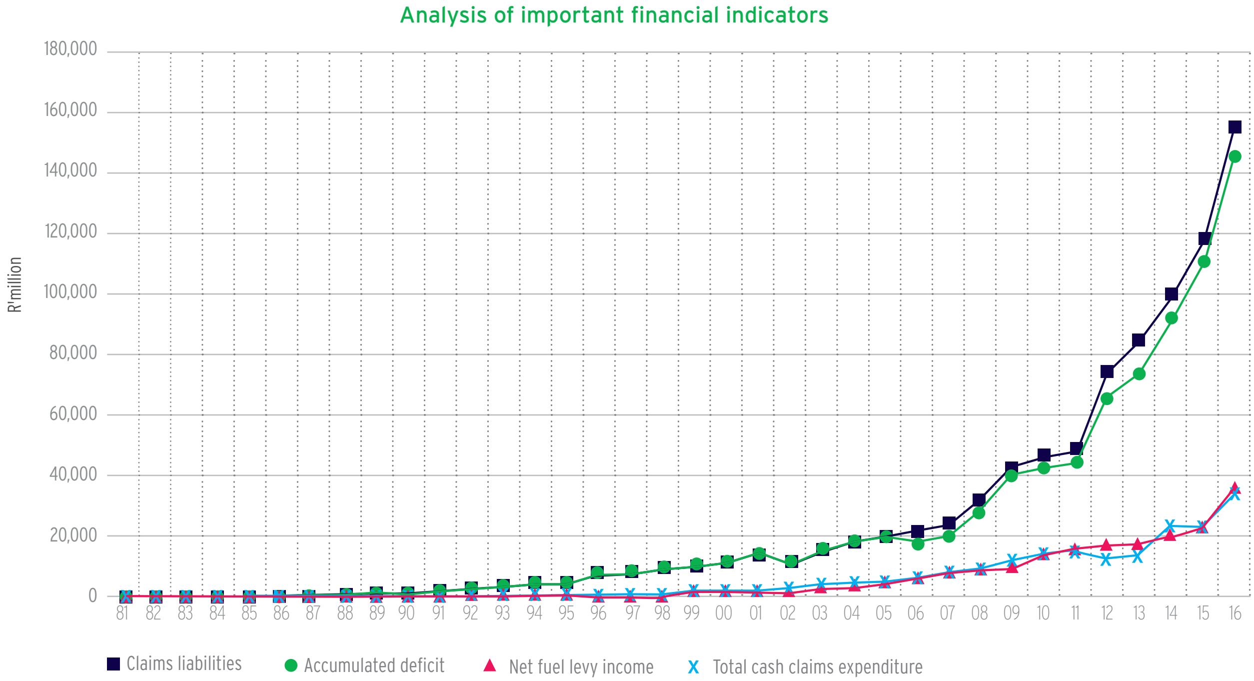
7. Current ratio
Total current assets divided by total current liabilities.

8. Net working capital
Current assets minus current liabilities.

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

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

Financial Position



***Graph 5** – The widening gap between income and deficit*

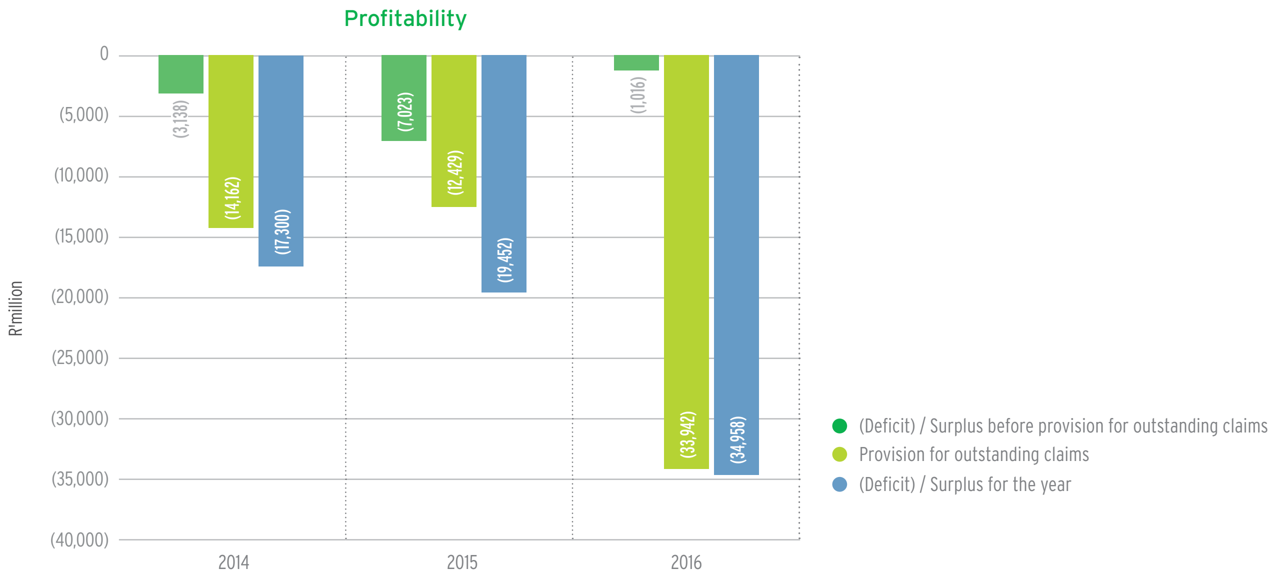
Financial Health

Profitability

The RAF recorded a net deficit on the Statement of Financial Performance for the 2015/16 financial year of R35 billion (2014/15: R19.5 billion) (Graph 6). This was largely due to an increase in the provision for outstanding claims of R33.9 billion (2014/15: R12.4 billion).

Efforts to reduce the number of outstanding claims resulted in higher claims expenditure (in cash), as well as an increase in the accrual for claims requested but not yet paid at the time of reporting as a result of cash constraints, together with an increase in the provision for outstanding claims. These totalled R66.3 billion (2014/15: R40.5 billion) and far exceeded the revenue received from fuel levies of R33.1 billion (2014/15: R22.6 billion).

Cash and cash equivalents increased from R1.05 billion at the end of the previous financial year, to R2.04 billion mainly due to the higher fuel levy received and the fact that the actual levy receipt for a month takes place approximately one week before the end of a month.



***Graph 6** – Profitability of the RAF*

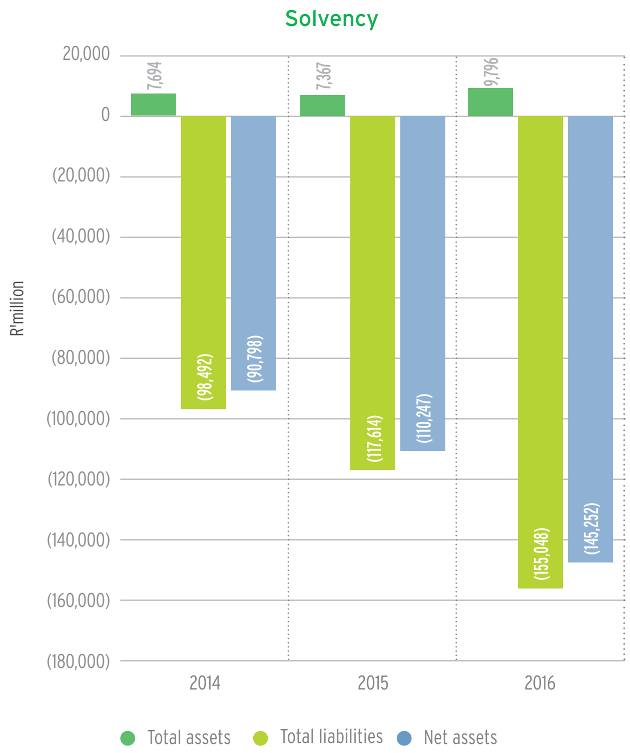
Solvency and Capitalisation

The RAF remains severely under-capitalised with liabilities exceeding assets by R145 billion (2014/15: R110 billion) (Graph 7). The only assets of substance, other than cash, are land and buildings worth R98 million. Organisations similar to the RAF elsewhere in the world have, as part of their major assets, investments that cover in excess of 100% of the full outstanding liability. The liquidity ratio of the RAF is at 0.06:1 (current ratio: 0.20:1). This means that the RAF has only 6 cents (current ratio: 20 cents) worth of assets for every R1 of its liabilities and puts into sharp perspective just how unsustainable the current system is. The RAF does therefore not have sufficient cash or near cash assets to cover its short-term liabilities.

Several high-level discussions took place between the Fund and National Treasury on RAF's liquidity challenges. The 50c per litre increase in the RAF Fuel Levy to 154 cents per litre at the beginning of the 2015/16 financial year has assisted towards the progress made by the RAF in clearing the claims backlog. Notwithstanding, this is also a reflection of the unsustainability of the current compensation system, which has accumulated a R145 billion unfunded liability. Legislation towards providing affordable and equitable support for those injured in road accidents, i.e. the establishment of the new RABS, will be tabled in the foreseeable future. Once the legislation has been passed, the levy will be assigned to the new scheme.

From Graph 7 it is evident that the net deficit of the RAF has continued to grow despite the increase in the RAF Fuel Levy during the year under review. There is clearly no correlation between the annual increases in the RAF Fuel Levy determined by National Treasury and the increase required in the need to settle claims.

Total assets were higher, mainly due to cash balances and receivables from non-exchange transactions (increased Fuel Levy). The total liabilities were higher, mainly as a result of claims requested but not paid due to cash constraints, as well as the increase in the provision for outstanding claims. Overall, the net deficit was substantially larger compared to the previous reporting period. The RAF achieved an operational deficit of R1 billion for 2015/16 (2014/15: R7 billion) prior to the increase in the provision for outstanding claims being taken into account. This was mainly due to both an increase in revenue, as well as increased claims expenditure as a result of persistent productivity in the claims operational environment.



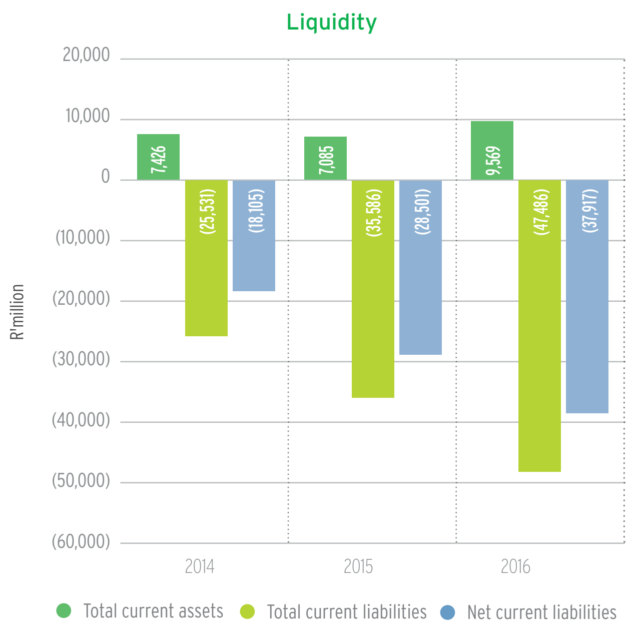
***Graph 7** – Solvency of the RAF*

Liquidity and Cash Holdings

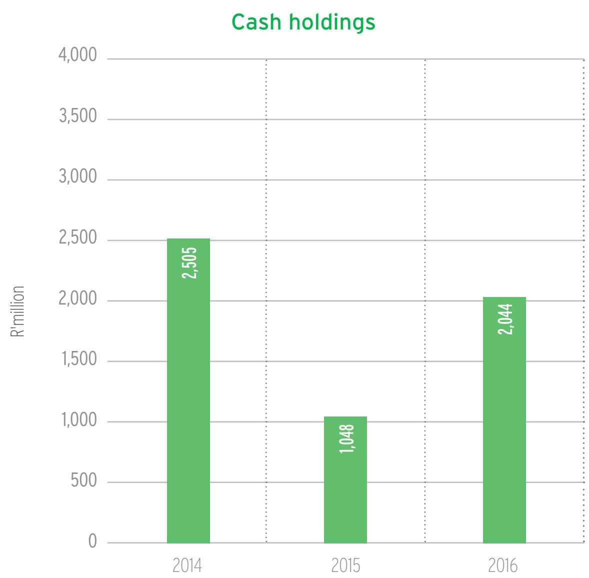
As at 31 March 2016, current liabilities of the RAF exceeded current assets by R38 billion (2014/15: R28 billion) (Graph 8).

Liquidity is managed daily. Claims are paid from available cash reserves and an approved Cash Management Strategy is strictly enforced and communicated to stakeholders. The RAF submitted a request to National Treasury at the beginning of the financial year for the retention and roll-over of R1.05 billion, held in cash and cash equivalents at the end of the 2014/15 financial year, for the purposes of settling and paying claims.

The ideal scenario is to have cash holdings sufficient to pay claims for at least two months in advance at any given point in time. From the graphs below, it can be seen that the RAF's liquidity is rapidly declining and cash balances accumulated over past financial years were unsustainable and temporary in nature. For the period ended 31 March 2016, the cash balance stood at R2.04 billion as all available resources were utilised to pay claims and the balance mainly reflected the Fuel Levy for March that was received on 24 March 2016. This cash balance would be used to fund operations through April 2016 (Graph 9).



***Graph 8** – Liquidity of the RAF*

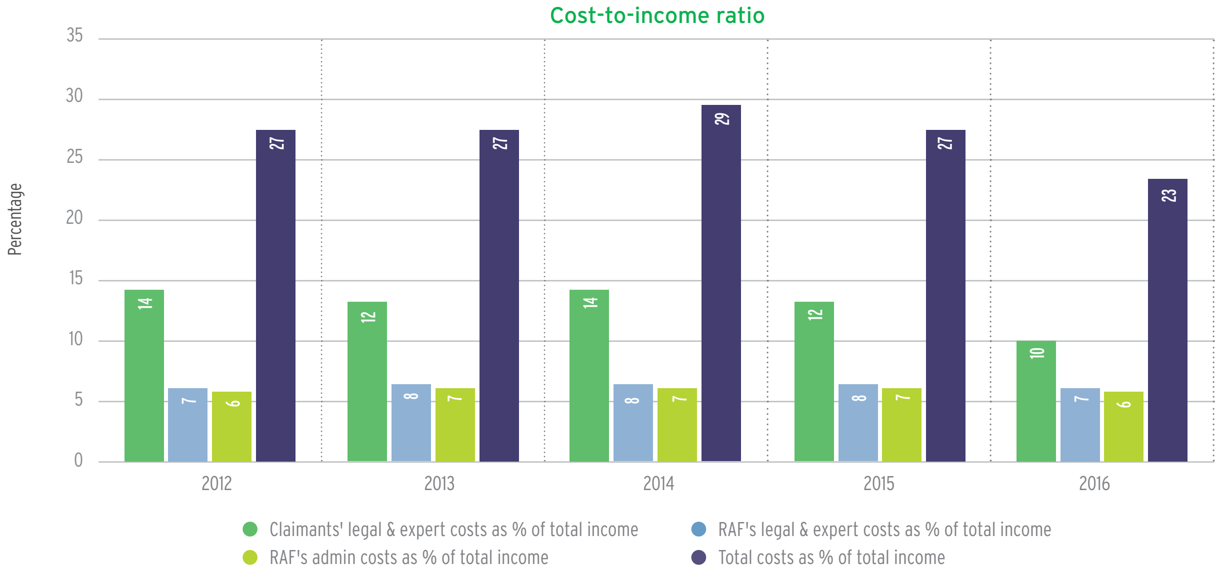


***Graph 9** – Cash holdings of the RAF*

Cost of Service Delivery

The cost-to-income ratio for the financial year decreased to 23% (2014/15: 27%). Administration costs stood at 6% (2014/15: 7%); RAF legal and expert costs stood at 7% (2014/15: 8%); and claimants' legal and expert costs decreased to 10% from 12% in the 2014/15 financial year (Graph 10). Costs of administering the RAF were well contained in line with the RAF's focus on cost-reduction measures to improve efficiencies and to avail more cash for the payment of compensation.

Internal measures, such as enhancements to operational claims systems and processes, as well as the successful 'RAF on the Road' campaigns to deal with claimants directly rather than through third parties, have already yielded cost reductions. It is expected that costs will be reduced even further in the medium to longer term.



***Graph 10** – Cost-to-income ratio*

Revenue Collection

The RAF obtains its funding from several sources, namely:

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

SOURCES OF REVENUE	2015/16			2014/15		
	Estimate	Actual amount collected	(Over)/ under collection	Estimate	Actual amount collected	(Over)/ under collection
	R'000	R'000	R'000	R'000	R'000	R'000
Net Fuel Levy	32,630,007	33,113,056	(483,049)	22,310,963	22,614,340	(303,377)
Investment revenue	11,690	88,557	(76,867)	90,880	64,630	26,250
Other income	-	3,160	(3,160)	-	961	(961)
Gains / (Loss) on disposal of assets	(22)	1,388	(1,410)	-	-	-
Total	**32,641,675**	**33,206,161**	**(564,486)**	**22,401,843**	**22,679,931**	**(278,088)**

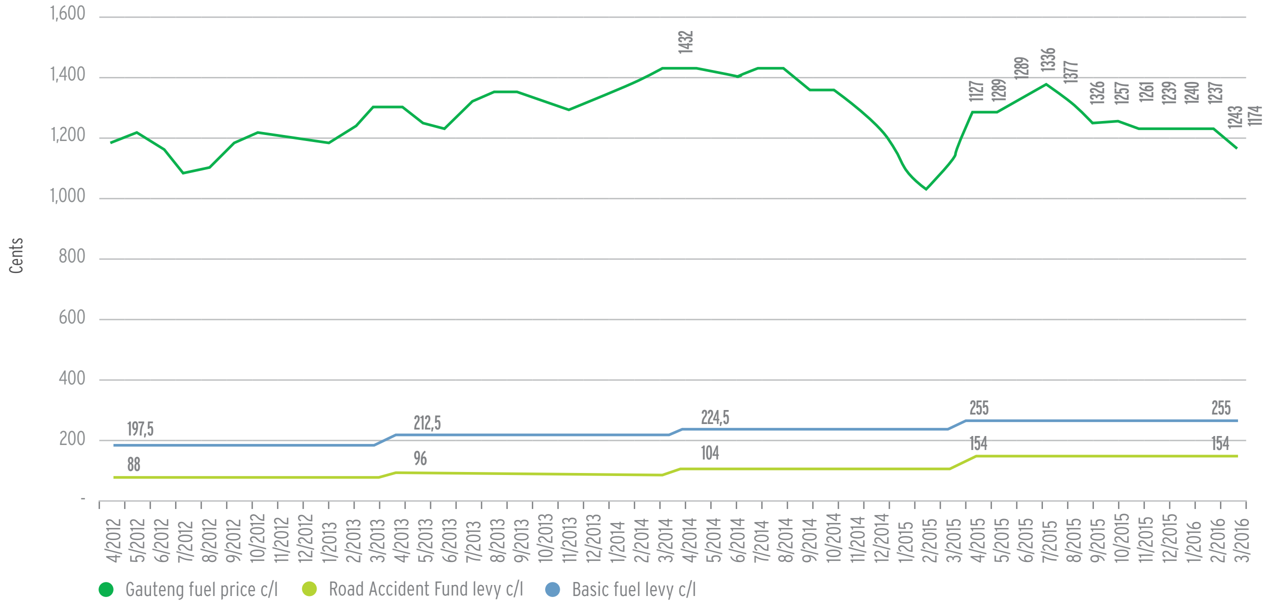
The total revenue of the RAF has increased over the years. For the period ending 31 March 2016, an increase of R10.5 billion (46%) in total revenue was recorded, compared to the corresponding period in the previous year.

Fuel Levy

The growth in the RAF Fuel Levy income arose primarily as a result of the 50 cents per litre Fuel Levy increase, from 104 cents per litre (2014/15) to 154 cents per litre (2015/16), effective from the beginning of the financial year. The total volume of petrol and diesel used in the country decreased by 0.2% to 22,7 mega litres for the period April 2015 to March 2016 (April to March 2014/15: 22,9 mega litres).

At recent fuel price levels, the RAF Fuel Levy represents 13% of the total pump price, which averaged more than 1 272 cents per litre in Gauteng alone for the year under review (Graph 11).

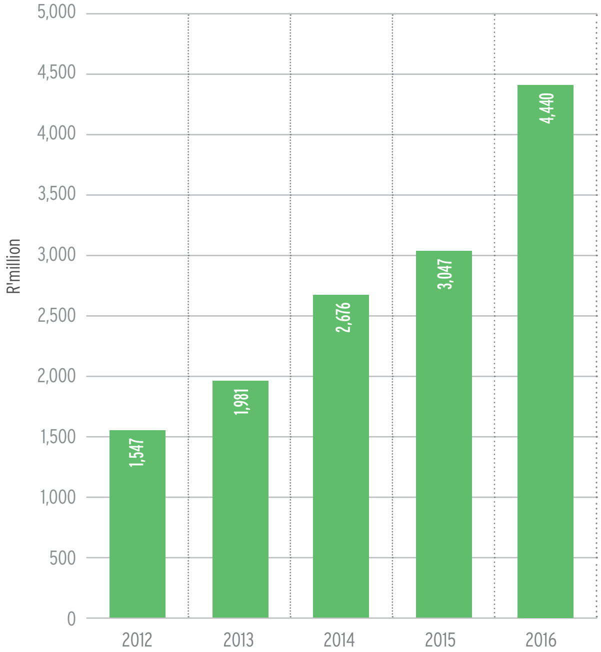
Historical analysis of the RAF Fuel Levy versus fuel price and basic fuel levy



***Graph 11** – Historical analysis of the RAF Fuel Levy versus fuel price and basic fuel levy*

Diesel Refund

The refund on diesel provided to certain industrial sectors of the economy, i.e. agriculture and forestry, electricity generation, offshore and rail and harbour services, increased by 47% to R4.4 billion (2014/15: R3.0 billion). The refund, which represents 12% of the RAF Fuel Levy income, is a major concession on income due to the RAF. The refund has grown steadily in line with increases in RAF Fuel Levy, but has shown an observable increase over the past year due to the higher RAF Fuel Levy and increased claims for volumes of diesel consumed, particularly in the electricity generating sector (Graph 12).



***Graph 12** – Refund of diesel*

Investment Revenue

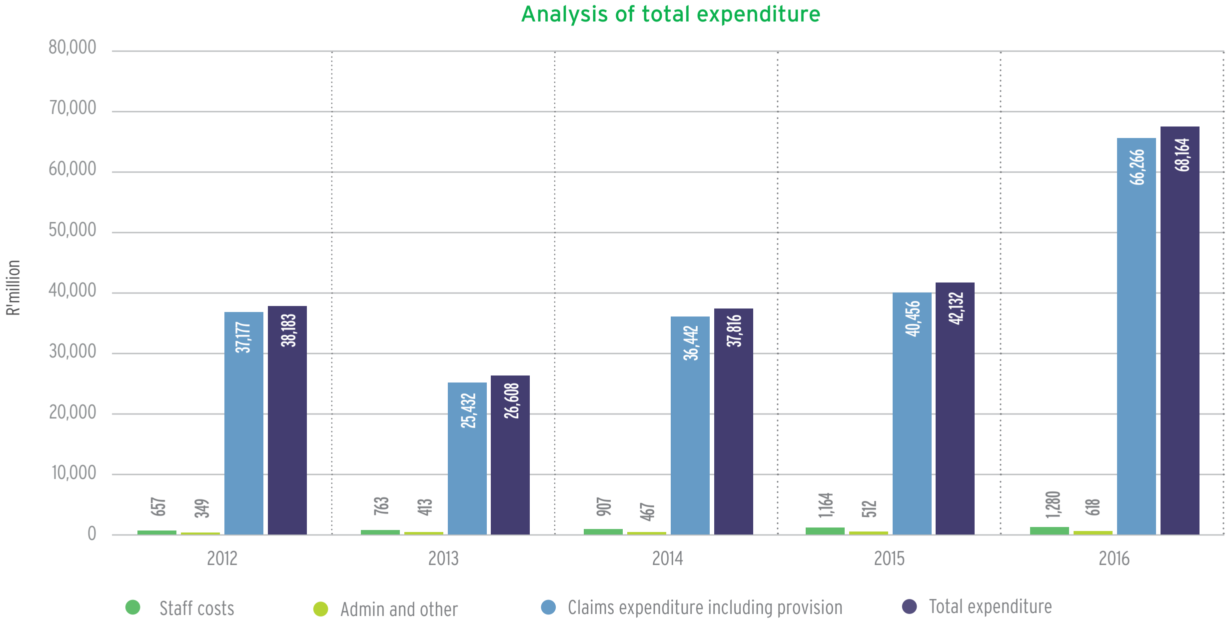
Investment revenue increased by 32% to R89 million (2015: R65 million), mainly due to increased revenue from fuel levies as well as the upward adjustment of the repo rate during the year under review. The average yield on cash investments increased to 5.80% (2014/15: 5.40%). Monthly cash holdings were at relatively low levels during the year influenced by the increase in claims expenditure due to higher productivity levels in claims processing. The Cash Management Strategy was strictly enforced during the 2015/16 financial year to align claims expenditure with net fuel levies received. Cash holdings for the period ended 31 March 2016 was R2.04 billion compared to R1.05 billion in the previous financial year.

Reinsurance Income

To cover catastrophic accidents, the RAF enters into reinsurance treaties with major international reinsurance companies. No reinsurance claims were recovered from reinsurance companies (2014/15: R nil). The RAF's reinsurance recoveries derive from a portion of the total claims per incident that is in excess of the retention limit. In view of the latter, reinsurance recoveries are expected to continue to reflect a general decrease.

Total Expenditure

Total RAF expenditure (including the increase in provision for outstanding claims) increased by 62% to R68.2 billion (2014/15: R42.1 billion) (Graph 13).



***Graph 13** – Expenditure*

Employee Costs

Employee costs at 31 March 2016 were 9.5% higher at R1.27 billion compared to the previous reporting period (2014/15: R1.16 billion). The permanent staff complement increased by 38 or 1.5% to 2,593 from 2,555 in the previous financial year.

Administration and Other Costs

Total administration and other costs (including finance costs) at R618 million increased by 21% compared to the corresponding period in the 2014/15 financial year. The variance was mainly due to the sharp increase in finance costs, inflationary pressure, as well as an increase in administration costs related to staff numbers. When excluding finance costs, the picture looks different. Finance costs increased significantly over the 12 months due to interest charged as a result of the delayed payment of claims and as a result of the liquidity constraints that the RAF experienced during the financial year. Therefore, administration costs (exclusive of finance costs) were R467 million and 5% more compared to the R444 million in the 2014/15 financial year.

Claims Expenditure and Growth in the Claims Provision

At R66.3 billion, total claims expenditure (inclusive of the provision for outstanding claims) for the reporting period, was 64% higher than in the corresponding period in the previous year (2014/15: R40.5 billion).

Though there was an increase in claims expenditure (in cash) of R28.6 billion over the R21.5 billion of the previous financial year, the increase was sustained by a higher fuel levy received during the 2015/16 financial year. Notwithstanding, the liability (accrual for claims requested and not yet paid due to cash constraints) at the end of the reporting period increased by R3.7 billion to R10.6 billion from R6.9 billion in the 2014/15 financial year. This, together with the increase of R33.9 billion in the provision for outstanding claims, is elaborated on below.

Higher Claims Processing and Payment Amounts

Claims expenditure (inclusive of accrual for claims requested but not yet paid, but excluding the provision for outstanding claims) for the year was 15% more than in the

2014/15 financial year. This was due to higher payment amounts and an upward trend in claims processing (productivity) throughout the financial year that resulted in R10.6 billion worth of claims being processed, but awaiting payment.

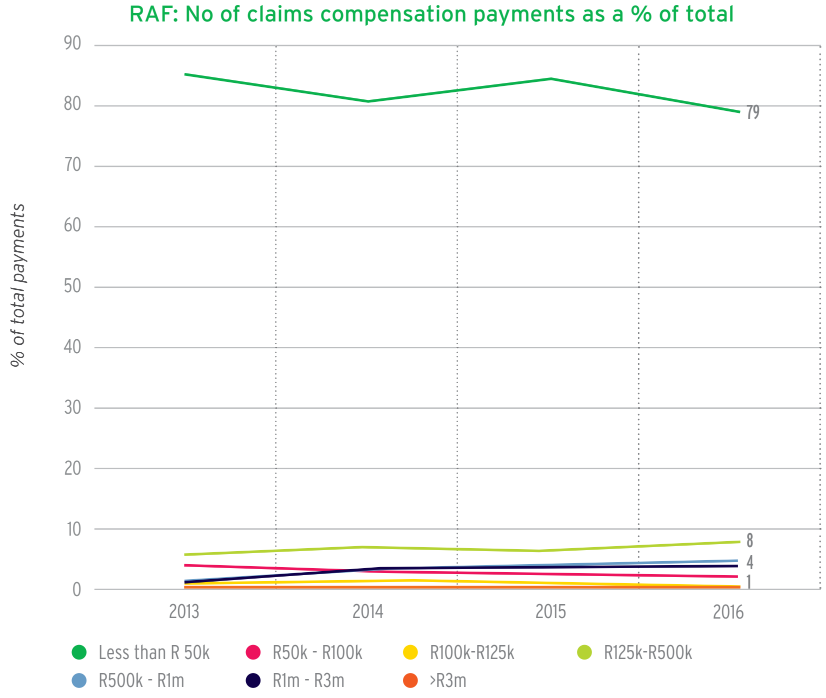
Change in the Composition of the Claims Expenditure

The increase in the provision for outstanding claims during the 2015/16 financial year was mainly driven by a 26% increase in the outstanding claims liability for personal claims and a 43% increase in the provision for incurred but not yet reported claims (IBNR) liability when compared to the provisions made for outstanding claims in the 2014/15 financial year. The increase in the outstanding claims liability was as a result of a shift in the mix of claims, with a higher proportion of claims settling with compensation for loss of earnings and general damages, as well as the higher than expected inflation over the period. The increase in IBNR was driven by the increasing trend in the number of claims reported each quarter, as well as the higher than expected inflation. The total value of the provision for outstanding claims arising from the actuarial valuation performed for the 2015/16 financial year increased to R143.3 billion. (The provision for outstanding claims is further elaborated on in Note 12 – Claims Liabilities in the Annual Financial Statements.)

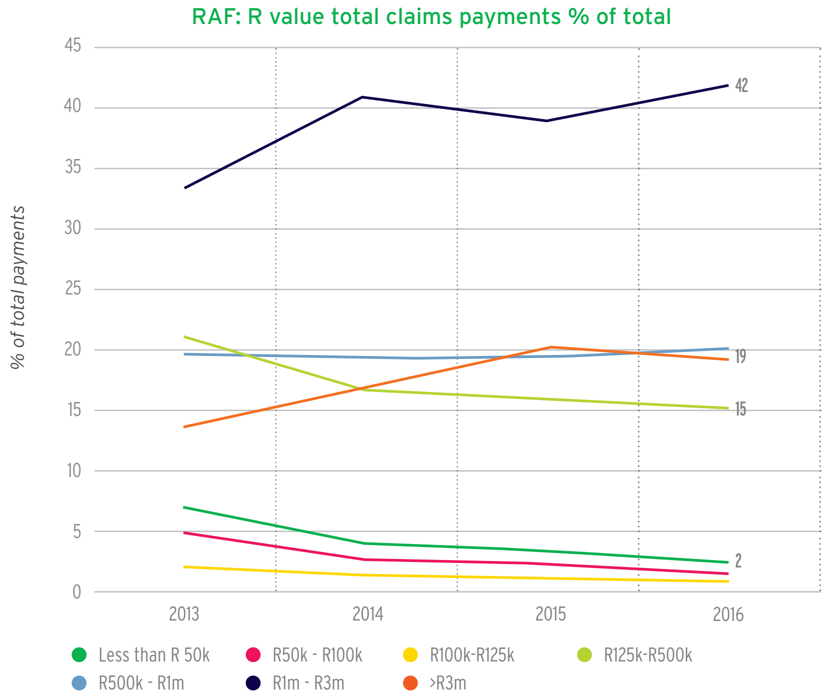
At an individual claim level, over 79% of the total number of capital payments was for claims of less than R50,000 in value, but this represented less than 2% of the overall spend (Graphs 14 and 15).

The total value of the provision for outstanding claims arising from the actuarial valuation performed for the 2015/16 financial year increased to R143.3 billion.

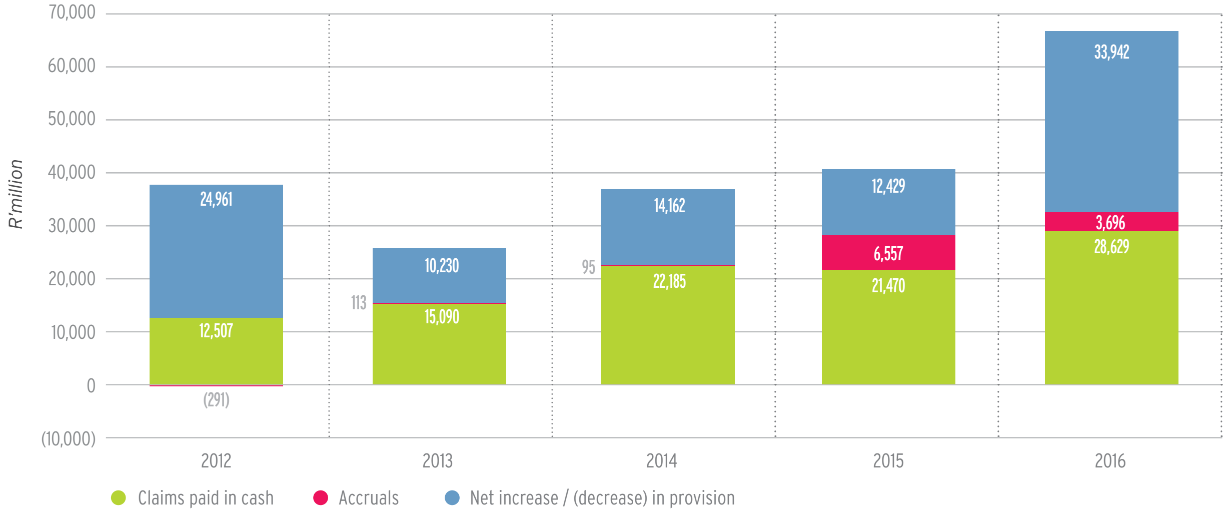
At an individual claim level, over 79% of the total expenditure towards capital payments was for claims of less than R50,000 in value, but this represented less than 2% of the overall spend.



***Graph 14** – Number of capital claims as a % of compensation payments*



***Graph 15** – Rand value of capital claims payments as a % of total*



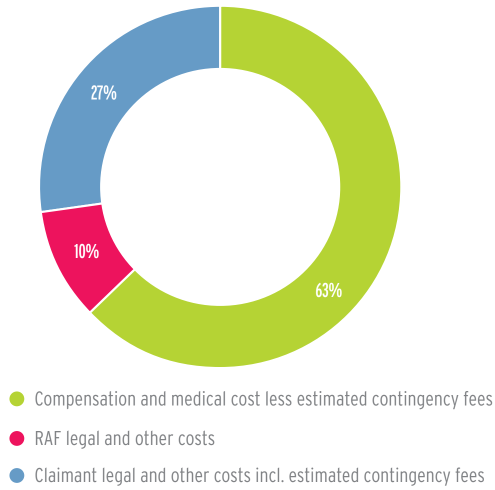
Graph 16 – Composition of claims expenditure

The total claims expenditure, comprising claims paid in cash and year-end accruals for claims requested but not yet paid, increased by 15% to R32.3 billion (2014/15: R28 billion), mainly as a result of increased income and productivity. Higher average claims values were experienced in some categories of claims as a result of the increased movement towards higher-cost loss-of-earnings claims, as well as higher-than-inflation increases in tariffs, costs and compensation. This also influenced the outstanding claims provision which increased by R33.9 billion at year-end, this being 173% higher than the increase in the previous financial year (2014/15: R12.4 billion) (Graph 16).

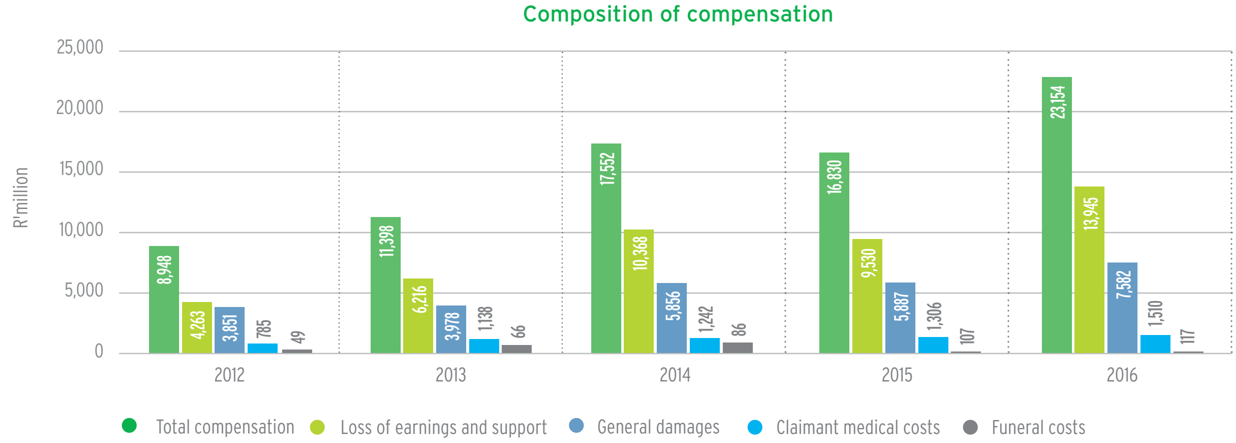
Contingency Fees

It is estimated that as much as 27% (29% incl. VAT) of all claims disbursements (excluding direct claims) processed by the RAF are paid to attorneys as opposed to claimants; that while contingency fees should not exceed 25%.

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



Graph 17 – Composition of claim payments including estimated contingency



***Graph 18** – Composition of compensation*

Composition of Claim Payments Paid in Cash

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

During the 2015/16 financial year, R7.6 billion (2014/15: R5.9 billion) was paid out towards general damages. This represents 33% (2014/15: 35%) of total compensation paid in cash. In proportion to total pay-outs, general damages claims have started stabilising.

Medical payments (inclusive of undertakings) at a total of R1.5 billion (2014/15: R1.3 billion) represented 7% (2014/15: 8%) of total compensation paid. Loss of earnings and support payments of R13.9 billion (2014/15: R9.5 billion) represented 60% (2014/15: 57%) of total compensation paid, and funeral costs, at R0.12 billion (2014/15: R0.10 billion) represented 0.5% (2014/15: 0.6%) of total compensation paid by the RAF.

Undertakings

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

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

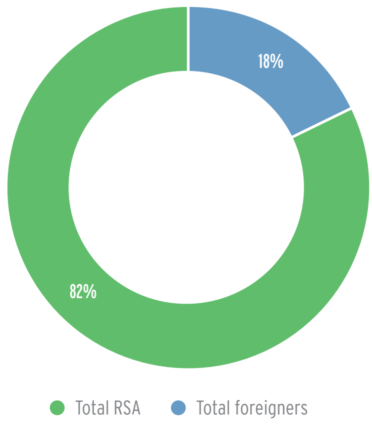
(a) includes a claim for the costs of the future accommodation of any person in a hospital or nursing home or treatment of or rendering of a service or supplying of goods to him or her, the RAF or an agent shall be entitled, after furnishing the third party concerned with an undertaking to that effect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

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

	2012	2013	2014	2015	2016
Total number of undertaking certificates issued	111,628	120,986	137,925	144,509	**167,582**
Number of active undertakings	2,850	4,122	4,467	5,028	**5,476**
Variance	2.5%	3.4%	3.2%	3.5%	**3.3%**
Amount Paid	**R124,265**	**R167,941**	**R234,035**	**R283,178**	**R375,830**

The number of active undertakings in respect of which payments were made stabilised at ±3% of all undertakings issued. This is in line with the nature of the instrument issued, since most injuries arising from motor vehicle accidents heal and do not represent chronic illnesses. In keeping with the need to provide support to road crash victims, the number of total active undertakings is seen in a positive light.

Payments in respect of all undertakings issued for the 2015/16 financial year amounted to R376 million.



Graph 19 – Estimated outstanding liability for claims >R5 million

Foreign Claims

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

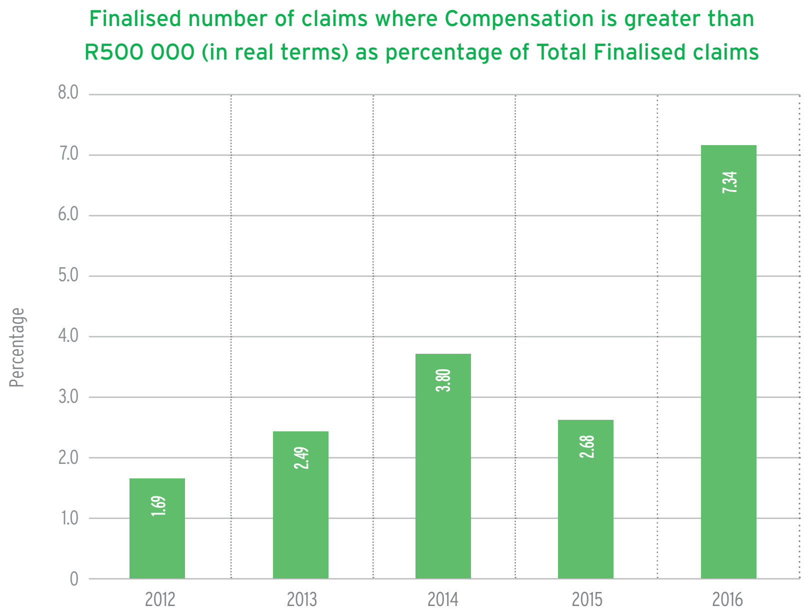
With the promulgation of the RAF Amendment Act, loss-of-earnings and loss-of-support payments to foreigners have been capped at R160,000 per annum, adjusted for inflation on a quarterly basis since August 2008. As a result, the cap at financial year-end was R238,670.

As at 31 March 2016, 18% (2014/15: 20%) of the value of the estimated liability of claims in excess of R5 million comprised claims by foreign nationals (Graph 19). It is important to note, however, that the actual claimed amounts can exceed the estimated value of the claim.

The Use of Official Languages Act, 2012 (Act No.12 of 2012) continues to affect operations in terms of rendering service delivery to stakeholders in their preferred official languages.

High-value Claims

Although the number of high-value claims (claims where compensation paid is greater than R500,000) as a percentage of the total claims finalised, increased during the year, these claims represent a relatively small proportion of total claims finalised, i.e. 7.34% of the total number finalised (2014/15: 2.68%) (Graph 20).



***Graph 20** – Number of claims compensated >R500,000 as a % of total claims finalised*

Key Policy Developments and Legislative Changes

- The enactment of the Protection of Personal Information Act, 2013 (Act No. 4 of 2013) (POPI) has resulted in major changes to many RAF policies and will greatly affect the manner in which the RAF processes personal information.

- The Use of Official Languages Act, 2012 (Act No.12 of 2012) continues to affect operations in terms of rendering service to stakeholders in their preferred official languages. This has resulted in the RAF developing a Language Policy and establishing a fully functional Language Unit to achieve the legislative requirements of the Act.

- The RAF does a periodic review of its compliance in respect of any Act, standard or best practice. To keep abreast of all developments, the organisation has insight into all relevant legislation pertaining to its operations. It tracks legislative developments and monitors any regulatory changes in order to note, comply and/or effect the necessary changes to its day-to-day operations on an on-going basis.

Strategic Outcome-oriented Goals

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

STRATEGIC GOALS		OUTCOME INDICATORS
GOAL 1: Efficient Claims Processing	To optimise the processing of claims in the early stage of a claim and minimise unnecessary further complications with a claim	• Effectively manage the number of open claims • Reduce the average age of open claims • Increase the number of claims verified by objecting to or accepting within 60 days • Increase percentage of direct claims originated • Increase percentage of direct claims settled • Reduction in legal costs • Implement Post-crash Care Strategy (Pillar 6)
GOAL 2: Accessible Services	Increase accessibility to RAF services through various channels to improve service delivery by increasing the reach of the Fund's service offerings to all motor vehicle accident victims	• Increase accessibility to RAF services • Increase the number of claimants engaged at RAF community outreach campaigns ('RAF on the Road') and other events • Improve Call Centre responsiveness • Improve customer satisfaction (incl. brand awareness)
GOAL 3: Effective Financial Management/ Health	Increasing revenue, reducing costs and implementing other means to re-capitalise the RAF	• Effective cash flow management • Provision for claims incurred assessed quarterly • Improve procurement outcomes • Increase percentage of B-BBEE-rated suppliers • Implement ESD initiatives
GOAL 4: Optimal ICT Services	To create a solid foundation through developing and deploying ICT solutions to increase the efficiency and effectiveness of our systems and processes, as well as Enterprise Risk Management capabilities	• Ensure optimal ICT service availability • Implement the Five-year ICT Strategy (e-Enablement Strategy)

STRATEGIC GOALS		OUTCOME INDICATORS
GOAL 5: Improving People Management	Build an institution that is performance-driven and values the customer, and improve the awareness of the RAF brand	• Optimise organisational performance • Improve workforce skills and placement for current and future requirements • Maintain the RAF's contribution towards government's social and economic transformation agenda • Manage absenteeism
GOAL 6: Administrative Dispensation Aligned to the RABS Bill	Transitioning RAF to RABS and implementation of programmes to ensure successful implementation of the proposed RABS business model	• Development and approval of RABS business architecture • Development and approval of RABS funding model
GOAL 7: Assured Control Environment	Ensure compliance to standards and improve governance and accountability	• Raise ethical standards • Increase % of fraud detected before undue payments are made • Contribute to road safety by creating a database that will inform preventative measures

3. PERFORMANCE INFORMATION BY OBJECTIVE

Strategic Objective Goal 1: Efficient Claims Processing

The RAF has on average saved R515,137,392 in legal costs during the financial year.

To optimise the processing of claims in the early stage of a claim and reduce number of open claims.

Contribution to the organisation's key strategic outcomes

This strategic objective is aimed at optimising the processing of claims in the early stage of a claim and minimise unnecessary further complications with a claim.

Comment on all deviations

Not applicable – There have been no deviations in respect of this target.

Strategy to overcome areas of under-performance

Legal-cost-to-total-compensation ratio grew to 13.39% compared to 12.83% reported in the previous financial period. Increasing direct claims origination still remains one of Management's core strategies which has a significant impact on the reduction of legal costs. With the origination of 22,524 claims, the RAF has on average saved R515,137,392 (based on the 2015/16 average value of legal costs of R22,870.60) in legal costs during the financial year.

Changes to planned targets

Not applicable – There were no in-year changes to the performance indicators or targets under this strategic programme.

EFFICIENT CLAIMS PROCESSING					
Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviations
	2014/2015	**2015/2016**	**2015/2016**	**2015/2016**	
UNNECESSARY FURTHER COMPLICATIONS WITH A CLAIM:					
1. Effectively manage number of open claims	Number of open claims (O&R status): 179,778 S status claims (claims where compensation is made and still awaiting legal cost payments): 37,932.	Number of open claims reduced to 191,230 net balance of open claims at financial year-end.	Open claims (O, R) are at 201,281, with net open claims (excl. RNYP) at 184,899. S status claims: 32,283.	Target exceeded by 6,331 claims.	N/A
2. Reduce the average age of open claims	-	Average age of open claims reduced to 1,400 days.	The average age of open claims is 1,036 days.	Target exceeded by 364 days.	N/A
3. Increase % of claims verified by objecting to or accepting originated claims within 60 days		Increase to 70% of claims verified are objected to or accepted within 60 days.	92.73% of open claims have been verified.	Target exceeded by 22.73%.	N/A
4. % increase in direct claims originated	30.32% 2014/15 financial year achievement.	Increase direct claims originated to 32.82%.	34.95% ratio of direct claims originated as a % of total personal claims settled.	Target exceeded by 2.13%.	N/A
5. Increase number of direct claims settled	Capital payment - direct claims: 9,089. Total capital payment personal claims: 35,742. 25.43% direct claims settled as a % of total personal claims. (RNYP not taken into account).	27.93% target for the 2015/16 financial year.	Capital payment - direct claims: 11,621. Total capital payment personal claims: 39,036. 29.77% direct claims settled as a % of total personal claims. (RNYP not taken into account).	Target exceeded by 1.84%.	N/A

EFFICIENT CLAIMS PROCESSING					
Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviations
	2014/2015	**2015/2016**	**2015/2016**	**2015/2016**	
UNNECESSARY FURTHER COMPLICATIONS WITH A CLAIM:					
6. Reduction in legal costs by 2% annually	Therefore, legal costs as a percentage of total claims: 12.83% (excluding non-legal costs).	Reduce by 2%; therefore target is 12.83% - 2% = 10.83%.	Total legal cost payments per claims system: R 5,210,059,882.07 Total claim-related expenditure per claims system: R38,897,905,792.29 Legal costs as a percentage of the total claims-related payment: 13.39%	Target not met by 2.56%.	The target is highly impacted by funding constraints. RAF Fuel Levy of 154 cents remains unchanged in the next financial year. It is therefore anticipated that legal costs will increase in the 2016/17 financial year. The RAF is continuously engaging the impacted stakeholders to enter into arrangements to avoid cost escalation. The Fund has furthermore implemented initiatives to reduce costs, and the implementation thereof is closely monitored.
7. Implement Post-crash Care Strategy (Pillar 6)	-	Payment of caregivers within 30 days.	Payment of caregivers was done within 29.52 days.	Target exceeded by 0.48 days.	N/A

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

Strategic Objective Goal 2: Provide Accessible Services

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

Contribution to the organisation's key strategic outcomes

Increase accessibility to RAF services for claims origination and to provide timely responses to questions, queries and information requests. Increase accessibility to RAF's services through various channels to improve service delivery by increasing the reach of the Fund's service offerings to all motor vehicle accident victims.

Comment on all deviations

Not applicable – There have been no deviations in respect of this target.

Strategy to overcome areas of under-performance

Not applicable – During the 2015/16 financial year, all the targets for this strategic objective were met.

Changes to planned targets

Not applicable – There were no in-year changes to the performance indicators or targets under this strategic programme.

PROVIDE ACCESSIBLE SERVICES					
Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviations
	2014/2015	2015/2016	2015/2016	2015/2016	
8. Increase accessibility to RAF services	5 Customer Service Centres (CSCs) and 86 Hospital Service Centres (HSCs).	Channel Review Report completed by 31 December 2015.	The Channel Review Report was completed and approved by the Board on 25 November 2015.	Channel Strategy completed in time and implementation thereof will be measured in the 2016/17 financial year.	N/A
9. Increase the number of claimants engaged at RAF events, e.g. 'RAF on the Road'	25,000 claimants engaged at RAF events.	28,750 claimants engaged at RAF events.	36,146 claimants engaged at RAF events.	Target exceeded by 7,396 claimants.	N/A
10. Improve Call Centre responsiveness	5% abandoned calls.	4% abandoned calls.	1.84% abandoned calls.	Target exceeded by 2.16%.	N/A
11. Improve customer satisfaction	-	Conduct Customer Satisfaction Survey to establish baseline and measure.	Customer Satisfaction Survey completed within the set time frames. Customer satisfaction baseline set at 70%.	Target achieved.	N/A

Linking performance with budgets

	2015/2016			2014/2015		
Sub-Programme Name	Budget	Actual Expenditure	(Over)/ Under Expenditure	Budget	Actual Expenditure	(Over)/ Under Expenditure
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Claims expenditure (excluding provision for outstanding claims)	38,018,715	32,324,125	5,694,590	22,970,453	28,027,197	(5,056,744)
Provision for outstanding claims	(4,471,657)	33,942,347	(38,414,004)	915,000	12,428,859	(11,513,859)
Total	**33,547,058**	**66,266,472**	**(32,719,414)**	**23,885,453**	**40,456,056**	**(16,570,603)**

Strategic Objective Goal 3: Effective Financial Management

The Fund will focus on financial sustainability and may seek and explore various options to capitalise the organisation. The Fund will actively engage with National Treasury and the DoT to determine fuel levy allocation increases annually. Furthermore, the Fund will also commence with the process of developing strategies for reducing legal and operating costs through internal cost management initiatives.

Contribution to the organisation's key strategic outcomes

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

Comment on all deviations

Not applicable – During the 2015/16 financial year, all the targets for this strategic objective were met.

Strategy to overcome areas of under-performance

Not applicable – During the 2015/16 financial year, all the targets for this strategic objective were met.

Changes to planned targets

Not applicable – There were no in-year changes to the performance indicators or targets under this strategic programme.

EFFECTIVE FINANCIAL MANAGEMENT					
Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviations
	2014/2015	2015/2016	2015/2016	2015/2016	
12. **Effective cash flow management**	Actuarial valuation methodology.	Develop and use Actuarial Forecast Model to motivate for sufficient funding.	Final funding model was submitted to the DoT in November 2015.	Target achieved.	N/A
13. **Effective cash flow management**	Approved cash management procedures.	Manage creditors (claims payments) in accordance with approved cash management procedures.	84% overall annual average compliance to cash management, i.e, supplier claims (30 days turnaround times = 74%) RNYP (all other clams expenditure awaiting payment below 180 days turnaround times = 94%)	Target exceeded by 14%.	N/A
14. **Effective cash flow management**	Provision for claims incurred assessed annually and an annual assessment conducted by an independent actuary.	Internal model for claims incurred assessment established and an annual assessment conducted by an independent actuary.	Internal model for claims assessment for Q4 has been developed. An annual independent assessment was done in Q2. An annual statutory assessment was also completed. The claims liability, as assessed by the statutory actuary, was at R143.3 billion as at 31 March 2016. The revised claims liability was approved by the Board at the meeting held on 26 May 2016.	Annual assessments for claims liability were completed and provision for claims adjusted in the Statement of Financial Position.	N/A

EFFECTIVE FINANCIAL MANAGEMENT					
Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviations
	2014/2015	2015/2016	2015/2016	2015/2016	
15. Improve Procurement outcomes	Signed off three-year SCM Optimisation Strategy.	Procurement turnaround times reduced to 120 days.	Current average: 64 days.	Target exceeded by 56 days.	N/A
16. Improve Procurement outcomes		Less than 10% of Procurement procedures unsuccessful.	There are no reported cancelled tenders, which were within the control of Finance.	No variance.	N/A
17. Increase number of B-BBEE-rated suppliers	113% B-BBEE rated suppliers.	Increase to 110% B-BBEE rated suppliers.	B-BBEE rated suppliers: 115%.	Target exceeded by 5%.	N/A
18. Implement Enterprise Supplier Development (ESD) initiatives		Approved ESD Plan.	The ESD Plan has been approved by the Board.	Target achieved.	N/A

Strategic Objective Goal 4: Optimising ICT Functionality

The Fund is wholly dependent on ICT functions to enable the automation of business processes, ensuring data integrity and protection and ensuring maturity of IT governance in the organisation. ICT aims to evolve from simply being a business enabler to being an essential component in implementing the RAF business strategy and executing on its mandate.

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

Contribution to the organisation's key strategic outcomes

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

Comment on all deviations

Not applicable – There have been no deviations in respect of this target.

Strategy to overcome areas of under-performance

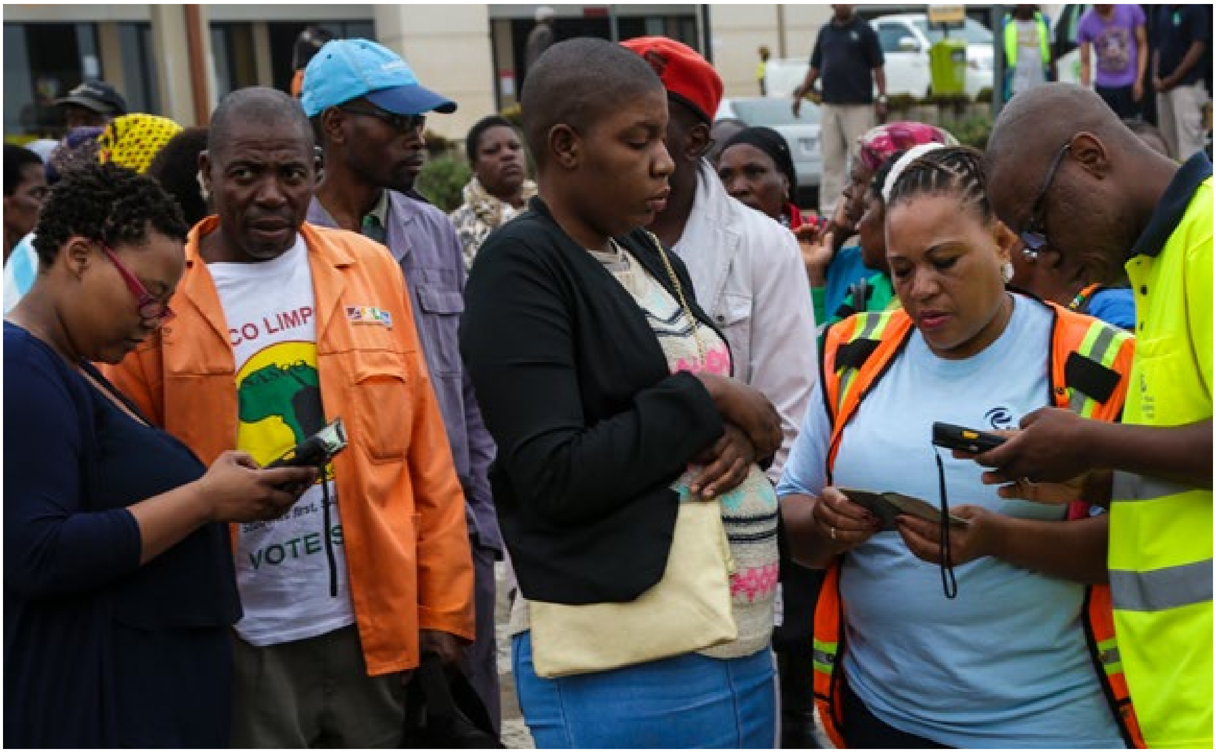
Management will closely monitor the implementation of all the Year One initiatives to ensure that they are completed.

Changes to planned targets

Not applicable – There were no in-year changes in the performance indicators or targets under this strategic programme.

ICT aims to evolve from simply being a business enabler to being an essential component in implementing the RAF business strategy and executing on its mandate.

OPTIMISING ICT FUNCTIONALITY					
Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviations
	2014/2015	2015/2016	2015/2016	2015/2016	
19. Ensure optimal ICT availability	98% availability on critical services.	98% availability on critical services.	ICT availability on critical systems is 98.57%.	Target exceeded.	
20. Implement Five-year ICT Strategy	Five-year ICT Strategy approved.	Year One initiatives met.	86.66% (13 out of 15) of initiatives for Year One implemented.	Target not met by, 13.33% (2 out of 15) of Year One initiatives.	The overall target was not met as only one of the measures was met. The outstanding initiatives not completed in 2015/16 will be implemented in 2016/17.
		25% back-scanning of claims file content.	31% of files have been back-scanned.	Scanning File Count Report indicated 31% of personal claim files were scanned, which is 6% above the target.	



Linking performance with budgets

	2015/2016			2014/2015		
Sub-Programme Name	Budget	Actual Expenditure	(Over)/ Under Expenditure	Budget	Actual Expenditure	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Employee Costs	1,400,996	1,279,874	121,122	1,149,721	1,164,018	(14,297)
Total	**1,400,996**	**1,279,874**	**121,122**	**1,149,721**	**1,164,018**	**(14,297)**

Strategic Objective Goal 5: Improving People Management

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

Contribution to the organisation's key strategic outcomes

The Fund will capacitate the organisation and promote accountability and a performance-driven ethos. The intention is to improve the efficiency and transparency of its internal processes, particularly Human Capital and Supply Chain Management processes. This will be done by improving internal workflows, and with the appropriate allocation of resources the Fund can improve its productivity by eliminating internal delays due to inefficiencies in processes, or mismatches in capacity.

Comment on all deviations

Not applicable – There have been no deviations in respect of this target.

Strategy to overcome areas of under-performance

The Performance Management System has been optimised and automated, however the system did not go live before the end of the 2015/16 financial year. It is intended that the system will be fully functional and used by Quarter One of the 2016/17 financial year.

Changes to planned targets

Not applicable – There were no in-year changes in the performance indicators or targets under this strategic programme.

The Fund will capacitate the organisation and promote accountability and a performance-driven ethos.

IMPROVING PEOPLE MANAGEMENT					
Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviations
	2014/2015	2015/2016	2015/2016	2015/2016	
1. Optimise organisational performance	100% quarterly individual performance assessments completed.	Implement an automated Performance Management System.	Performance Management System has been optimised and automated, however the system did not go live before the end of the 2015/16 financial year.	Performance Management System did not go live by 31 March 2016, as planned.	It is intended that the system will be fully functional by Quarter One of the 2016/17 financial year.
2. Improved workforce skills and placement for current and future requirements	-	Skills Assessment Report.	Skills Assessment Report completed within set timelines.	No variance.	N/A
3. RAF's contribution towards government's social and economic agenda	Maintain gender equity within 10% variance.	Maintain gender equity within 10% variance.	The RAF is within the set ±10% variance of all the main EE categories.	No variance.	N/A
4. Manage absenteeism	2.30 lost man-days.	Lost man-days reduced by 10% to 2.07 days.	Average man days lost - 1.96 days.	Target exceeded by 0.11 days	N/A

Strategic Objective Goal 6: Administrative Dispensation aligned to the RABS Bill

Transitioning RAF to RABS and establishment of programmes to ensure successful implementation of the proposed RABS business model.

Contribution to the organisation's key strategic outcomes

Transition the RAF to the RABS by developing the RABS business architecture of the future organisation, as well as the RAF funding model.

Comment on all deviations

Not applicable – There have been no deviations in respect of this target.

Strategy to overcome areas of under-performance

Not applicable – All the targets under this strategic objective were met.

Changes to planned targets

Not applicable – There were no in-year changes in the performance indicators or targets under this strategic programme.

Transitioning RAF to RABS and establishment of programmes to ensure successful implementation of the proposed RABS business model.

ADMINISTRATIVE DISPENSATION ALIGNED TO THE RABS BILL

Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviations
	2014/2015	2015/2016	2015/2016	2015/2016	
5. Transitioning RAF to RABS	Approved RABS business case.	Develop and approve RABS business architecture.	RABS business architecture has been approved.	No variance.	N/A
6. Transitioning RAF to RABS	Proposed funding model.	Board approved RABS funding model.	Funding model has been approved and submitted to the DoT and National Treasury.	No variance.	N/A

The Fund will focus on financial sustainability and may seek and explore various options to capitalise the organisation.

Strategic Objective Goal 7: Assured Control Environment

Raise ethical standards, improve fraud detection and contribute to road safety.

Contribution to the organisation's key strategic outcomes

Ensure compliance to standards and improve governance and accountability.

Comment on all deviations

Not applicable – There have been no deviations in respect of this target.

Strategy to overcome areas of under-performance

Not applicable – All the targets under this strategic objective were met.

Changes to planned targets

Not applicable – There were no in-year changes in the performance indicators or targets under this strategic programme.

ASSURED CONTROL ENVIRONMENT					
Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviations
	2014/2015	2015/2016	2015/2016	2015/2016	
7. Raise ethical standards	New target.	Report on effectiveness of components of organisation's Ethics Programme.	Task completed. An external review was conducted to determine the adequacy and effectiveness of the Ethics Programme. Below is the report's overall opinion: The control design is adequate and partially effective for the achievement of the organisation's objectives. The ethics maturity level is at a "defined" phase and leaning towards a "maturity" phase.	An audit opinion on the adequacy and effectiveness of the Ethics Programme was issued to Management. Gaps identified will be corrected in the 2016/17 financial year.	N/A
8. % of fraud detected before undue payments are made	Total reported convictions (external convictions): 627	10% increase in the level of fraud detected before undue payments are made, i.e. baseline: 2014/15 financial year 417 plus 10% is 458. Annual target therefore is 458.	612 repudiations before undue payments were made as at 31 March 2016.	Target exceeded by 153 repudiations.	N/A
9. Contribute to road safety by creating a database, and a report that will inform preventative measures	Accurate forecast of accident reports was completed and approved.	Design and develop internal road crash database.	Internal road crash database system went live on 15 February 2016. The database is now in production; crash information is received from numerous Information Collection Agents (ICAs).	Target achieved.	N/A

4. REVENUE COLLECTION

Revenue collection is discussed in detail under 'Operating Environment' on page 42 of this report.

5. CAPITAL INVESTMENT

Progress made on Capital Investment and Asset Management Plans.

Progress made on implementing the Asset Management Plan

The implementation of the plan is complete and the Fixed Asset Register has been updated with the results of the asset verification procedures.

Infrastructure projects completed in the current year and progress in comparison with what was planned at the beginning of the year

Head Office:	Internal office layout alterations	R910,301
Johannesburg Region:	Construction of training rooms at the Bloemfontein Customer Service Centre (CSC)	R248,000
Durban Region:	Upgrades of the Walk-in Service Centre on the ground floor	R1,100,000 (expense to be covered by the landlord)
East London Region:	Optimisation of office space on the 4th floor	R398,000
	New Hospital Service Centre (HSC) in Taylor Bequest Hospital in Matatiele	R178,330
Cape Town Region:	Internal office layout alteration	R31,242
	New HSC in Mitchell's Plain	R87,666

Infrastructure projects in progress and expected completion date

Durban: Optimisation of office space on 9th floor to align to the National Space Strategy: R1,200,000 – May 2016

Plans to close down or downgrade any current facilities

None

Progress made on infrastructure maintenance

Upgrade to the Menlyn air-conditioning plant

Developments relating to the above expected to impact on the RAF's current expenditure

Upgrade to the Menlyn air-conditioning plant:

Phase 1	R1,900,000 completed
Phase 2	R1,700,000 to be completed during the 2016/17 financial year

Major maintenance projects undertaken during the period under review

The upgrades on the Menlyn air-conditioning plant are on track and will be completed during the 2016/17 financial year.

Details as to how asset holdings have changed over the period under review, including disposals, scrapping and loss due to theft

During the 2015/16 financial year, assets with a carrying value of R1,152,000 were disposed of and written off.

Total acquisition for the year (2016)	R33,600,000
Prior year acquisition (2015)	R35,725,000
Current year disposal (2016)	R15,498,000
Prior year disposal (2015)	R13,622,000

Measures taken to ensure that the RAF's Fixed Asset Registers remain up-to-date during the period under review

The implementation of the Asset Management Plan verified the information in the Fixed Asset Register as at 31 March 2016. New Asset Management Standard Operating Procedures (SOPs) are being developed to ensure that the Fixed Asset Register is adequately maintained and kept up to date. These SOPs are aligned to the procedures followed in the Asset Management Plan.

Progress made in addressing the maintenance backlog during the period under review

N/A

	2015/2016			2014/2015		
Sub-Programme Name	Budget	Actual Expenditure	(Over)/ Under Expenditure	Budget	Actual Expenditure	(Over)/ Under Expenditure
Infrastructure projects*	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Property, plant and equipment	78,650	33,600	45,050	67,055	35,016	32,039
Intangibles	12,100	7,295	4,805	39,121	21,888	17,233
Total	**90,750**	**40,895**	**49,855**	**106,176**	**56,904**	**49,272**

** The RAF has no infrastructure projects*

PART C

GOVERNANCE

PCOT oversees service delivery and performance in accordance with the mandate and corporate strategy of the RAF.

1. INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, corporate governance 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 Code of Governance Principles and King Report on Governance (King III).

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

2. PORTFOLIO COMMITTEE

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

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

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

3. EXECUTIVE AUTHORITY

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

***Figure 1** – Executive Authority reporting structure*

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

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

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

The RAF Act provides that the Executive Authority can appoint or dismiss members of the Board, including the Chairperson, Vice-Chairperson and Non-executive Board members. The Minister also appoints the CEO on such terms and conditions as may be determined by the Board.

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

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

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

4. ACCOUNTING AUTHORITY/THE BOARD

Introduction

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

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

The Role of the Board

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

With the prescripts of King III and National Treasury in mind, the role of the RAF Board comprises the following:

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

This means that the Board is responsible for determining the overall direction of the RAF. The RAF is guided by a Five-year Strategic Plan and APP, both of which were submitted to the Executive Authority, the Minister of Transport, by the end of January 2016, as prescribed in terms of National Treasury Instruction Note No. 33.

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

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

- Ensure compliance with legal obligations;
- Ensure the maintenance of appropriate internal controls, as well as risk management policies and practices;

- Ensure the use of RAF funds in an economical, efficient and effective manner;
- Ensure that IT governance is aligned with the RAF's performance and sustainability objectives;
- Ensure adherence to good corporate governance practices that are continuously benchmarked; and
- Assess the impact of the RAF's operations on society, the economy and the environment.

The Board is tasked with providing ethical leadership, managing the organisation's ethics effectively and ensuring that the entity is not only a responsible citizen, but is manifestly so.

Board Charter

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

An external Board Effectiveness Evaluation of the Board and Board Committees' and Board members' performance took place during the year under review and action plans were put in place to address areas requiring improvement. A report in this regard was submitted to the Shareholder.

Composition of the Board

The RAF is headed and controlled by an effective and efficient Board, comprising independent Non-executive Board members representing the necessary skills to strategically guide the RAF. The Board consists of 11 Non-executive Board members, including a DoT representative. The RAF Board is diverse in respect of origin, gender, race and education. Together, the members bring a wealth of experience and expertise to the RAF and reflect the nature of its business. 36% of the Board members are women, while 81% are from historically disadvantaged communities.

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

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

Board Members

DR NM BHENGU

Non-executive Board member (Chairperson of the Board)

Date appointed:
01/10/2010
Re-appointed 01/10/2013

Area of expertise:
Medical and Corporate Governance

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

Board directorships:
Nestlè (SA) (Pty) Ltd,

Non-executive Advisory Board Member

Board committees:
Chairpersons' Committee (Chairperson)

***No. of meetings attended:**
7 of 9

MR D COOVADIA

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

Date appointed:
01/10/2013

Area of expertise:
Finance

Qualifications:
BCompt, BCompt (Hons) (Unisa), CA (SA), FIMC, CMC, FIAC, FCIS, FSAIM, BA(SA), FIIASA, PIA(SA), CAT (UK), MInstD, JP

Board directorships:
Rand Water Board,
Iziko Museums of SA,
ERWAT

Board committees:
Audit Committee, Chairpersons' Committee

***No. of meetings attended:**
6 of 9

MR LED HLATSHWAYO

Non-executive Board member

Date appointed:
1/10/2011
Re-appointed 01/10/2013

Area of expertise:
Finance

Qualifications:
BCom (University of Zululand), BCompt (Unisa), BCompt (Hons)/CTA (Unisa), CA (SA) and MBA (University of North West, Potchefstroom) Chartered Director (SA)

Board directorships:
Central Energy Fund, Unemployment Insurance Fund, Department of Labour (Audit Committee Member)

Board committees:
Audit Committee (Chairperson), Risk Management and Ethics Committee, Chairpersons' Committee

***No. of meetings attended:**
9 of 9

DR KLN LINDA

Non-executive Board member

Date appointed:
01/10/2013

Area of expertise:
Medical

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

Board directorships:
Childsafe South Africa, Health Professions Council of South Africa

Board committees:
Remuneration and Human Resources Committee, Operations and Information Technology Committee

***No. of meetings attended:**
9 of 9

MR TP MASOBE

Non-executive Board member

Date appointed:
01/10/2013

Area of expertise:
Medical

Qualifications:
BA (Hons) Economics (Grinnel College, USA), MSc Health Economics (University of London), BA (Hons) Econ, International Executive Development Diploma (University of the Witwatersrand and University of London Business School), Advanced Health Leadership (University of California)

Board directorships:
Member Audit and Risk Committees - Liberty Health, Health Systems Trust (Chairperson 2004-2006) and Council for Medical Schemes Member of all three Boards/Trusts of the organisations above

Board committees:
Audit Committee, Operations and Information Technology Committee

***No. of meetings attended:**
8 of 9

MS R MOKOENA

Non-executive Board member

Date appointed:
01/10/2013

Area of expertise:
Law

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

Board directorships:
Non-Executive Director DENEL, Alternative Non-Executive Director SITA, Member of Regulation Committee ACSA, Member of Regulation Committee ATNS, Member of the Gauteng Rental Housing Tribunal

Board committees:
Risk Management and Ethics Committee (Chairperson), Committee (Chairperson), Remuneration and Human Resources Committee, Chairpersons' Committee

***No. of meetings attended:**
6 of 9

MR AM PANDOR
Non-executive Board member

Date appointed:
01/10/2013

Area of expertise:
Governance

Qualifications:
CA (SA), MBA (Henley Management College, UK), CISA, GGEIT

Board directorships:
None

Board committees:
Operations and Information Technology Committee (Chairperson), Risk Management and Ethics Committee, Chairpersons' Committee

***No. of meetings attended:**
9 of 9

ADV. DS QOCHA
Non-executive Board member

Date appointed:
01/10/2010
Re-appointed 01/10/2013

Area of expertise:
Law

Qualifications:
BA (Law) (National University of Lesotho), LLB (National University of Lesotho), Strategic Leadership Programme (GIBS), Broadcasting Policy and Regulation (LINK Centre, Wits), Telecoms Policy Regulation and Management (LINK Centre, Wits), General Intellectual Property Course (WIPO)

Board directorships:
None

Board committees:
Remuneration and Human Resources Committee (Chairperson), Risk Management and Ethics Committee, Chairpersons' Committee

***No. of meetings attended:**
7 of 9

MR DK SMITH
Non-executive Board member

Date appointed:
01/10/2010
Re-appointed 01/10/2013

Area of expertise:
Actuarial, Corporate Governance

Qualifications:
BSc (University of Stellenbosch) FASSA, International Senior Management Programme (Harvard Business School)

Board directorships:
Sanlam Ltd, Mediclinic International Ltd, Reinsurance Group of America (SA)

Board committees:
Audit Committee, Operations and Information Technology Committee

***No. of meetings attended:**
8 of 9

MS A STEYN

Non-executive Board member

Date appointed:
01/10/2010
Re-appointed 01/10/2013

Area of expertise:
Medical

Qualifications:
BSc in Physiotherapy (University of Stellenbosch), various other related courses

Board directorships:
None

Board committees:
Human Resources Committee, Operations and Information Technology Committee

***No. of meetings attended:**
9 of 9

MR TB TENZA

Director-General (DG) representative

Date appointed:
01/01/2010

Area of expertise:
Economics

Qualifications:
Secondary Teachers Diploma (Indumiso College), BCom (Unisa), BCom (Hons) (Unisa), Master of Arts in Applied Economics (University of Michigan, USA), Executive Development Programme (Vaal University of Technology)

Board directorships:
None

Board committees:
Audit Committee, Risk Management and Ethics Committee, Remuneration and Human Resources Committee, Operations and Information Technology Committee

***No. of meetings attended:**
4 of 9

**A total of 9 Board meetings took place during the 2015/16 financial year. The Annual General Meeting between the Shareholder and the Accounting Authority took place on 25 August 2015.*

Board Committees

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

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

Committees: 1 April 2015 to 31 March 2016

Committee	No. of meetings held	No. of members	Name of members
Audit Committee		4	Mr LED Hlatshwayo (Chairperson) Mr D Coovadia Mr TP Masobe Mr DK Smith Mr TB Tenza (DG representative) CEO *(Ex officio)*
Risk Management and Ethics Committee		4	Ms R Mokoena (Chairperson) Mr LED Hlatshwayo Mr AM Pandor Adv. DS Qocha Mr TB Tenza (DG representative) CEO *(Ex officio)*
Remuneration and Human Resources Committee		4	Adv. DS Qocha (Chairperson) Dr KLN Linda Ms R Mokoena Ms A Steyn Mr TB Tenza (DG representative) CEO *(Ex officio)*
Operations and Information Technology Committee		5	Mr AM Pandor (Chairperson) Dr KLN Linda Mr TP Masobe Mr DK Smith Ms A Steyn Mr TB Tenza (DG representative) CEO *(Ex officio)*
Chairperson's Committee		6	Dr NM Bhengu Mr D Coovadia Mr LED Hlatshwayo Ms R Mokoena Mr AM Pandor Adv. DS Qocha

Board Member Remuneration

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

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

Committee	Remuneration held	Other allowance	Other re-imbursements	Total
	R'000	R'000	R'000	R'000
Dr NM Bhengu	852	-	23	875
Mr D Coovadia	653	-	-	653
Mr LED Hlatshwayo	625	-	-	625
Dr KLN Linda	568	-	-	568
Mr TP Masobe	568	-	-	568
Ms R Mokoena	625	-	-	625
Mr AM Pandor	625	-	-	625
Adv. DS Qocha	625	-	-	625
Mr DK Smith	568	-	-	568
Ms A Steyn	568	-	-	568
Mr TB Tenza (DG representative)	-	-	-	-
Total	**5,277**	**-**	**23**	**6,300**

Remuneration is fixed at a monthly stipend and not based on a per meeting fee structure.

5. RISK MANAGEMENT

Background to Enterprise Risk Management

The RAF, as a Schedule 3A public entity, is required in terms of section 51(a)(i) of the PFMA to implement and maintain an effective, efficient and transparent system of financial management, risk management and internal control.

In fulfilling this responsibility, the RAF has adopted the following: (a) the ISO 31000 International Risk Management Standard; (b) the Public Sector Risk Management Framework; and (c) Risk Management Principles and Guidelines as outlined by the King III Report on Corporate Governance in developing and implementing the Board approved Risk Management Framework. These risk management standards and frameworks have been customised for the RAF and are applied in identifying critical risk events and opportunities; assessing risks; monitoring risks; reporting risks; implementing controls and mitigations; in decision-making; project management; and in all other business processes.

The Risk Management portfolio in the organisation includes Business Continuity Management (BCM) risks through the established BCM programme, which is mainly aimed at ensuring that the RAF is able to detect, prevent, minimise and respond to any business disruption related risks and also aimed at improving the resilience of the business processes and capabilities against any disruption-related risks. In discharging its risk management responsibilities, the RAF's Board has established the Risk Management and Ethics Committee (RMEC). This committee meets quarterly to fulfil its governance oversight role over the entire system of risk management by monitoring the strategic risk profile, mitigation plans and other key significant risks against the organisation's risk-bearing capacity and risk appetite, including monitoring of the implementation of the annual Risk Management Plan.

In addition to the BCM portfolio, during the year under review, the Fund monitored and assured the key significant risks facing the organisation through an established Combined Assurance function which reports its work to the Audit Committee on a quarterly basis. The Fund's Combined Assurance Model mainly concerns itself with the following: having a comprehensive, holistic view of an assured risk and control environment with a view of a desired level of assurance; a consolidated opinion on a risk and control environment; and improving efficiencies in the assurance processes. As such, the three lines of a Defence Model have been adopted in the Combined Assurance Framework as follows:

- **First Line of Defence:** This is the Fund's Operational and Executive Management, who are also process owners who create and/or manage the risks, and, as such, design and ensure execution of controls throughout the organisation as the risk owners.
- **Second Line of Defence:** This category comprises of the Fund's internal assurance providers who establish the risk management processes and monitor compliance. This line of defence includes the following functions: Risk Management, Compliance, Forensics Investigation, Ethics and Monitoring and Assurance functions.
- **Third Line of Defence:** This category comprises of the internal and external independent functions with Internal Audit being responsible for providing independent and objective assurance of the overall adequacy and effectiveness of governance, risk management and internal controls in the Fund.

Risk Philosophy

The overall risk management philosophy of the RAF is to instil and establish a risk-intelligent culture or risk-matured culture, whereby risk management is everyone's responsibility. Risk management should be entrenched into the day-to-day business operations and decision-making of every RAF employee across all management levels, as the Fund identifies and responds to a myriad of risks in pursuit of its strategic objectives and its mandate. The organisation believes that risk management is fundamental to effective corporate governance and provides an opportunity that enables the organisation to accurately predict and take advantage of future trends. The RAF further believes that risk management is fundamental to the development and maintenance of a sustainable organisation and a sound control environment and is therefore an enabler for the organisation to achieve its strategic objectives.

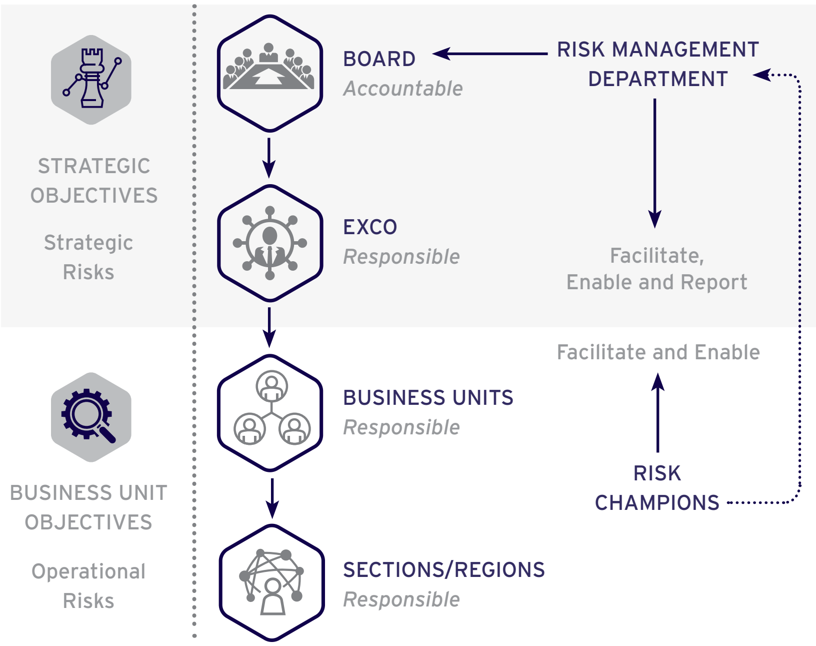
Risk management is an essential part of the business strategy and operations that impacts on business performance, socio-economic status, service delivery and the financial results of the organisation. Risks are viewed and assessed holistically and not in isolation, since a single transaction or event might have a number of risks – and one category of risk can trigger other risks.

The overall risk management philosophy of the RAF is to instil and establish a risk-intelligent culture or risk-matured culture, whereby risk management is everyone's responsibility.

Risk Governance

The RAF Board has promoted a 'risk-matured or risk-intelligent' culture and set the risk management tone through the approval of the Risk Management Policy and Framework. Maturity was confirmed in consecutive years on an independent basis. The Board, in discharging its risk management responsibilities, is supported by the Risk Management and Ethics Committee (RMEC), whose main responsibilities are to ensure that the RAF has implemented an effective Risk Management Policy and Risk Management Plan that will enhance the RAF's ability to achieve its strategic objectives.

Below is a high-level view of risk management governance at the RAF:



The **RAF BOARD** is accountable for risk management.

The **EXCO** and Management are responsible for risk management.

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

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

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

Figure 2 *– Executive Authority reporting structure*

In fulfilling its governance oversight responsibility, the Board identified seven (7) strategic risks which could threaten the achievement of the RAF's strategic goals and performance targets for the 2015/16 financial year. These are depicted below according to their risk ratings:

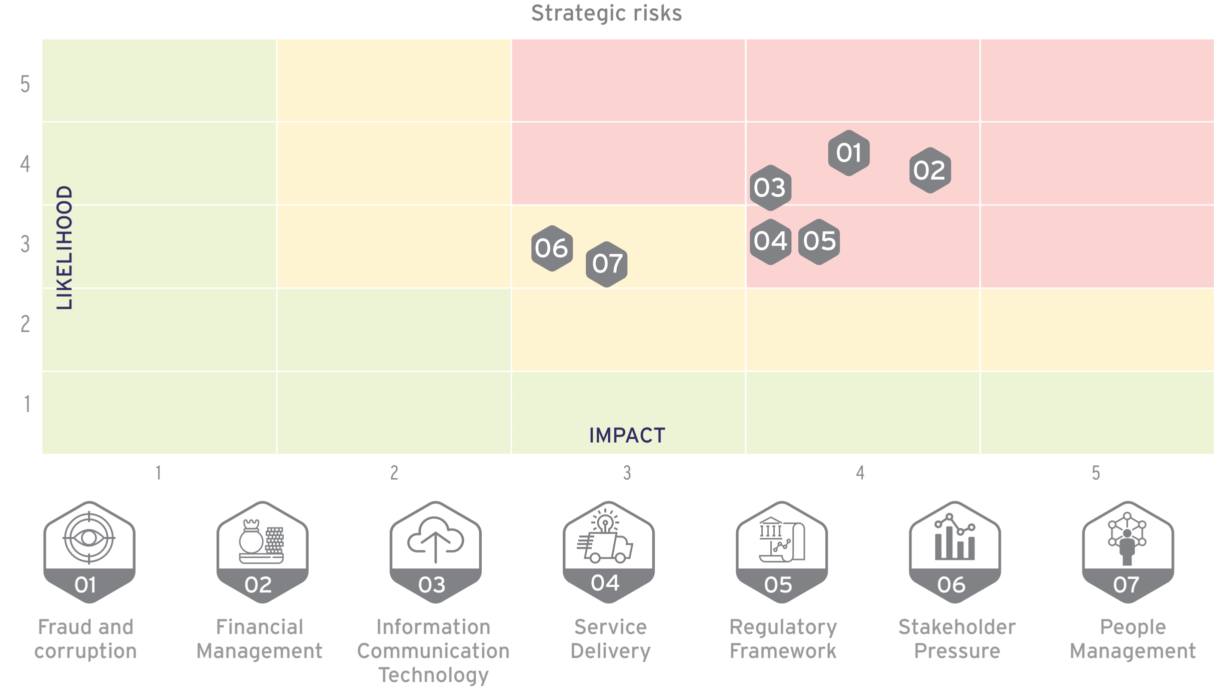
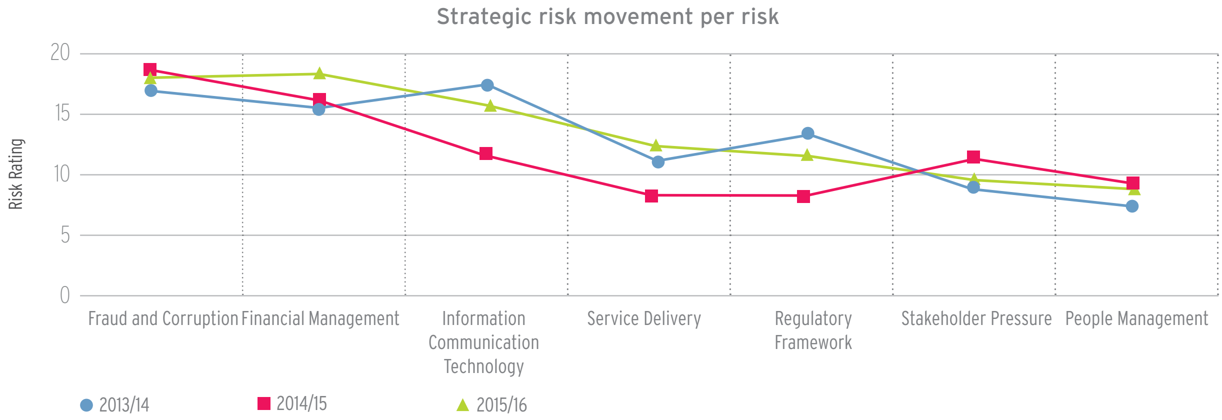


Figure 3 *– RAF Strategic Risks – Impact and Likelihood*

The graph below depicts the movement of seven strategic risks as rated residually over the past three financial years. The strategic risk profile has not improved much over the three years, mainly on strategic risks such as fraud and corruption, financial management, and ICT - and may further deteriorate mainly due to continued cash constraints, undercapitalisation of the Fund and stakeholder pressure as a result of delayed payments to claimants, possible resistance to the RABS Bill and funding of RABS, which subsequently impacts on other strategic risks such as service delivery, fraud and corruption, regulatory framework, and stakeholder pressure.



Graph 1 *– Movement of strategic risks over the past three (3) financial years*


Road
Accident
Fund
We Care
www.raf.co.za

An annual risk assessment is conducted in respect of the strategic, tactical, operational and projects risks and is aligned to the strategic planning process of the RAF. The risks are documented utilising risk management software and monitored on an on-going basis in relation to risk mitigation strategies or plans, relevance and adequacy of existing risks, and the identification of emerging key and significant risks.

The table below provides an overview of mitigation measures implemented and actions still outstanding regarding the RAF's strategic risks:

Impacted Strategic Objectives	Risk	Key Mitigations Implemented in	Key Mitigation Plans Underway or still to be Implemented in
		2015/2016	**2016/2017**
Effective Financial Management; Optimal ICT Services; and Assured Control Environment.	Risk 1. Fraud and Corruption The RAF operates in an environment that is targeted by internal and external fraudsters. It therefore has to continuously deal with professional syndicates and individual fraudsters. Considering the state of the organisation and claims value or claims pay-out, there is a higher propensity for fraud and corruption.	• Implemented Fraud Prevention Strategies such as searches, internal communiqués on fraudulent activities and awareness campaigns/workshops in a collaborative manner with other assurance providers. • Implemented ethics and values awareness initiatives in order to entrench acceptable ethical standards. • Revised and implemented a comprehensive Fraud Management Strategy which incorporates fraud prevention and detection. • Reported fraudulent third parties to their relevant professional bodies, including the National Treasury. • Formalised relations with short-term insurance associations and other critical stakeholders in combating fraud and corruption.	• Capacitation of Forensics Unit with IT Forensics Specialists, to enable detection of the latest fraud trends (e.g. cyber fraud), and prediction of criminal dependencies. • Procurement of the trend analysis, intelligence gathering, and data analytics tools in order to develop proactive mitigation measures, prevention of fraud and to generate exception reports. • Development, implementation and monitoring of a Data and Security Strategy to counter cyber fraud. • Proactive and continuous engagement with key stakeholders to prevent and detect fraud and corruption, including on-going value and ethics entrenchment. • Implementation of the e-Enablement Strategy, particularly the Integrated Claims Management System (ICMS) with a view of reducing opportunities for control breakdowns and fraud incidents.

Impacted Strategic Objectives	Risk	Key Mitigations Implemented in 2015/2016	Key Mitigation Plans Underway or still to be Implemented in 2016/2017
Efficient Claims Processing; Accessible Services; Effective Financial Management; Optimal ICT; Improved People Management; Administrative Dispensation aligned to the RABS Bill; Optimal ICT Services; and Assured Control Environment.	Risk 2. Financial Management The RAF Fuel Levy is determined with little regard for the main drivers of the RAF's claims expenditure. The prevailing disconnect between the fuel levy awarded by government and the RAF's operational cash requirements and improved organisational productivity are the primary causes of the poor liquidity position that is experienced by the RAF. Due to its unsustainable financial model, the RAF runs at a substantial deficit each year. Consequently, a number of outstanding (open and unpaid) claims have accumulated over time, representing a liability to the RAF. Furthermore, the provision for unpaid claims grows annually due to the expected growth in the cost of settling these claims and the increase in the lodgement of claims. Since the provision for future claims exceeds the RAF's asset base, the RAF is 'technically insolvent'.	• Implemented and monitored cost containment measures, including a Consultancy Reduction Plan. • Implemented processes to recover losses as a result of irregular, fruitless and wasteful expenditure. • Developed and partly implemented the Supply Chain Management (SCM) Optimisation Turnaround Strategy in order to reduce non-compliance and create efficiencies. • Implemented the Cash Management Strategy with a view of reflecting the monthly cash flow constraints/ limitations, including negotiating with creditors not to be paid within 30 days, as required by the PFMA. • Re-introduced short-term investments to generate interest income. • Revised the Insurance and Re-insurance Model and developed the RABS funding model. • Requested additional funds from National Treasury, including a request for virement of funds from the Shareholder (PFMA, Sec 43) and engaged the stakeholders – National Treasury and SARS – to refund/release the Fuel Levy funds early in order to boost the liquidity position of the Fund.	• Reasons to be determined for cash shortage and adjustments to be made to the extent possible with available resources/ money (i.e. revision and implementation of the Cash Management Strategy). • Communication to stakeholders about the Fund's liquidity is important and will be prioritised, including obtaining continued support expressed by National Treasury and the DoT. • Finalisation of RABS Bill, which is a priority for the relief from the RAF liquidity and solvency concerns. • Continuous engagement with the Auditor-General and other critical stakeholders on the assessment of the "going concern assumptions and mechanisms" and relevant financial disclosures of information to be prioritised on an annual basis. • Continued implementation of the SCM Turnaround Optimisation Strategy with particular emphasis on (a) appointment of the right SCM personnel; (b) training of SCM personnel and RAF staff on SCM; (c) optimising the SCM systems and processes; (d) conducting business education and awareness on SCM governance processes / Policy; and (e) maturing the SCM processes.

Impacted Strategic Objectives	Risk	Key Mitigations Implemented in 2015/2016	Key Mitigation Plans Underway or still to be Implemented in 2016/2017
Efficient Claims Processing; Accessible Services; Effective Financial Management; Optimal ICT; Assured Control Environment.	Risk 3. ICT ICT evolved from simply being a business enabler to being an essential component (strategic partner) in implementing the RAF strategy. The business relies heavily on IT systems to effectively and efficiently deliver on its core function (claims administration) and other key support functions such as Finance (payment of claims), Call Centre and Operations for processing of claims and data. The success of the proposed 'no-fault' administration (RABS) relies heavily on an adequate and well-designed ICT infrastructure. Other functions and initiatives, such as the Direct Claims Strategy, HSCs and the expansion of regional offices depend on ICT to function optimally. Automation of processes and the ever-evolving nature of ICT pose new risks to the RAF that require pro-active identification and management.	• Implemented most of Year One's initiatives of the Five-Year ICT Strategy (RAF e-Enablement Strategy), which is aimed at introducing a new client experience to external and internal stakeholders. • Drafted and implemented a Vulnerability Management Process, including services and solutions, and ICT governance maturity. • Revised and benchmarked ICT Remuneration Model/Policies with other entities with a view of retaining critical ICT skills. • Moved SAP application to an external data centre to improve system availability.	• Implementation of Year Two initiatives of the RAF e-Enablement Strategy. • Implementation of the recommendations of the ICT governance maturity assessment. • Establishment of the Enterprise Architecture for the RAF. • Modernisation of current claims system and development of the Integrated Claims Management Strategy (integration and automation). • Development and prioritisation of the implementation of the ICT procurement plans in line with the RAF e-Enablement Strategy. • Implementation of recommendations of the Vulnerability Assessment. • Development and implementation of Records Management Strategy and Policies; and • Implementation of the Information Security Risk Management Strategy.

Impacted Strategic Objectives	Risk	Key Mitigations Implemented in 2015/2016	Key Mitigation Plans Underway or still to be Implemented in 2016/2017
Efficient Claims Processing; Accessible Services; Effective Financial Management; Optimal ICT; Improved People Management; Administrative Dispensation aligned to the RABS Bill; and Assured Control Environment.	Risk 4. Service Delivery The RAF has a large number of outstanding claims for processing. It is therefore unable to pay claims at the rate it receives them as a result of the legislative requirements necessary to finalise a claim, as well as the cash resources required to effect payment. The organisation is focusing on processing claims effectively and efficiently in order to reduce the backlog, average cost-of-claim settlements, and improving turnaround times.	• Identified and analysed key drivers for the achievement of the APP targets to identify key corporate initiatives/ projects that will improve the RAF's efficiencies. • Revised and finalised the process of quantum determination for determination of the standard claim settlement amount. • Optimised, standardised, and re-engineered claims value chain/ pillars. (Modernisation of claims value chain and system). • Developed the Litigation Management Strategy. • Implemented Pillar 5 Strategy in anticipation of approval of RABS Bill.	• Improve the adherence to the Litigation Management Strategy, including development of legal cost contribution guidelines to proactively settle costs. • Prioritisation of key stakeholder agreements (e.g. DoT, Home Affairs, SAPS) that will improve turnaround times for claim settlements. • Approval and implementation of a strategy on Direct Claims Management with a critical focus on improving service delivery and reduction of legal costs. • Review of the Direct Claims structure with a view of capacitating the HSCs. • Review the document management processes at HSCs and CSCs to minimise litigation risks. • Implementation of the e-Enablement Strategy, particularly the Integrated Claims Management System (ICMS) with a view of reducing opportunities for control breakdowns and fraud incidents. • Improvement of settlement turnaround times for all claim categories in order to reduce or maintain the average cost of a claim. • Review of the entire claims value chain with a view of creating efficiencies and alignment of claims processing value chain with Claims Procedure Manual. • Establish a supplement Panel of Medical Experts to assist with Pillar 5 work and in preparation of approval of RABS. This includes proactively agreeing and engaging the plaintiff attorneys on appointing joint medical experts. Monitoring and reporting on lodgement of claims against registered claims at least three months before financial year-end.

Impacted Strategic Objectives	Risk	Key Mitigations Implemented in 2015/2016	Key Mitigation Plans Underway or still to be Implemented in 2016/2017
Efficient Claims Processing; Effective Financial Management; Administrative Dispensation aligned to the RABS Bill.	**Risk 5. Regulatory Framework** The current scheme is complex and subjective in that it often requires time-consuming and expensive legal procedures to establish fault and the quantum of damages suffered. There is pressure to implement the RABS Bill, as the RAF will no longer receive an annual increase on the Fuel Levy as pronounced by the Minister of Finance. The implementation of RABS may take longer than expected due to possible constitutional challenges. This risk also concerns itself with compliance with laws and regulations governing the business of the RAF.	• Rolled out a Combined Assurance Model. • Conducted business process compliance review in order to identify gaps in the claims value chain and apply the improvements. • Conducted a trend analysis of court challenges to inform/ improve claims business processes. • Conducted compliance testing, monitoring and follow-up checks throughout the year. • Developed and implemented the Compliance Risk Management Plan.	• On-going monitoring, scanning, advising and reporting on change in the legislative landscape. • Develop, implement and monitor the Compliance Risk Management Plans for core and high-risk legislation. • Roll out the compliance awareness sessions to improve compliance. • On-going policy review and development in order to expedite the processing of policies and procedures. • Implement Combined Assurance Plan as approved by the Audit Committee. • Assess the organisational readiness for RABS implementation and adherence to the RABS project plan.

Impacted Strategic Objectives	Risk	Key Mitigations Implemented in	Key Mitigation Plans Underway or still to be Implemented in
		2015/2016	2016/2017
Efficient Claims Processing; Accessible Services; Effective Financial Management; Optimal ICT; Improved People Management; Administrative Dispensation aligned to the RABS Bill; Assured Control Environment.	Risk 6. Stakeholder Pressure The current scheme is complex and subjective in that it often requires time-consuming and expensive legal procedures to establish fault and the quantum of damages suffered. The persistent cash constraints and resistance to accept the RABS Bill result in pressure on the organisation from various angles.	• Proactively engaged and prioritised key stakeholders such as National Treasury, DoT, Department of Health, and Home Affairs on many matters affecting the RAF, including liquidity and RABS. • Relationship maintenance through formal handover and fostered relationship management in line with RAF policies and record deviations. • Implemented and monitored the Stakeholder Relations Strategy and Plan. • Identified relationship owners on a quarterly basis. • Marketed the Direct Claims process. • Implemented and adhered to Corporate Social Responsibility and Road Safety Policies to minimise the risk of non-compliance. • Positive media coverage on RAF's improved accessibility and increased activity via its outreach programmes.	• Continue to proactively engage key stakeholders to improve service delivery and report the RAF's liquidity position by implementing the Stakeholder Relations Management Policy and Strategy. • Rigorous engagements with media owners across all platforms though digital, social and traditional platforms. This includes the development and implementation of a Digital and Social Media Policy and Strategy. • Full roll-out and implementation of the Media and Public Relations Management Strategy. • Monitor media alerts about RAF and respond accordingly.

Impacted Strategic Objectives	Risk	Key Mitigations Implemented in	Key Mitigation Plans Underway or still to be Implemented in
		2015/2016	**2016/2017**
Efficient Claims Processing; Improved People Management.	Risk 7. People Management The RAF is a labour-intensive service organisation that relies heavily on people to effectively deliver on its mandate. Therefore, the attraction and retention of leadership and a workforce that is appropriately skilled, motivated, performance-driven, customer-centric and committed to providing excellent service is crucial. The RAF, therefore, invests in growing and developing employees and ensuring optimal staff capacity.	• Developed the Change Management Strategy in preparation for anticipated changes in the Fund. • Developed an electronic Performance Management System. • Revised and updated the Succession Plan. • Rolled out the Knowledge Management Strategy. • Trained employees to ensure alignment of performance scorecards with APP targets. • Revised the Reward and Recognition Policy. • Development of the Absenteeism Management Framework, including revision of the Leave Policy and Procedures. • Implemented measures to ensure safety and confidentiality of staff records.	• Asses and analyse the Health Assessment results and apply mitigations. • Monitor implementation of succession interventions. • Review, and continuous implementation of the Absenteeism Management Framework. • Implement the e-Recruitment Systems to create efficiencies in the recruitment processes. • Create awareness on current and future changes. • Evaluate the current skills set and plan for the future skills set requirements and RABS skills assessed; and operationalise the automated performance management processes.

Risk Maturity

The RAF strives to have a risk-matured and risk-intelligent culture by 31 March 2018. The RAF currently has a maturity level of 4 (managed), which is the second highest maturity level, as assessed independently by an external audit firm. The RAF has elevated risk management as a strategic enabler and has implemented the following:

- There are fully operational risk governance structures in place, namely a Risk Management and Ethics Committee (RMEC), Executive Management Committee (EXCO) where risk management is a standing agenda item, Risk Management Department, and a Risk Champion Forum (where Risk Champions from all business units throughout the RAF discuss cross-functional risks). This includes risk management being part of the performance contracts for all employees within the RAF, and business units and regions being allocated Risk Champions and Risk Advisors, who monitor and report on key and significant risks to the business.
- A Three-year Plan was developed to assist the RAF to achieve the desired maturity level and maturity is being monitored quarterly. In addition, the Risk Management Policy/Framework is being revised to incorporate improvements recommended in the Risk Maturity Assessment and other developments in the risk management industry.
- Risk assessments are performed at a strategic, tactical and operational level as part of inculcating a risk culture in all RAF employees. In addition, a Risk Appetite Framework (which includes a risk-bearing capacity) has been established and forms part of the risk-taking philosophy. This includes the escalation process of risks to relevant governance structures

and is monitored and reported on a monthly basis to EXCO and quarterly to RMEC.

- Data analytics and cost of risk are used to gauge risks/business decisions against the risk appetite limits, including quantification of loss events.
- Although roll-out of the BCM programmes are still at an infancy stage, Year One of the planned activities in the BCM Maturity Strategy are 90% complete. More work still needs to be done on the finalisation of the BCM Policy and Emergency Management Plan, improving prominence of the BCM function and BCM testing.

Combined Assurance

The Combined Assurance Plan was approved by the Audit Committee in January 2015 and was 72% complete by the end of the 2015/16 financial year. Completion of outstanding initiatives is due by 31 March 2017. The following are key activities completed:

- Development of the Combined Assurance Framework;
- Establishment and frequent meetings of the Combined Assurance Forum and Task Team, including development of the Terms of Reference for both; and
- Revised methodologies and plans of various assurance providers, including the development of an Integrated Combined Assurance Dashboard and coordination of reporting efforts and consolidated reporting of the combined assurance provider's opinions to the Audit Committee.

6. INTERNAL AUDIT AND AUDIT COMMITTEE

Key Activities and Objectives of Internal Audit

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

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

The Internal Audit Plan was developed and implemented after taking into account the major risks identified by Management and Internal Audit. A risk-based approach was followed in developing this plan. The plan provides coverage across all major processes of the RAF. Internal Audit also attends to requests from Management. All Management requests during the reporting period were attended to.

In February 2015, the Internal Audit function underwent an external Quality Assurance Review as required by the Institute of Internal Auditors standards. The review, conducted by an external audit service provider, resulted in a favourable rating of "Generally Conforms". This was a first for the Fund.

Key Activities and Objectives of the Audit Committee

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

Audit Committee Meeting Attendance

The table below discloses relevant information on the Audit Committee members:

Name	Qualifications	Internal or external	Date appointed	No. of meetings attended
Mr LED Hlatshwayo (Chairperson)	BCom (University of Zululand), BCompt (Unisa), BCompt/CTA (Hons) (Unisa), CA (SA) and MBA (North West University, Potchefstroom), Chartered Director (SA)	External	01/10/2011	5 of 5
Mr D Coovadia	BCompt, BCompt (Hons) (Unisa), CA (SA), FIMC, CMC, FIAC, FCIS, FSAIM, BA (SA), FIIASA, PIA (SA), CAT (UK), MInstD, JP	External	01/10/2013	5 of 5
Mr TP Masobe	BA (Hons) Economics (Grinnel College, USA), MSc Health Economics (University of London), BA (Hons) Econ, International Executive Development Diploma (University of the Witwatersrand and University of London Business School), Advanced Health Leadership (University of California)	External	01/10/2013	4 of 5
Mr DK Smith	BSc (University of Stellenbosch) FASSA, International Senior Management Programme (Harvard Business School)	External	01/10/2010	4 of 5
Mr TB Tenza (DG representative)	Secondary Teachers Diploma (Indumiso College), BCom (Unisa), BCom (Hons) (Unisa), Master of Arts in Applied Economics (University of Michigan, USA), Executive Development Programme (Vaal University of Technology)	External	01/01/2010	2 of 5

7. COMPLIANCE WITH LAWS AND REGULATIONS

The RAF has established an effective Compliance function with supporting processes, the management of compliance risks and the conduct of compliance-driven activities, in line with legislative requirements and best practice guiding frameworks.

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

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

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

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

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

Compliance with applicable laws and regulations is undertaken in line with Principle 7.1 of the King III Report.

Compliance Unit

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

8. FRAUD AND CORRUPTION

Fraud Prevention Policy

The Fraud Prevention Policy is currently under review for approval by the Board. A revised strategy has been developed to include detection, prevention and investigation and resolution issues, and is currently awaiting approval by the RAF Board.

Mechanisms in Place to Report Fraud and Corruption

The RAF has a Whistle Blowing Policy in place, which resides in the Ethics Office. The Forensic Investigation Department (FID) is in charge of the Fraud Tip-off Line, through which fraud and corruption can be confidentially recorded. A duty is placed on employees, in several policies, to report suspicious activities to the FID, or anonymously through the Fraud Tip-off Line.

FID statistics for the period 1 April 2015 to 31 March 2016 bear witness to the extent that fraud is experienced and managed by the organisation, as well as the RAF's commitment to combat fraud and corruption (refer to the table below and on the next page).

Fraud Tip-off line

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

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

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

Political Donations, Gifts and Bribes

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

Fraud Cases Reported and Actions Taken

The table below outlines activities within the RAF's FID for the 12 months under review.

External Investigations	
Files carried over	3,591
Files received	3,572
Files closed	5,016
No. of arrests	391
No. of convictions	231
Repudiations	612
Repudiations: Claimed amount	R423,727,844
Repudiations: Estimated amount	R198,554,835
Total claims no: Estimated amount	68
Cases referred to SAPS*	807

Internal Investigations	
Investigations carried over	187
Investigations received	143
Investigations finalised	160
Claim files carried over	118
Claim files on investigations received	325
Claim files on investigations finalised	363
Claim files at year-end	118
Investigations where misconduct/fraud was identified	46
Cases where disciplinary action was recommended	32
Investigations where disciplinary action was instituted	7
Resignations due to or during investigations	14
Suspensions	21
Convictions (internal)	29
Cases referred to SAPS*	6

** Total cases referred to SAPS = 813*

The RAF has a Whistle Blowing Policy in place, which resides in the Ethics Office.

9. ETHICS

The RAF is determined to discharge its legislative mandate in an ethical organisational climate. To this end, the Ethics function has been established to raise ethical standards in the RAF through the implementation of an Ethics Management Programme. At the core of the Ethics Management Framework at the RAF is the following: the Code of Ethics; the Code of Conduct; and ethics-related policies, which are informed by King III principles and international best practices. The overall aim of the ethics codes and related policies is threefold:

(i) To provide exemplary standards of conduct expected of all officials in the course of the RAF business;
(ii) To manage conflicts of interest, particularly in selection, recruitment and supply chain management processes, in the conduct of everyday RAF business; and
(iii) To create an organisational culture for the conduct of RAF business based on the ethical philosophy of the organisation.

Acceptance of any gifts, hospitality or benefits is prohibited to further manage conflicts of interest in the RAF. Non-compliance with the ethics codes and related policies is a disciplinary offence, which is dealt with in line with the RAF's disciplinary procedures.

Ethics and Values Awareness

Values Awareness training, which was attended by 2,356 (90%) RAF employees, was conducted countrywide.
In addition, Ethics training, which was attended by 143 (90%) Senior Management members, was also conducted countrywide. New employees are also inducted on the RAF organisational ethics, values, codes and related policies.

Ethics Hotline

The RAF recognises that the impact of ethical violations in the workplace can be devastating if they go unreported and unaddressed. An anonymous and confidential ethics hotline has been established for this reason. The ethics hotline allows employees to report ethics violations (unethical activities) and breaches of the ethics codes and other company policies or procedures they may witness or personally experience, and empowers employees to protect the integrity of the organisation by seeking ethics guidance.

Ethics Performance Review

A review of the Ethics Programme was conducted as part of the RAF Internal Audit Risk based on the Audit Plan for the 2015/16 financial year. The review was outsourced to an external service provider who determined that (i) the control designed for the RAF Ethics Programme is adequate and partially effective for the achievement of organisational objectives and (ii) the RAF organisational ethics maturity level is at a "defined" phase and leaning towards a "maturity" phase. The Board and Management are committed to improving the organisational ethics management performance of the RAF.

10. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

In the 2015/16 financial year, the RAF sourced a service provider to conduct an annual Occupational Health and Safety (OHS) compliance audit at its head office, regional offices and CSCs in order to measure the level of compliance to the Occupational Health and Safety Act, Act 85 of 1993, as amended. The results indicate general improvements across the board, as outlined in the table below:

Region	2014/15 %	2015/16 %
Eco Glades	97	97
Menlyn	80	98
Johannesburg	97	99
Durban	93	97
East London	93	96
Cape Town	99.8	99

Customer Service Centres	2014/15 %	2015/16 %
Bloemfontein	93	98
Walk-in Centre (PTA)	79	99
Kimberley	69	98
Nelspruit	73	94
Polokwane	73	94
PE Forensic	66	69
PE CSC	-	68
Mahikeng	79	98

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

11. CORPORATE SECRETARY

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

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

12. SUPPORT FUNCTIONS

Stakeholder Relations Management

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

During the year under review, Stakeholder Relations Management enhanced participation and involvement by core business as the benefactor of key partnerships. These engagements were aligned to items as per the risk register and, among other, included reputation management, adversarial relationships, and RAF's solvency and liquidity challenges, as well as support to the DoT on the RABS Bill process. These objectives saw a number of workshops with stakeholders across the country, including but not limited to the Department of Education, the Department of Home Affairs, the Compensation Fund, the South African Revenue Service (SARS), the South African Social Security Agency (SASSA), the Unemployment Insurance Fund (UIF), the Department of Health (DoH), Judge Presidents, the Society of Advocates, the South African Local Government Association (SALGA), provincial departments, civic movements, taxi associations, bus associations, funeral parlours, disability associations, etc. Numerous Memoranda of Understanding (MoUs) were also signed to assist the RAF business in delivering on its mandate.

One noteworthy achievement was a relationship with the SAPS, which saw the RAF being granted access to the National Joint Operation Centre where all Justice and Security Cluster stakeholders converge. The value proposition of such a relationship has resulted in Operations, Road Safety and the FID being given a platform to present during SAPS NATJOINTS sittings. The RAF has free access to the accident reports held by the SAPS, and business is no longer required to pay for these.

Some relationships were formalised through the signing of MoUs, which resulted in the RAF benefiting from partnerships and collaboration with stakeholders to find solutions to identified challenges and concerns, and working together to address issues of common interest. To date, the RAF has signed a total of 43 Information Collection Agents (ICAs) and general MoUs to the benefit of the business.

One noteworthy achievement was a relationship with the SAPS, which saw the RAF being granted access to the National Joint Operation Centre where all Justice and Security Cluster stakeholders converge.

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

Stakeholder	Nature of Engagement
Medical and Social Fraternity	The National Department of Health (NDOH) and the Health Professions Council of South Africa (HPCSA) are important stakeholders, and every effort was made to harness a co-operative relationship between the HPCSA, the NDOH and the RAF. A series of engagements were embarked upon and yielded outcomes in terms of outstanding payments, duplicate claims, fraudulent claims and statutory medical reports (SMRs). The RAF engaged 80 hospitals in Gauteng, North West, Limpopo, KwaZulu-Natal, Eastern Cape, Northern Cape and Mpumalanga on supplier claims, SMRs, fraud and corruption and the RAF claims process. The purpose of these engagements was to address challenges and sensitise the hospital CEOs and their management teams to opportunities for collaboration and partnerships in order to create mutually beneficial relationships that will benefit RAF claimants.
Transport Stakeholders	Introductory/interactive meetings were held with key stakeholders at national, provincial and local levels. Most of the stakeholders urged the RAF to engage stakeholders at grassroots level more often, with more emphasis on rural communities and townships, as these are the people most affected by road accidents. Robust stakeholder engagements continue to be an integral part of our activities, and we are working more closely with the RAF Executives and the regional offices to ensure less stakeholder resistance. A stakeholder prioritisation approach is to be used as some stakeholders have proved to be more critical than others.
Justice and Security Stakeholders	It is important that the RAF understands the nature of our relations with the Judge Presidents and Society of Advocates around the country as experts who are involved in RAF court-related matters. During the year under review, our approach was aimed at ensuring that any issue raised during these engagements received immediate attention and, where possible, a solution was provided speedily. These engagements had positive spin-offs as far as pre-trial settlements, case flow and judgement monitoring were concerned, as this had in some instances improved the turnaround times on matters on the different court rolls.
Policy, Regulation and Provincial Stakeholders	On 15 July 2015, the RAF Amendment Bill was submitted to NEDLAC for discussion by the DoT. RAF officials formed part of the delegation to provide support during the presentations. The purpose of the presentation was to brief the social partners on the RAF Amendment Bill, 2015, to highlight the challenges and proposed legislative solutions, as well as to obtain support prior to the Bill being tabled in Parliament. A total of 10 amendments were proposed to the current RAF Act. The NEDLAC process was concluded on 12 August 2015. Generally, the social partners were in agreement with all the proposed changes.

Stakeholder	Nature of Engagement
National Treasury	A series of engagements were held with National Treasury around the RABS Bill and inputs were provided. The RABS funding model is still being interrogated by National Treasury. There is an indication by the DoT that the RABS Bill may be scheduled for discussion in Parliament during the fourth quarter of the 2016/17 financial year.
Provincial and Local Government Stakeholders	The Stakeholder Relations Management Unit continued to work towards regular and structured engagements with all RAF stakeholders. The 2015/16 financial year was devoted to a robust stakeholder engagement drive aimed at educating and creating awareness in respect of the RABS Bill amongst stakeholders. This strategic drive was the continuation of the work that the business undertook to resolutely support our Shareholder towards enacting the RABS Bill, as stipulated in our APP. Consequently, a total of 38 government stakeholders were engaged and we managed to collect 53 endorsement letters: another indication that our stakeholders are in favour of RABS. This is furthermore manifested by the feedback recorded during the engagements. Stakeholders echoed their understanding of the need for the RAF to transition into RABS and appreciated the time the organisation committed to informing them about the imminent Bill. They were equally sympathetic to the RAF's financial challenges that continue to impact on the RAF business. Apart from the RABS engagements, the Fund still pursued its Stakeholder Relations Management Strategy by effectively giving regular updates to our stakeholders on the RAF service offering and allowing them to raise their material issues. We managed to seal agreements with a strategic partner, the South African Local Government Association (SALGA). Notably, greater effort went into strengthening relations with Traditional Leaders. The business realised the significant role that this stakeholder grouping plays in our communities, especially the rural community. A relationship was established with the National House of Traditional Leaders, which yielded positive results for the organisation. As a result, the RAF was invited by the National House of Traditional Leaders in Parliament to do a presentation on the Fund's service offering and to discuss areas of collaboration and the assistance required by the organisation in order to reach the rural communities. The Fund also used the opportunity to share the RABS Bill presentation with them. It was received with great enthusiasm. The Traditional Leaders committed to support the Fund in its pursuit to educate rural stakeholders and create awareness in terms of the RABS Bill.

Stakeholder	Nature of Engagement
Protocol and International Relations	Protocol and International Relations is a unit within Stakeholder Relations Management, responsible for the coordination of all RAF officials' international visits abroad and visits to South Africa by RAF international guests. The unit is also responsible for liaison between the RAF, the Department of International Relations and Cooperation, as well as international organisations and institutions, foreign embassies and High Commissions in South Africa. The unit is also responsible for ensuring that the RAF and its personnel adhere to and observe protocol at all times when participating or attending events that require protocol to be observed. During the year under review, in collaboration with the Department of International Relations and Cooperation, the RAF continued to provide Protocol training to empower its personnel. Five sessions were done in all regions. A total number of 94 RAF officials received training. One session was also conducted with DIRCO. In addition to the Protocol training, the unit developed a protocol booklet to be used by staff as a guide during all RAF events.

Road Safety

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

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

Furthermore, annually, in December, the RAF develops a Road Crash Forecasting Report, using data from various Information Collection Agents, such as the Road Traffic Management Corporation (RTMC), public and private emergency services, hospitals, provincial and local government traffic authorities, as well as from Statistics South Africa and the Automobile Association. Among other matters, this provides for scientifically based road safety interventions and strategies and allows safety enforcement agents to align their strategies and campaigns in response to the identified road crash causes and anticipated trends.

The RAF's role in the road safety management arena is guided by the Board approved Road Safety Policy and Standard Operating Procedures.

Thus, the road safety focus for 2015/16 was both reactive and proactive and focused on the following programmes:

Promotion of Child Restraints

350 car seats distributed over nine provinces

The programme seeks to raise awareness on the importance of the use of child restraint car seats for child passengers travelling in motor vehicles. This is in support of the Minister of Transport, who recently amended the National Road Traffic Act, thereby compelling motorists to put all child passengers in car seats. The ultimate aim with the programme is to prevent fatalities and serious injuries involving minor children. This programme is executed in conjunction with hospitals where the RAF has offices, as well as with traffic police during road blocks. Between 01 April 2015 and 30 March 2016, a total of 60 Child Restraint Programme activations were conducted and the RAF distributed 350 car seats to motorists, covering all 9 provinces.

Low-cost Infrastructure

1,560 work-day opportunities created

In order to promote pedestrian safety, the RAF developed a programme where it collaborates with provinces and municipalities to identify high-impact pedestrian locations, where it is determined that the implementation of low-cost infrastructure may result in speed reduction. Through the analysis of data, we managed to identify pedestrian hot spots in the provinces of Gauteng, Mpumalanga and KwaZulu-Natal. The team has worked with the relevant Metro Police and municipalities, as well as respective Provincial Departments of Roads and Transport, to identify measures to reduce pedestrian crashes. To date, we have worked on 23 locations, installing speed humps, road signs, speed rubbles, guard rails, road studs, etc. In the process, a total of 1,560 work-day opportunities were created for 70 people.

Defensive Driving

Safety training offered to 480 motorcyclists and 805 professional drivers

Defensive driving refers to driving in a manner that utilises safe driving strategies to enable motorists to address identified hazards in a predictable manner. With defensive driving classes, drivers learn to improve their driving skills by reducing their driving risks and anticipating situations followed by well-informed decisions. The key to any good defensive driving strategy is to know how to avoid traffic crashes and recognise potential hazards before it is too late.

Defensive training also focuses on how drivers can overcome negative psychological factors such as unneeded stress, fatigue, emotional distress and road rage. They also offer instructions for developing a positive attitude behind the wheel and increasing focus on the driving task. Training is provided to professional drivers in the taxi, bus and trucking industries. During the year under review, the RAF introduced practical safety training for motorcyclists. This was in recognition of the increase in the number of claims involving these road users, as well as poor law enforcement by the traffic police and SAPS.

During the 2015/16 financial year, the RAF facilitated a total of 17 training workshops and practical training sessions in seven provinces. Safety training was offered to 480 motorcyclists and 805 professional drivers.

Fatigue Management Operation

RAF engaged with 4,367 motorists

According to the National Road Traffic Report 2015, fatigue is one of the major causes of road crashes. To prevent and reduce road crashes resulting from fatigue, the RAF has initiated a Fatigue Management Operation which is directed at long-distance drivers in partnership with law enforcement and road safety officers within provinces.

During a road block, police stop drivers to check for general infringements and are then handed to the RAF to advise them about the importance of resting, wearing of seatbelts and other road safety tips. Where feasible, they are handed a refreshment item such as water, energy drink or energy bar as an example – thereby practically made to rest. Also, where feasible, arrangements are made with the DoH to conduct health screening of the drivers during this break. The campaign is conducted throughout the year and intensified during the peak holiday seasons and October Transport Month. During the year under review, the RAF conducted a total of 46 operations and engaged with 4,367 motorists.

Support to External Stakeholders

The Road Safety Policy allows the Road Safety Unit to accept worthy proposals from external stakeholders. These are assessed by the Road Safety Coordinating Committee and approved by the CSR Committee. To this end, the committees recommended and approved partnerships with organisations with an interest in road safety, such as the ones stated below:

- Quadriplegic Association of South Africa – Promotion of use of safety belts – R166,000.
- Ama-Wheelies – Promotion of use of safety belts – R96,000.
- Pedal Power Association – Promotion of pedestrian safety for people who commute to work using bicycles – R200,000.
- Kamohau Community Organisation – Road safety education for youth – R129,982.

The RAF's Corporate Social Responsibility (CSR) is an integration of social, environmental and economic contributions towards our society.

Corporate Social Responsibility

The RAF's Corporate Social Responsibility (CSR) is an integration of social, environmental and economic contributions towards our society. The Fund's CSR Strategy is aligned to the organisation's core business objectives and the South African government's socio-economic and development priorities. Our CSR subscribes to the broader solution, i.e. the triple bottom-line of profit, people and planet. CSR has an added dimension as it is measured by the Broad-Based Black Economic Empowerment Act, 53 of 2003. It falls under socio-economic development in the Codes of Good Practice, which are derived from the B-BBEE Act.

The CSR focus areas are:

- Health (post-crash care);
- Skills development;
- Poverty alleviation; and
- Environmental issues.

In the year under review, the RAF supported 19 projects in rural and underdeveloped areas, excluding employee volunteerism and ad hoc projects. CSR's new approach going forward is to focus on fewer projects that will yield a high impact, whilst strengthening its partnerships with strategic government departments.

The table below reflects the 2015/16 CSR budget per focus area:

Focus Area	Percentage Split	Approved
Health (post-crash care)	35%	R1,972,181
Skills development	15%	R845,220
Poverty alleviation	20%	R1,126,961
Environmental	15%	R845,220
Employee volunteerism	5%	R281,740
Ad hoc	10%	R563,480
Total	100%	R5,634,802

List of projects implemented during the 2015/16 financial year:

Project Name	Project Description	Cost
University of Venda	Purchasing of assistive devices for the Disability Unit	R530,000
Air Mercy Services (SA Red Cross)	Purchasing of specialised equipment for air-lifting ambulances	R519,000
Oasis Skills Development Centre	Construction of a computer lab for the disabled in partnership with the Department of Social Development, IDC and MTN	R500,000
Balfour Nursery School Kitchen	Construction of a kitchen for an Early Childhood Development Centre	R150,117
Helen Joseph Hospital	Funded medical equipment for the Accident and Emergency Unit	R605,000
Quadriplegics Association of South Africa (QASA)	Funded a Driving Ambitions Programme for 60 accident victims	R380,000
University of Free State	Purchasing of assistive devices for the Disability Unit	R370,000
Ama-Wheelies	Funded a skills development container for an income-generating project for accident victims	R300,000
Food and Trees	Funded a tree planting project in 110 government hospitals where RAF has offices	R300,000
Merryvale Special Needs School	Funded a school make-over as RAF's contribution towards the 'Excellence in special needs and inclusive teaching' category in support of the National Teaching Awards	R120,000
SA Medical and Education Foundation	Contributed towards the renovations of a library and ablution facilities at Manzomthombo High School	R200,000
Bhekisizwe Home-based Care	Funded a poverty alleviation project for child-headed households as a result of car accidents	R180,000
Solar Lights Projects at Schools	Donated 500 solar lights to rural schools in support of the 'RAF on the Road' campaigns	R178,500
KwaZamokuhle School	Donated 15 specialised wheelchairs to disabled learners	R160,152
Employee Volunteerism Initiatives	Staff participation and contribution towards different Mandela Day activities	R154,400
Siyanakekela Drop Centre	Funded a 3-room container for a centre for the disabled	R152,830
South African National Council for the Blind	Funded a Winter School Programme for 120 learners representing the 9 provinces	R150,000
Water Tanks Project at Schools	Funded water tanks for 3 rural schools	R131,055
University of North West	Purchasing of assistive devices for the Disability Unit	R120,000
Imbumba Foundation	Funded the sanitary towel project for schools in the vicinity of 5 RAF regional offices, to benefit 1,000 girls	R100,000
Bursary Support Initiative	Awarded 3 university students partial bursaries for winning the National Road Safety Debate competition	R50,000
Tambo Memorial Hospital	Purchased theatre boots and stationery in response to a fire crisis that burnt down the storage unit	R3,012

13. INFORMATION AND COMMUNICATIONS TECHNOLOGY

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

ICT implemented Year One initiatives of the RAF Five-Year ICT Strategy (also known as the RAF e-Enablement Plan), which is aimed at introducing a new client experience that is simple, empowering, engaging and easily accessible for both internal and external clients.

In the process of implementing the RAF e-Enablement Plan, ICT ensured continuous engagement with business to maintain alignment and awareness.

The following achievements against the RAF e-Enablement Plan were recorded:

- **Green ICT Strategy:** The Green ICT Strategy was approved in September 2015 and implementation is underway.

- **Information Security:** The following ICT Security initiatives were initiated and are in progress:
  - The User Termination SOP (which was defined by ICT in consultation with Human Capital) was finalised.
  - The ICT security vulnerability scan was completed as part of the End-to-End ICT Security Vulnerability Management Project. The report was presented to the Board and the Remediation Plan is being implemented, as well as monitored.

- **ICT Governance Maturity:** The ICT Governance Maturity Assessment Report was issued by 31 March 2016.

- **Infrastructure and Network Optimisation:** The following infrastructure initiatives were completed:
  - The new production infrastructure was implemented in the production environment for various key business applications. This provided the imperative baseline, which enabled the successful move of the SAP application to an external data centre.
  - **Printers:** The National Treasury transversal contract was approved by the Board.
  - **HSCs Network Optimisation:** An approval to optimise and stabilise connectivity in all the RAF HSCs was granted by the Board. The contract has been signed.
  - **Internet Bandwidth Expansion:** The contract was signed between the RAF connectivity partner and implementation was successfully completed in an effort to ensure optimal ICT services availability.
  - **APN Upgrade:** The contract between the RAF connectivity partner and the RAF was approved by the RAF Board. The ICT Department is in the process of upgrading RAF APN services to enable the business to achieve its strategic and operational goals.
  - **Infrastructure as a Service:** The acquisition process is currently underway.

- **Integrated Claims Management System (ICMS):** The following activities were attended to:
  - Completed the documentation of end-to-end "as is" business processes;
  - Approved "to be" processes;

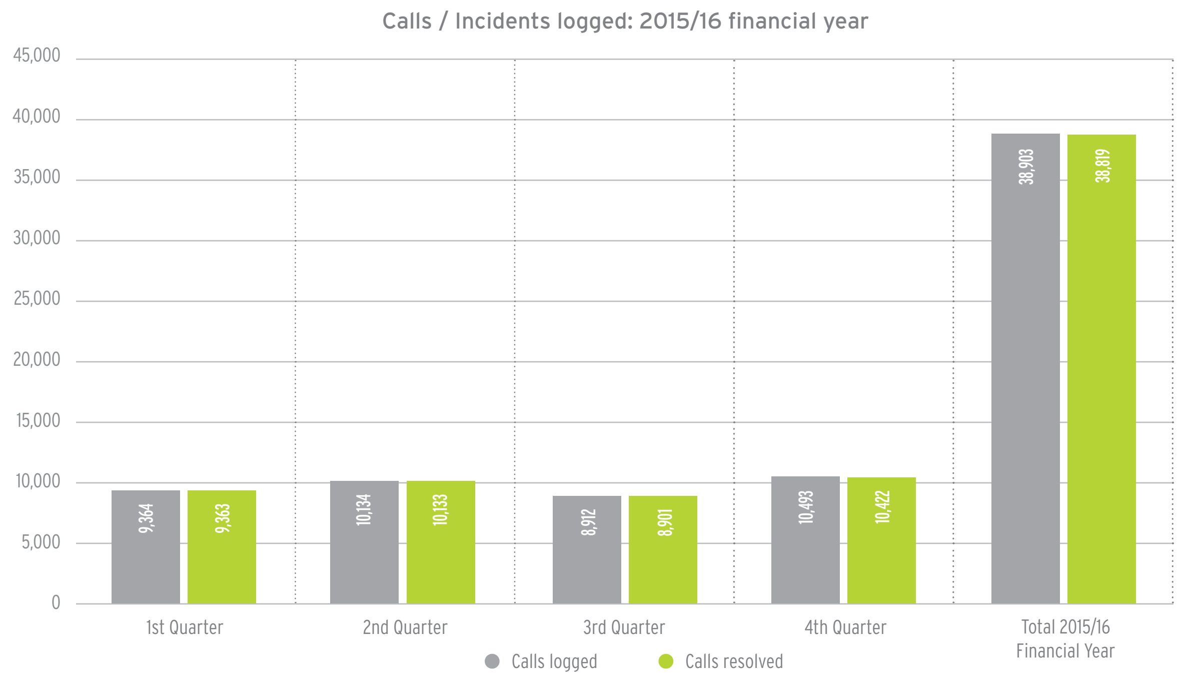
- Approved Change Management Strategy and Data Migration Strategy documents;
- Approved Change Request to reflect Change Management and Data Migration deliverables;
- Completed ICMS Change Management briefings at all RAF regional offices and CSCs for Managers, Team Leads; Change Champions and Senior Officers;
- Approved the refined End-to-End Business Process Blueprints;
- Approved ICMS specification by Bid Adjudication Committee (BAC); and
- Approved Business Requirements that incorporate the CEO's inputs on Business Process Blueprints.

- **Enterprise Content Management (ECM):**
  The following activities were attended to:
  - Approved ECM business and user requirements for all departments;
  - Concluded the back-scanning and file plan evaluation processes and the BAC approved the cancellation of the tenders as no suppliers met the mandatory requirements;
  - Upgraded scanning solution to be in line with the approved file plan; and
  - Concluded back-scanning by regions for the 2015/16 financial year.

- **Enterprise Architecture (EA):**
  The following activities were attended to:
  - Approved "as is" EA aligned to TOGAF and GWEA framework;
  - Approved the Terms of Reference for the Architecture Review Forum;
  - Socialised the EA roadmap in the ICT Steering Committee and EXCO; and
  - EXCO approved the "to be" Architecture on 29 March 2016.

The ICT Service Desk received 38,903 requests and incident reports, of which 38,819 (99.8%) were resolved.

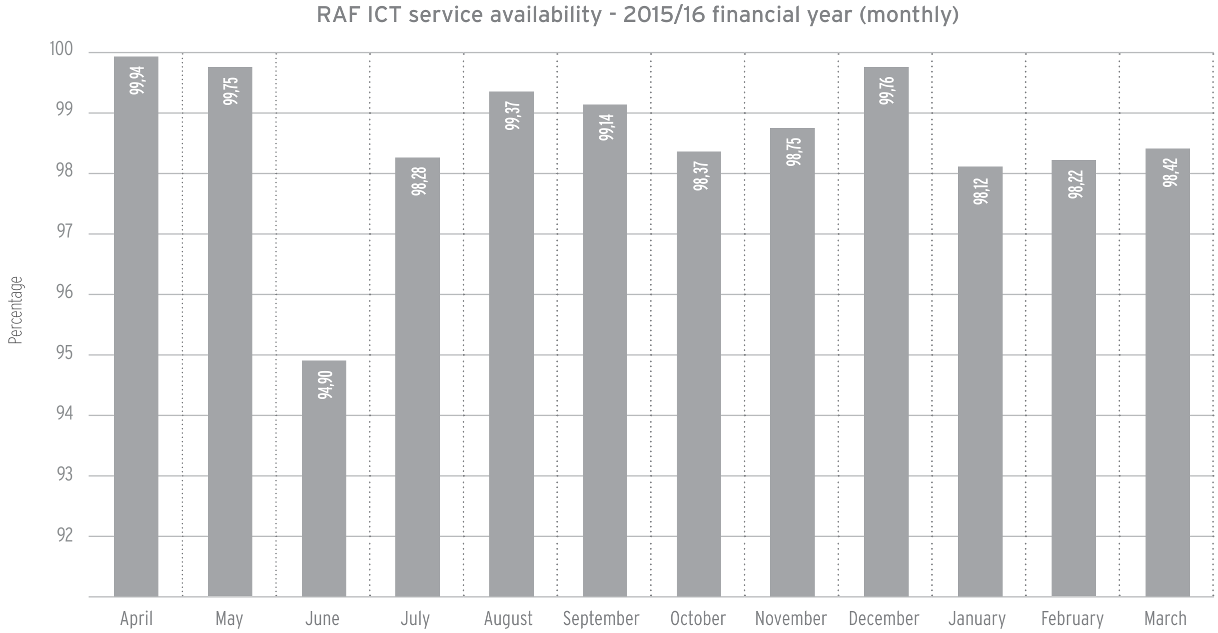
The graph below outlines the performance of the ICT Service Desk during 2015/16.



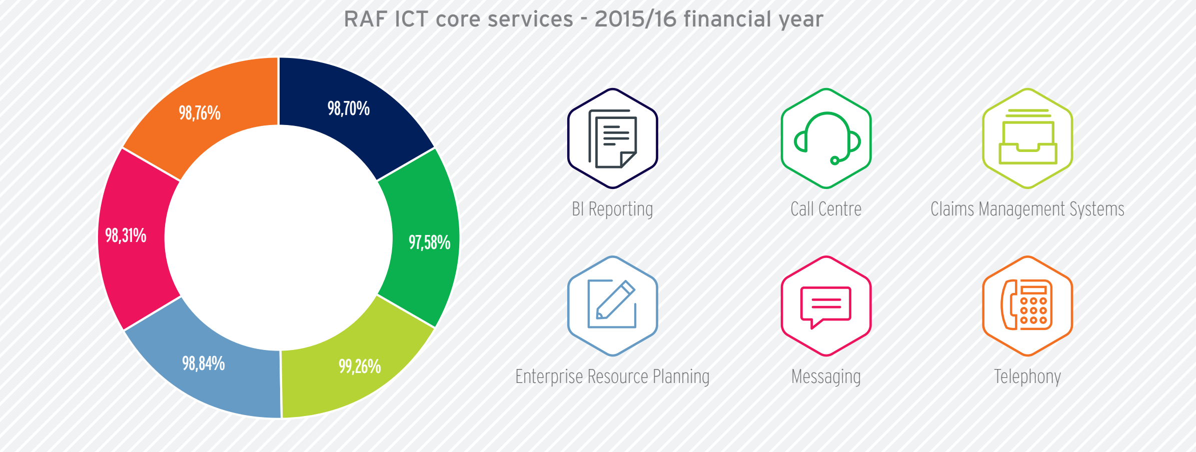
***Graph 1** – ICT Service Desk Call/ Incidents log*

During the reporting period, ICT services were impacted by power failures, network dips and intermittent slow responses. In the second quarter, user experience for accessing mission critical systems was enhanced by the additional infrastructure capacity and the implementation of system performance improvements. In the third and fourth quarter, user experience for accessing all services showed improvement, especially as ICT continued to stabilise the environment and realise the benefits of the new hardware installed.

The below graphs indicate that the overall availability attained was 98.6% for all ICT core services:



***Graph 2** – Monthly average ICT core service availability*



***Graph 3** – ICT call service availability 2015/16 financial year*

The department successfully developed and implemented an ICT Governance Framework (Corporate Governance of ICT Policy Framework), which is mandatory for all public entities.

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

- ITIL Foundation;
- COBIT;
- Records Management;
- TOGAF;
- Business Communication;
- Prince 2; and
- Report writing.

To ensure alignment of ICT with business, the department defined and is in the process of implementing:

- An Information Security and Risk Management Strategy; and
- An RAF Records Management Strategy. A File Plan was developed and approved by the National Archive and Records Service of South Africa (NARSSA). This plan was rated the "best written" upon review by the National Archivist.

The ICT Department continued to enable the organisation to achieve its strategic and operational objectives by providing system connectivity to the Corporate Communications and Operations Departments. This enabled the RAF to take RAF services to the doorsteps of South African communities and promote direct claims through the RAF's flagship customer engagement programme, 'RAF on the Road'. In addition, a Queue Management Solution was successfully deployed in order to manage queues during the programme. The programme has proven to be immensely successful in driving direct claims, as well as building mutually beneficial relationships with stakeholders.

Through the department's System Connectivity Strategy, 98 HSCs, 5 CSCs and satellite offices have been facilitated in support of the RAF's strategic objective to expand its footprint.

The 'RAF on the Road' programme has proven to be immensely successful in driving direct claims, as well as building mutually beneficial relationships with stakeholders.

14. CORPORATE COMMUNICATIONS

Introduction

The 2015/16 financial year saw a name change for the Marketing, Communications, Media and PR, Social and Digital Media, as well as Call Centre Departments. Despite the length of the aforementioned name, the term 'Corporate Communications' is used across the world to describe the dissemination of information to key stakeholders, the execution of corporate strategy and the development of messages for a variety of purposes for inside and outside the organisation. It is also a set of activities involved in managing and orchestrating all internal and external communications aimed at creating favourable point of view amongst stakeholders on which the organisation depends.

Marketing

During the year under review, the Marketing Department continued to pursue its APP targets of finalising the Channel Review Strategy, increasing the number of claimants engaged at RAF events, and conducting a Customer Satisfaction Survey. Other strategic objectives included increasing brand awareness, educating the public on the Fund's products and services, promoting road safety and enhancing the organisation's reputation and image.

Furthermore, Marketing goals included, but were not limited to the following:

- Increasing accessibility to the RAF's services;
- Identifying new and innovative channels to be used in engaging claimants;
- Promoting direct claims;
- Providing research insights aimed at assisting in the development of organisational strategies; and
- Implementing the RABS Marketing Plan.

It was a year of 'firsts' for the RAF and the following could be regarded as main highlights for the year:

The continuation of the #FutureYou campaign during the Easter and April holidays was supported by various activities nationally, i.e. print, online and bathroom advertisements and activations in shopping malls, at toll gates and in churches.

For the RAF's 18th birthday, an advertisement was placed in national newspapers.

The RAF, once again, participated in the Comrades Marathon by having a stand at the Durban International Convention Centre and an activation at the Drummond halfway mark on the day of the race. This was supported by broadcast elements.

Print advertorials were developed to support Youth Day, Women's Month and Heritage Day. Other forms of advertising appeared in the *RSA Government Directory* and the *Gauteng Government Newsletter.*

For the first time, the RAF promoted direct claims aggressively on various platforms, such as the building wrap advertising in central business districts across the country with a strong call-to-action message stating, "Take Charge", encouraging the public to claim directly from the RAF should they be involved in road accidents. This was augmented by various print executions in numerous publications. In addition, the RAF took the direct claim brand message to the streets via bus shelter advertising and taxi branding (both interior and externally) for a few months. Later in the financial year, a Service Week radio campaign was also rolled out across the country promoting direct claims. (This took place between February to March 2016.)

RABS was advertised throughout the year using various communication platforms ranging from the Minister's Opinion Piece in the form of a print advertorial, which was translated into 11 official languages and published nationally, regionally and in community newspapers. This was augmented by normal RABS print adverts in Sunday newspapers. In addition, online banners were used to advertise RABS on the top five news websites and RABS radio advertisements were also flighted in all official languages.

For the first time ever, the RAF shifted its attention towards the youth market by rolling out various marketing campaigns directed at this segment. This started with the Youth Month commemoration via a tailored print drive to this neglected sector of the society. The RAF also advertised on the television programme, "Future Leaders", which supports future youth leaders, with open and closing billboards. In addition, RAF publicised a variety of youth orientated good stories.

Communication aimed at the youth was also done via the *School Talk* magazine (distributed at high schools), which was also a first ever for the brand.

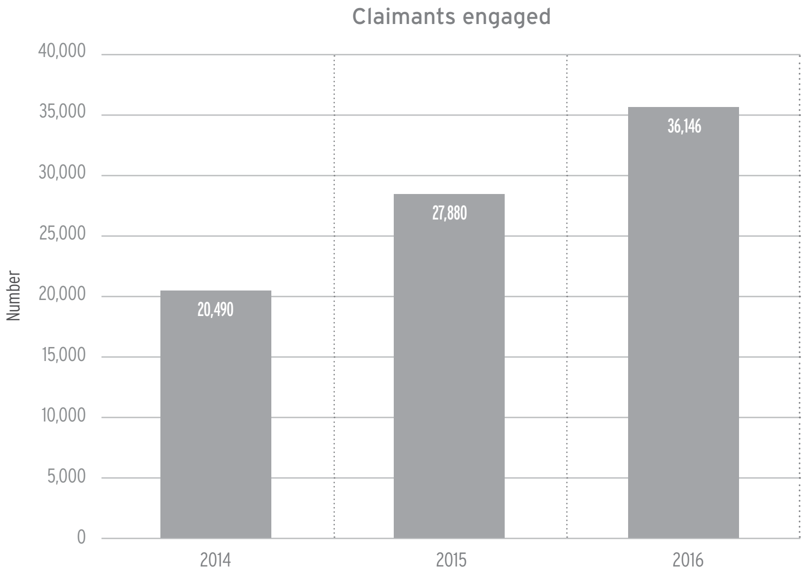
A total of 98 HSCs were branded to enhance visibility in hospitals. During the year, both the newly relocated Nelspruit CSC and the Beaufort West Walk-in Centre were branded and launched.

The RAF supported the DoT with a radio traffic sponsorships in all official languages during October Transport Month.

The official launch of the Mobi RAF (RAF Mobile office) a truck with the necessary ICT equipment to assist claimants in deep rural areas was launched by the Minister of Transport in Khayelitsha, Mandela Park Stadium, on 15 November 2015 during World Remembrance Day, as yet another convenient channel to ensure ease of access to RAF's services.

The launch of the #MyRoadYourRoad campaign during the festive season was aimed at increasing road safety awareness amongst all road users.

Claimants engaged at road shows:



***Graph 1** – Claimants engaged at road shows*

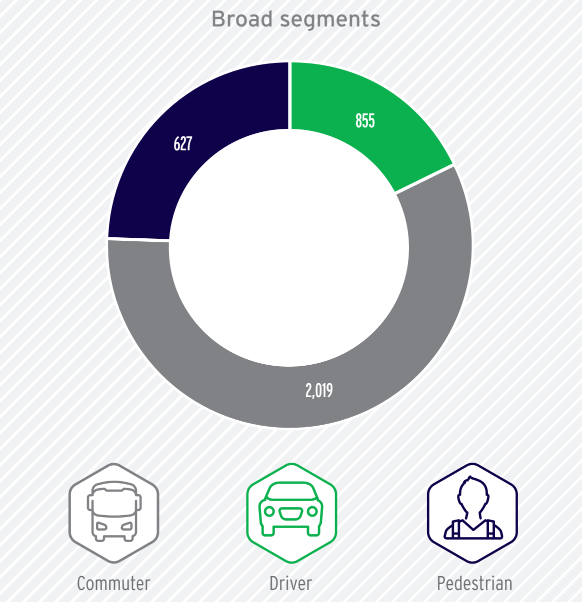
The Channel Review Strategy was approved and adopted by the Board and the Market Research Framework was also approved.

The launch of the #MyRoadYourRoad campaign during the festive season was aimed at increasing awareness amongst all road users that our roads belong to all of us and we all have an obligation to be considerate towards other road users by giving them right of way. This campaign was supported by online and television squeeze backs.

For the first time ever, the RAF brand advertised on 'Free Minute Call', which is a mobile platform where the public could listen to an RAF advertising message prior to making a sponsored short call of a minute.

The RAF sponsored the Kaya FM's Women's Programme during Women's Month via promotional segments and normal radio advertising. This was a first of its kind and gained vast momentum for the brand.

The outcomes of the first ever Market Segmentation Study clearly defined RAF's target audiences as follows:



***Graph 2** - RAF target audiences 2015/16 financial year*

Once again, the annual tracking research study for the RAF Customer Satisfaction Survey was conducted to obtain an idea on where the Fund is in respect of its service levels to its various stakeholder groupings. The table below illustrates the improvement in satisfaction scores for the RAF for the 2012/13 to 2015/16 financial years.

	Overall			
	2013	2014	2015	2016
	n=858	n=813	n=809	n=700
Overall Satisfaction	51	64	67	70

Communications

The Communications Department is responsible for supporting all business functions with their respective communication requirements. This may vary from publishing Human Capital advertisements, Management Directives, Delegations of Authority and other announcements in the form of internal communiques on a daily basis, to translations, editing, proofreading, designing and issuing newsletters and news updates to internal stakeholders.

During the year under review, speeches and messages of support were prepared for government and RAF leadership and employees across the country. The Fund's main publications, including the Annual Report, the APP and the Strategic Plan were compiled, and/or edited and finally produced by the department.

In entrenching the brand values, the department was also responsible for organising all internal events, among other, the following: Easter activation; Mother's Day competition; Youth Month competition; 67 blankets for Mandela Day; Women's Day; Spring Day; Heritage Day; Customer Service Week; World Remembrance Day; Operation Hydrate; RAF - Spreading the Love campaign; an 'ambulance' lift activation (call-to-action for staff to be safe on the roads during Easter); and a staff activation (handing out road safety promotional materials and brochures at busy intersections or central business districts two days prior to Easter). Fun elements were also incorporated into the Communications Strategy in the form of quizzes with prizes attached to it.

All campaigns run by the Marketing Department normally have an internal element. As such, the month of December saw the launch of the #MyRoadYourRoad campaign. The purpose of this campaign was to alert all road users to the fact that our roads belong to everyone and to be courteous to fellow road users. It was accompanied by a major internal communications drive to encourage employees to participate in this initiative and to allow fellow road users right of way on our roads.

Prior to the establishment of a new Social and Digital Media Unit, the Communications Unit worked tirelessly to grow and promote the Fund's social media platforms with Facebook and Twitter having a combined following in excess of 57,263. The team posted thousands of messages in addition to interacting with claimants and the general public, providing information and responding to numerous queries. The RAF Instagram page (established in March 2014) grew to more than 900 followers covering important RAF events, as well as messages promoting road safety and educating the public about the RAF's services.

The Language Unit forms part of the Communications Department and was established in December 2014. The unit comprises a Manager and three Language Practitioners who are responsible for translating source documents into isiZulu, Xitsonga and Setswana. This unit has become increasingly popular, as can be seen from the influx of translation requests. Other official languages are outsourced to a language service provider, who assists with translations, editing and proofreading, as well as vetting of our own work from time to time. During the 2015/16 financial year, the Language Unit produced 543 outputs.

Going forward, the department will focus on becoming more accessible to the business as a whole and implementing a more focused, integrated approach to communication that ensures maximum penetration, awareness and understanding of the RAF's business imperatives.

Media and Public Relations

This period marked a shift in focus by the Media and PR Unit, underpinned by a new strategy which emphasised the promotion and management of RAF's reputation while expanding the use of various channels or platforms to amplify messaging opportunities.

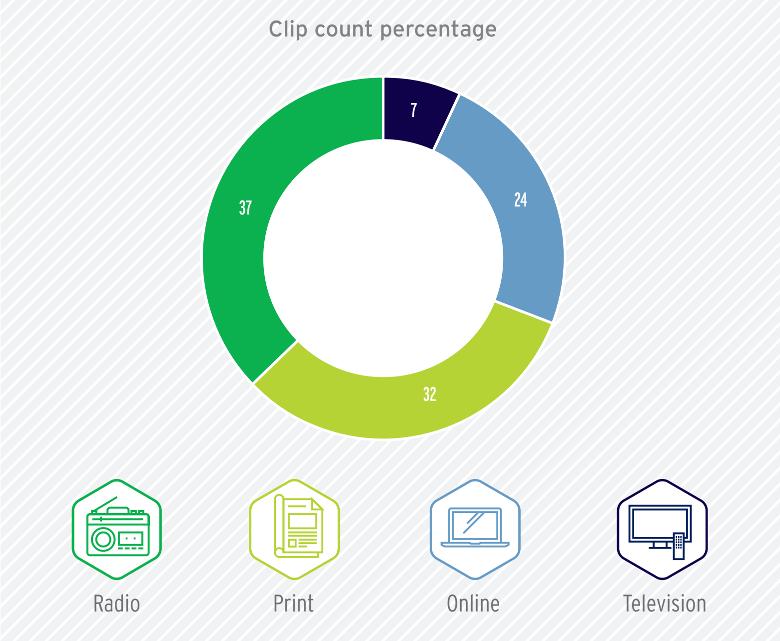
Media and PR Strategy

***Graph 3** – Media and PR Strategy*

A 'one size fits all' approach to media engagement was transformed to one which now includes targeted releases, facilitation of one-on-one or group interview opportunities, increased use of digital media, and greater leveraging of existing and new media partnerships. Relationships with influencers, opinion makers and stakeholder groups will also be established in order to leverage on them and enhance positive perceptions about the organisation.

A Crisis Communications Handbook introducing Management to the principles and practical tools of crisis and emergency communication was approved, while an extension thereof in the form of a Spokesperson's Policy is in the final stages of being vetted by the Legal Department. This policy will serve as a media proxy guide for the RAF, particularly for the 40 Board members, Executives, Regional General Managers, Regional Marketing Managers, General and Senior Managers who received corporate media training during the course of the year. RAF representatives, knowledgeable in operational matters and services, were also trained to facilitate vernacular interviews.

The RAF continued entrenching its media presence in print, radio, television, and online, achieving a total Advertising Value Equivalency (AVE) of R126,216,413 according to Newsclip and Ornico monitoring agencies' combined review. Radio remained the unit's mainstay, but tracking community stations continues being a challenge due to certain stations' low internet connectivity for live streaming, or monitoring agencies' inability sometimes to receive broadcast feed.



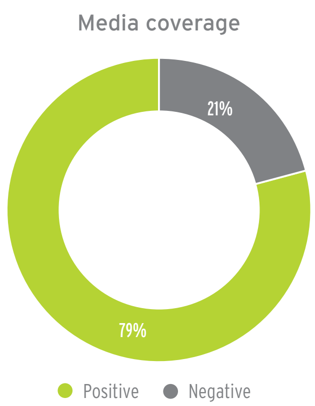
Graph 4 *– Clip count percentage*

A steady stream of RABS messaging through statements, alerts, advertorials, stories and interviews continued in keeping with the RABS Pre-promulgation Communication Plan. A highly successful business breakfast in July 2015 led by a panel made up of the Transport Minister, RAF CEO and RTMC CEO, set the tone for the media's mounting interest in the RABS Bill. The Law Society of the Northern Provinces and Association for the Protection of Road Accident Victims commenced their Anti-RABS campaign late in 2015 with radio interviews and adverts, but their attempts soon tapered down.

Negative RAF sentiment from various quarters such as the judicial fraternity, legal profession, political parties and media was counteracted by 'good stories' or testimonials from satisfied claimants. Messaging about RAF's operational successes, growing accessibility and financial prudency, as reflected in the

A Crisis Communications Handbook introducing Management to the principles and practical tools of crisis and emergency communication was approved.

third consecutive clean audit will continue, as will the refuting of negative or factually inaccurate RAF stories or utterances. The organisation was also positioned as an employer of choice through advertorials and feature stories about the Fund's female Executives and top appointees.



Graph 5 – Media coverage

Positive vs Negative Media Coverage

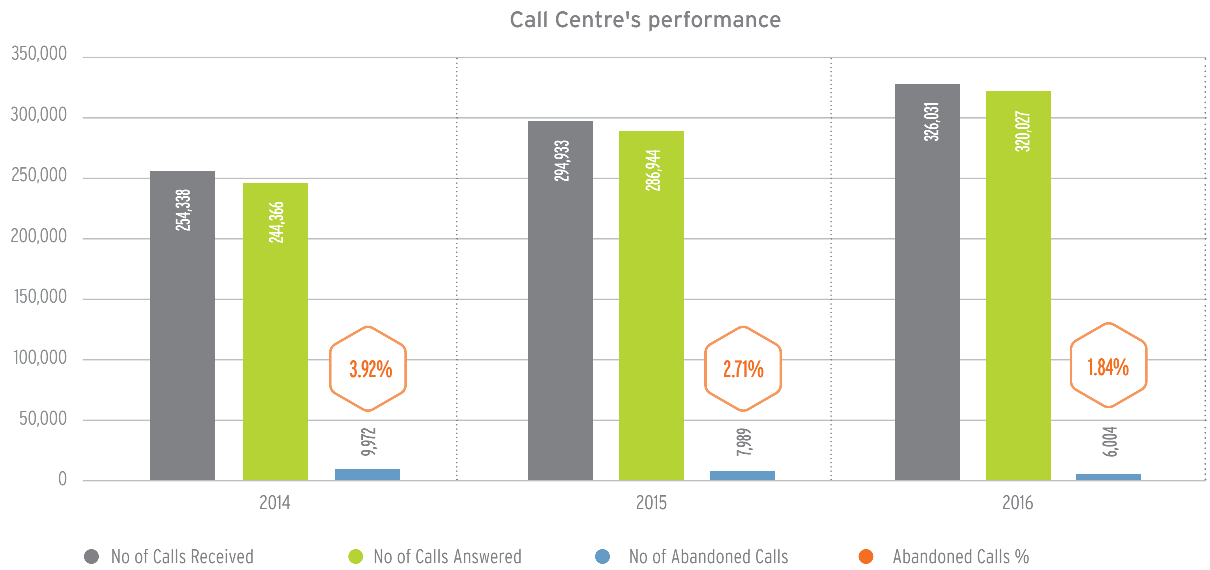
The promotion of road safety messages and consoling of car crash victims and their families continue through the issuing of media alerts on behalf of the CEO. Youth fatalities are of particular concern and all road users are regularly urged to take particular care when transporting or travelling with children.

Call Centre

The figures and table below provide an overview of the Call Centre's performance over the past three financial years.

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

During the year under review, the team achieved its main objective of increasing the Call Centre responsiveness by receiving 326,031 calls, of which 320,027 were responded to, compared to 294,933 and 286,944 respectively of the previous financial years. This is the first time in the history of the Fund that the Call Centre received more than 300,000 calls. The increase of 9.54% in the calls can be attributed to Marketing campaigns and other community outreach events, such as 'RAF on the Road' and the #MyRoadYourRoad campaign. With the increase in call volumes, the team managed to increase service levels to 94.78% compared to 90.71% in the previous year and also ensured that most of the incoming calls were answered within 5 seconds.



Graph 6 – Call Centre's performance

The unit also managed to achieve an average of 94% of the Quality Assurance (QA) process, which meant that the information that was provided to callers and claimants was correct and accurate. This is the second consecutive year that the team has managed to achieve a rating of above 90% in QA.

The department also celebrated Customer Service Week by ensuring that it boosted morale, motivation and encouraged team work, especially with regard to front-line staff members. This is the second year that the organisation has supported this initiative and it is gaining the necessary momentum, as the entire organisation is recognising the importance of customer service.

The focus for the team going forward is to maintain these achievements and take the service experience to the next level. The largest priority will be to reduce the abandoned call rate and to provide high-quality assurance standards, which in turn will improve the client experience. This will be achieved by improving the current monitoring of daily statistics and continuous improvement of the training programme, as we will be identifying areas that our staff members are falling short on; thus also achieving our APP target of Call Centre responsiveness.

Social and Digital Media

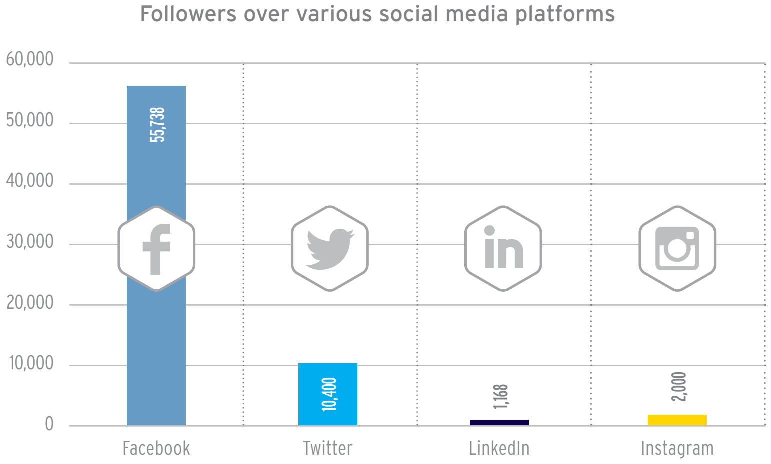
The RAF's social and digital platforms came into existence during 2012, when the RAF website and intranet were launched. These two platforms alone achieve over 700,000 site visits in a quarter. Digital communication channels were expanded to other platforms, such as Facebook, Twitter, Instagram and LinkedIn and have since shown great results for the 2015/16 financial year. Results are outlined below:

Platform	Q 1	Q 2	Q 3	Q 4
Facebook	48,061	48,436	50,238	55,738
Twitter	7,546	8,713	9,452	10,400
Instagram	772	901	1,050	1,168
LinkedIn	1,576	1,772	1,893	2,000
Internet Visitors	528,617	594,755	468,253	609,537
Intranet Visitors	282,807	296,400	315,432	343,615

During 2015, a special unit with a Senior Manager and dedicated staff was created to fulfil social and digital media strategic objectives. This unit is now responsible for ensuring that the RAF brand essence is communicated via the relevant social and digital media platforms. Currently, we have 69,306 followers over a range of platforms, with Facebook achieving the highest number of fans at 55,738 as at end March 2016.

Currently, we have 69,306 followers over a range of social media platforms.

Regional Marketing Managers embarked on a number of initiatives... increasing brand awareness, educating the public on RAF's products and services, and promoting road safety.



***Graph 7** – RAF social media platforms*

The #MyRoadYourRoad road safety campaign that was activated during the 2015/16 festive season, the January 'Back to School' campaign, as well as the March Easter period, reached over two million people on Facebook and Twitter, increasing awareness of the RAF, as well as a new mind-set around road safety.

Regional Marketing

The 2015/16 financial year saw the much needed appointment of five Regional Marketing Managers. They are located in the RAF's regional offices in Menlyn, Durban, East London, Cape Town and Johannesburg. During the year under review, Regional Marketing Managers embarked on a number of initiatives aimed at achieving the organisation's strategic objectives of increasing accessibility to RAF services, increasing brand awareness, educating the public on RAF's products and services, and promoting road safety.

In addition to extending national campaigns, promotions, activations and events to their regions, they are also at liberty to launch their own brand awareness initiatives in their regions. One of their top priorities is to establish relationships with key stakeholders in the regions and to strengthen existing ones.

'Mini RAF on the Road' community outreach events are popular, and are augmented by weekly activations in malls, bus and train stations, as well as taxi ranks and at government service delivery programmes.

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

15. SUPPLY CHAIN MANAGEMENT

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

2015/16 saw the achievement of key targets by the SCM Department with the approval by the Board of the revised SCM Policy and Procedures, the B-BBEE Policy, the Enterprise and Supplier Development Plan, and the SCM Delegation of Authority Framework, among other. The Subsistence and Travel Policy was reviewed with the intention to align travel and related activities with the National Treasury Cost Containment Directive.

The past year saw a lot of effort being put into the successful implementation of the SCM Turnaround Strategy by entrenching SCM principles and best practice within the SCM Department, by assessing and re-organising processes, measuring and monitoring tools, and also by optimising the use of skills and capability to assist the organisation in achieving its goals. The results of this have seen the reduction of irregular expenditure by over 21% from R14,645,000, as recorded in the 2014/15 financial year, to R11,428,300 in the 2015/16 financial year. This was achieved through the provision of appropriate, proactive advice and best practice processes, as well as by being responsive to the organisation's requirements as an enabler to strategically assist the Fund in optimally achieving its objectives.

There have been improvements in the efficiency of handling and concluding tenders. The average target set was 120 days from closing of bids to award. What has been achieved is an average of 64 days. The total saving from negotiated contracts was R1,271,568. It is expected that this figure will increase year-on-year as our new processes mature and further unlock value through our stakeholders, strategic partners and service providers. Another achievement was the improvement of the RAF's BEE rating status (by an accredited rating agency) by moving from level seven (7) for the 2014/15 financial year to level five (5) for the 2015/16 financial year. The organisational target for procurement spend was 110% for SMMEs and 115% was achieved for the financial year.

Some of the key targets for the coming financial year are:

(i) to have most of the RAF's SCM processes automated through enhancements to our ERP system;
(ii) to further improve on the BEE rating and savings target; and
(iii) to activate strategic sourcing and related activities.

16. REPORT OF THE AUDIT COMMITTEE

The Report of the Audit Committee is included on page 165 under Part E: Financial Information.

PART D

HUMAN RESOURCES

1. INTRODUCTION

During the year under review, the Human Capital (HC) Division achieved significant progress against its strategic objectives, as contained in the 2015/16 APP.

The division evolved and adapted its service offerings and structure to meet on-going business demands.

The performance against the APP targets reflected the activities of the Centre of Excellence, Employee Relations, Capacity and Capability Building, Learning and Development, Organisational Development, Employee Wellness Services, as well as Facilities Management.

The following is a summary of the most notable achievements against the Human Capital APP targets:

Vacancy Rate

A key objective is to keep the vacancy rate below 7%, which has been a challenge during the 2015/16 financial year. The vacancy rate was 8.14% for the period ending 31 March 2016 - 1.14% higher than the planned target of 7%. This is a critical area that HC plans to focus on to ensure that the organisation is fully capacitated. Finding the balance between external and internal appointments becomes more important in the quest to achieve the desired target, whilst not compromising other HC processes aimed at retaining key talent.

Employee Performance Assessments

The RAF achieved 100% of employee performance contracting and quarterly reviews.

Employee Recognition

As part of the approved Remuneration and Employee Recognition Programme, a total of 1,219 of 2,593 (47%) employees were recognised for living the RAF values.

RAF Employment Equity

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

As an organisation, the RAF has always endeavoured to excel and contribute positively to the achievement of EE targets. During the year under review, the Fund achieved and even exceeded the set percentage of 1% as per the Department of Labour's target. The organisation achieved 2%, which was also the target set by the Board of the RAF.

As at 31 March 2016, the RAF was within the ±10% variance of the main EE categories as per the APP. There were 34 (1.31%) employees living with disabilities. In addition, there were 69 (2.66%) white male employees. The total EE status was 97.3% of the total headcount.

2. HR PRIORITIES AND OUTCOMES

Priority	Outcomes for the 2015/16 financial year
Absenteeism Management	One of the key priorities and objectives of the division was to implement strategies to reduce the prevalence of absenteeism in the RAF. Strategies to address the reduction of absenteeism included the revision and approval of the Leave Policy by the RAF Board. This was supported by training all employees on the Leave Management Policy. The annual man-days lost at the end of the 2015/16 financial year were 1.96 and the target was exceeded by 0.63 days.
Talent Acquisition	A total of 378 internal and external appointments were made year-to-date. Key strategic appointments in vacant positions included: • Executive level: Chief Human Capital Officer, • General Manager Level: GM Ethics, GM Medical Management, GM Finance and the Regional GM - Johannesburg.
Policy Development and Review	HC developed and reviewed policies and key guidelines to promote diversity and transformation in the organisation. Policies are reviewed for alignment with the latest legislation and the RAF Policy Review Standards on an on-going basis. During the financial year, six policies were implemented. The RAF entered into a contract with the SA Board for People Practices (SABPP) for the audit of the RAF HC function against the SABPP Human Resource Management (HRM) Standards. The audit was finalised by 31 March 2016. The following Human Capital policies and SOPs were developed during the year under review:

Approved Policies	Approved SOPs
Leave Management Policy	Leave Management SOP
Performance Management Policy	Performance Management SOP
Remuneration and Reward Policy	Remuneration and Reward SOP
Resourcing Policy	Resourcing SOP
Facilities and Space Management Policy	Facilities and Space Management SOP
Incident and Grievance Management Policy	Incident and Grievance Management SOP
Fleet Management Policy	Fleet Management SOP

Priority	Outcomes for the 2015/16 financial year
Knowledge Management	The Knowledge Management team continued to raise awareness on the importance of preserving institutional memory, as well as capturing and storage of knowledge for future use by the RAF staff. Communities of Practice (COP) were established for the HSCs in all the RAF regions.
Employee Wellness	A total of 1,740 employees were screened, translating to 67% of the total permanent head-count of 2,593. A total of 1,033 walk-in employees were assisted at the respective regional EWS offices, which represents 39% of the headcount.
Facilities Management	The following infrastructure upgrades were conducted during the 2015/16 financial year: • Office layout alterations at Head Office; • Construction of a training venue in the Bloemfontein CSC; • Upgrade of the Walk-in-Centre in Durban; and • Office space optimisation in East London.

3. OTHER NOTABLE ACHIEVEMENTS

Main highlights for the 2015/16 financial year included the following:

The Talent Management and Change Framework was formalised to provide a structured approach to talent and change management.

The RAF successfully completed its bi-annual succession review to ensure the identification, development and career management of talented high-performing individuals with the potential to take up strategic and critical roles.

The year also saw the repositioning of the Change Management function with additional capacity to ensure the success of transversal and divisional projects, as well as capability building interventions for Line Management. Emphasis has been placed on developing Managers and leaders to lead and manage change within the RAF on its journey to the new RABS, supported by e-Enablement projects.

The RAF's achievement of its contribution towards government's social and economic transformation agenda remains a key highlight, exceeding the National Employment Active Population (NEAP) targets as set by Statistics South Africa. We are particularly proud of the achievement in gender with 58% female representation in the organisation and 33 females represented at Senior and Executive Management level.

4. ORGANISATIONAL DEVELOPMENT

- The HC Division concluded the succession planning process and report during the last quarter of the financial year and it was endorsed by the Remuneration and Human Resources Committee (REMCO) for noting by the RAF Board.
- The Chairperson of the RAF Board, Dr NM Bhengu, was invited to the CEO's Quarterly Leadership and Talent Engagement Session to address members of the Executive, the Talent Pool and Talent Forum members on the importance of leadership development and the oversight role of the RAF Board.
- The RAF Change Management Framework was approved to ensure a shared, transparent, and consistent approach to change initiatives within the organisation (to be customised to specific circumstances).
- Entrenching a pervasive talent and succession management mind-set and practice within the RAF, the division developed the Talent and Succession Management Framework. The framework sets out the talent and succession management principles, practices, and standards providing guidelines for the effective management of talent and succession in the RAF.

Performance Management

The Performance Management processes, which include quarterly employee reviews, provide for planning, action, monitoring and support to enable achievement of employee targets. Employee targets across all levels are linked to the organisation's APP targets. The RAF's Performance Management System encourages continuous improvement at an employee and organisational level, with performance objectives driving a value-based, high-performance culture and measuring employees living the RAF values. It also assesses Management's leadership competencies with a strong focus on compliance and risk management at all levels.

The RAF achieved 100% completion rate for employee performance reviews in all four quarters of the 2015/16 financial year.

Performance Management contracting and reviews are supported by on-going training and Management consultation.

The current Performance Management Module on the SAP Enhancement Pack has been upgraded to accommodate business requirements and will be implemented in the next financial year.

The RAF's Performance Management System encourages continuous improvement at an employee and organisational level.

5. MAINTAINING A SKILLED AND CAPABLE WORKFORCE

Talent and Succession Management

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

The RAF has embarked on a rigorous process to identify critical positions and proactively identify and develop a pool of potential, high-performing successors at each Management level. Its Learning and Development interventions are directly linked to the RAF Competence Framework and Learning and Development training solutions.

In addition, the RAF has created Leadership Forums as a platform for leaders to engage formally, build trust and create shared understanding on technical, tactical, operational, cultural, strategic and people issues. The forums are held on a quarterly basis for different categories of Management at Executive, General and Senior Management, as well as Managerial levels. The Forums are chaired by the Chief Executive Officer.

In addition, the Leadership Forum is utilised as a platform to informally develop individual competencies and skills, through providing Managers an opportunity to represent divisions, regions and departments, by making presentations to members of the Executive, General and Senior Management, as well as peers.

Leadership Development

Staff attended the following Leadership Development Programmes during the 2015/16 financial year. Of this number, 48 out of 67 were from the nominated RAF talent and succession pool.

Leadership Programme	Attendance: Talent Pool Nominations	Attendance: Non-Talent Pool	Total Attendance
Executive Management Development	4	-	4
Senior Management Development Programme	8	1	9
Management Development Programme	19	11	30
Management Advanced Programme	5	6	11
New Management Development Programme	13	1	14
Total	**49**	**19**	**68**

Career Pathing

The development of career paths facilitates the organisation's ability to recruit and retain talented employees and create career progression opportunities for all employees. A total of 101 out of 126 career paths have been developed for identified mission-critical and strategic positions, with an additional 13 positions having been identified in the last two months of the financial year.

Change Management

During the year under review, RAF Change Management focused on the integration of various disciplines in terms of the service required by the RAF business.

The Change Management Framework was prepared and signed with action items required as part of the training and implementation plan for the 2016/17 financial year. Change Management exists to ensure that projects and initiatives undertaken within the RAF deliver the results intended and that the change process is conducted professionally and in an organised manner. The focal points are outlined below:

- **Phase 1** - Preparing for change (Preparation, assessment and strategy development).
- **Phase 2** - Managing change (Detailed planning and change management implementation).
- **Phase 3** - Reinforcing change (Data gathering, corrective action and recognition).

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

Building organisational Change Management capability is achieved through Change Champions and organisational engagements.

The Change Champion network has been expanded and assigned to each of the RAF transversal projects to ensure successful appointments and all Champions received training on the Change Framework.

Organisational Design

The HC Division successfully completed the organisational structure review for the 2015/16 financial year. The review of the organisational structure comprised of filled and vacant positions making up the total number of approved and budgeted positions. The total number of approved and budgeted positions for the reporting period was 2,823 as at 31 March 2016.

The table below provides an overview of the approved, budgeted, filled and vacant positions.

Region	Filled Positions as at 31 March 2016	Vacant Positions as at 31 March 2016	Budgeted Positions as at 31 March 2016
Cape Town	273	22	295
Durban	339	43	382
East London	203	13	216
Johannesburg (including Bloemfontein and Kimberley offices)	427	38	465
Pretoria (including Mafikeng, Nelspruit and Polokwane offices)	720	46	766
Eco Glades	631	68	699
GRAND TOTAL	**2,593**	**230**	**2,823**

The total number of approved and budgeted positions for the reporting period was 2,823 as at 31 March 2016.

In addition, the unit also finalised the acquisition of the NAKISA Organisational Chart Hub which will enable the organisation to:

- Automate the maintenance and update of the organisational structure in real time;
- Give members of Management real-time access to the enterprise information, as well as identify relationships, such as dotted-line reporting, quickly and easily;
- Explore career opportunities via an organisational chart navigation or profile match-up; and
- Manage employee talent profiles, including talent assessments, competencies, and work experience.

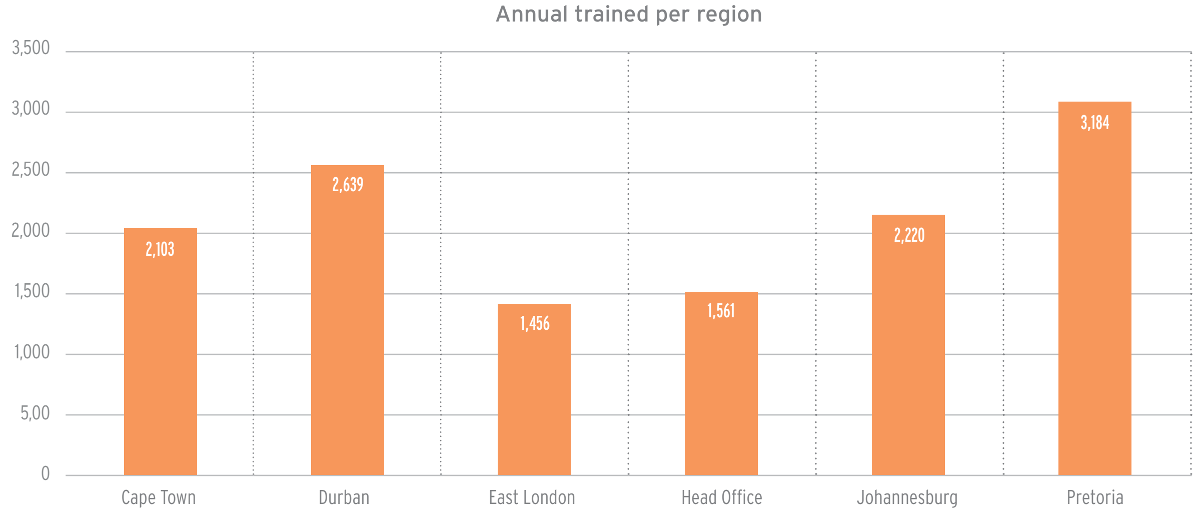
This system will be implemented in the new financial year.

6. CAPACITY AND CAPACITY BUILDING

Learning and Development

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

- Motor Vehicle Accident (MVA) Foundation course;
- Leave Policy training;
- Accreditation of the RAF Skills Programme;
- Microsoft packages (Outlook, Word, Excel, PowerPoint);
- On-boarding of new recruits;
- SAP system training;
- Claims Viewing training; and
- Leadership training.



Graph 1 *– Number of learning interventions per employee per region for the period 1 April 2015 – 31 March 2016*

Centre of Excellence

The Centre of Excellence plays an important role in making the RAF an employer of choice by establishing a culture of performance through the Recognition and Reward System. During the year under review, the Centre entered into a contract with the South African Board for People Practices (SABPP) to conduct an audit of its HC standards against the approved SABPP HRM standards. The Centre also established Communities of Practice (COP) for HSCs in all the RAF regions.

Recognition and Reward of Performers

In recognition of the achievement of APP targets for 2014/15, the Board approved the payment of performance bonuses.

In addition, 1,219 staff members were recognised in the 2015/16 financial year in the form of spot, monthly, quarterly and annual awards for living the RAF values in their daily execution of tasks.

A benchmarking survey was conducted to compare the RAF employee salaries with market-related salaries. The RAF participated in three salary surveys, the results of which will be used to enhance remuneration practices in 2016/17.

Maintenance of Institutional Knowledge and Engagements

With the aim of promoting shared learning through the management of tacit and explicit knowledge, the Knowledge Management team focused on the advocacy of knowledge management within the Fund. Knowledge-sharing sessions were conducted and COP for the HSCs in the Durban, Cape Town, Johannesburg and East London branches were established. Electronic platforms were created to assist the HSC COP in sharing and capturing knowledge. Additional workshops were also conducted at the regional offices to raise awareness of the important role COP can play when doing claim estimates. This initiative will continue into the next financial year.

Furthermore, since the incorporation of the RAF library into the Knowledge Management Unit, the library space has been reorganised to ensure the provision of a more effective and efficient library and information service to all RAF staff. Almost 300 new books have been purchased and made accessible to RAF staff. Recently, the library also hosted a successful Book Expo where staff from the Eco Glades office and the Johannesburg regional office had the opportunity to recommend new books for the library.

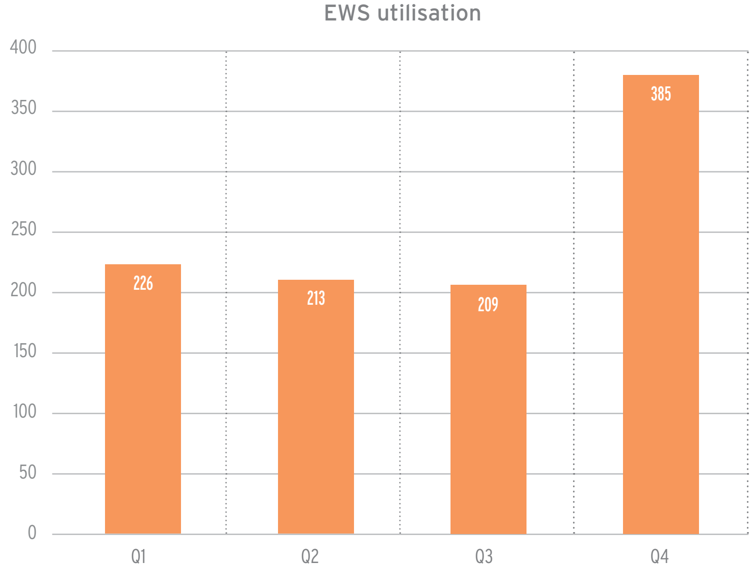
Regulation and Compliance

During the period under review, the RAF implemented best practice HC policies and SOPs to guide Line Managers and employees in the alignment of HC practices to the achievement of business objectives and goals.

Employee Wellness Services

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

An integrated health and wellness approach is used which also contributes to staff retention. During the year under review, a total of 1,033 walk-in employees were assisted at the respective regional EWS offices.



***Graph 2** – EWS utilisation*

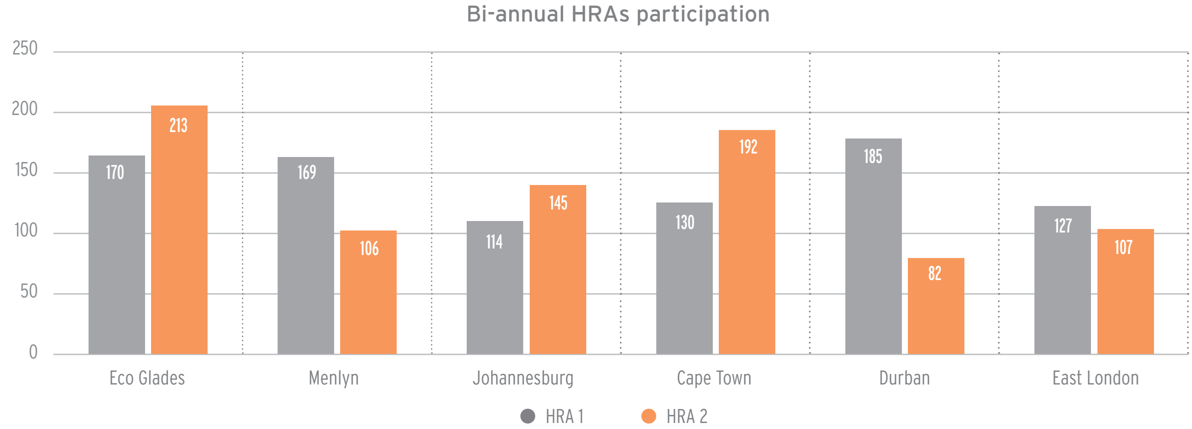
During the year under review, a total of 1,033 walk-in employees were assisted at the respective regional EWS offices.

Health Risk Assessments

Health risk assessments (HRAs) were conducted with the following main objectives:

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

A total of 895 and 845 employees were screened in Quarters One and Two respectively. Once the reports were received, a Healthy Lifestyle event was conducted in all regions to address the abnormal HRA outcomes, yielding 1,026 participants nationally.



***Graph 3** – Total employees that participated in bi-annual HRAs*

National Health Calendar

EWS commemorates and celebrates important days on the National Health Calendar. One such event was the International Men's Day celebrations. The focus was on launching Men's Forums throughout the organisation. The launch of the Men's Forum is meant to promote the role of men in the organisation. The Forum will provide male staff with a platform to engage in meaningful debates and dialogues affecting them, and create a balance between the organisation and society at large.

National Sports and Wellness Day

This annual event is organised by EWS in line with the government agenda on sports and recreation in the workplace. The Sports and Wellness Day was successfully held across all RAF offices on 11 December 2015. A total of 1,716 employees participated.

Other Wellness Initiatives

- Stress Management Workshops: These were held for the Writs Departments in Durban, East London, Cape Town and Johannesburg branches.
- Blood Donation Drive: In partnership with the South African National Blood Services (SANBS), all branches continued to participate with blood donation every second month.
- Financial Wellness: Employees were engaged in interactive education sessions to address over-indebtedness and to provide information on how to attain financial wellness.
- Flu vaccines were administered to Bonitas Medical Aid Scheme members nationally. A total of 166 employees were inoculated.

Managing Absenteeism

In South Africa, the cost of absenteeism is estimated to be more than R12 billion and this trend was confirmed by the data that was extracted from the RAF leave system. In light of this, absenteeism is a concern within the organisation and has led to the review of the Leave Management Policy and SOP to assist with the curbing of absenteeism. The Leave Management Policy and SOP provide Managers with mechanisms to better manage absenteeism through monitoring leave and implementing the 'Return to Work' form to manage sick leave abuse. Apart from this, training was also provided to ensure that Managers can identify health and wellness problems that might impact on productivity and refer such issues appropriately.

The RAF is in the process of implementing the tool to assist Managers to better manage absenteeism. The tool will provide analytical reports which will enable Managers to identify trends and misuse of leave.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The RAF's ability to attract and retain best talent is as a result of its competitive and benchmarked remuneration practices, supported by an enabling and conducive working environment to retain our most valued asset.

7. BENEFITS AND ADMINISTRATION

Medical and Pension Schemes

Employees continue to enjoy the benefit of three medical aid schemes and these are managed well between HC and the Payroll Department.

Introduction of Flexible Death Benefits: It is the fiduciary duty of the Board of Trustees of the RAF Pension Fund to regularly review and evaluate the benefits the Fund offers to the members. Current benefits were reviewed accordingly and the following changes were introduced in the reporting period:

Change in Death Benefit Structure: With effect from 1 March 2016, the Board of the Pension Fund approved the change of the current death benefit structure of 8 x (3 x taxable and 5 x non-taxable) to a flexible death benefit structure as stated below:

- 8 x pensionable salary (default cover, if you do not make a selection); or
- 6 x pensionable salary; or
- 4 x pensionable salary.

All the above benefits will be approved for tax, i.e. the benefit will be taxed at the time of death and the contributions are tax deductible. The premiums payable for the flexible death benefits, as stated above, are as follows:

Current Benefits:

- 8 x pensionable salary (current benefit = 3 x approved and 5 x unapproved benefits) = 2.64% of pensionable salary.

New Benefits:

- 8 x pensionable salary = 2.58% of pensionable salary;
- 6 x pensionable salary = 1.97% of pensionable salary;
- 4 x pensionable salary = 1.28% of pensionable salary.

Members are now in a position to elect an amount of death cover that will suit their personal needs. Pension Fund trustees meetings were held quarterly and the minutes and performance of the Fund were presented to REMCO for noting.

8. HUMAN RESOURCE AUTOMATION

HC is continually scanning the environment for new HC innovations, such as automated reporting and enhancement of Management information to enable Line Managers to better manage their direct reports. The HC Shared Services Department acquired an automated absenteeism management tool to manage absenteeism. The Performance Management System was also updated during the year under review to incorporate changes to the RAF template.

The Human Resource Information System (HRIS) team embarked on a project to clean up the organisation structure and employee data. The main purpose of this project was to ensure that employees are aligned to the SAP system. All discrepancies that were raised during this project were corrected.

The following system configurations were done in-house to align the system to the Leave Management Policy and SOP, as well as new legislations:

- Development Leave – to cater for block attendance, training and other related attendance;
- Update of Paternity Leave and Maternity Leave – to ensure that the waiting period is enforced;
- Non-standard Employees Sub-group – to cater for the new Amendment Act on Non-standard Employees;
- New tax tables – to align the SAP payroll system to new tax tables from SARS;
- Implement new tax tables in order to comply with SARS requirements; and
- Out of office events – to cater for outside meetings, court attendance, travelling, etc.

Furthermore, SAP HR access was reviewed to identify all employees who were not supposed to have access, in order to comply with the Protection of Personal Information Act, 2013 (POPI Act) so as to ensure that the data is not compromised. The exercise assisted in ensuring that access is provided correctly and that there is segregation of duties.

9. TALENT SOURCING

A total of 378 appointments were made during the year, of which 34% was internal and 66% was external. Attrition remained very low at 7.86%. The RAF also embarked on a skills audit during the reporting period to assess the current skills level against future skills requirements. This will lay the foundation for future HR planning in terms of the demand and supply for skills internally and externally.

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

This division's main focus has been to capacitate the RAF by reducing the vacancy rate. Adequate human resources were attracted and retained through the implementation of various resourcing initiatives.

10. PRIORITIES AND FUTURE PLANS

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

Approved Policies	Approved SOPs
Absenteeism Management	Reduction in the prevalence of sick leave by 10% compared to the previous year's base line. Implementation of the Absenteeism automated tool.
Leadership and Performance Assessment	Introduce the 360 degree leadership feedback tool at Executive Management level.
Performance Management	Performance Management electronic system enhancement to EHP 6. Reinforce a high-performance culture through on-going Performance Management training and coaching and implement a 360° degree assessment tool at Executive Management level.
Talent Sourcing – Automation of the Recruitment Process	The e-Recruitment tool implemented and functional.
Workforce Planning and Skills Audit for Future Requirements	Future workforce and skills requirements assessed. Introduce the Learning Management System (LMS), which will allow for the establishment of a Learning Academy. Conduct a skills audit to ensure that RAF staff has the right skills to fulfil the RAF mandate. Continue talent and succession management, thereby ensuring capacity availability of leaders to fill strategic and critical positions supported by continued implementation of Management and leadership development interventions. Develop career paths for mission-critical and strategic position to develop and attract talent with the right skills and right roles.
Talent and Change Management	Capacitate RAF's critical and strategic positions. Entrench change management through capable Line Managers leading and managing change.
Reduction in Vacancies	Reduction in the vacancy rate to ensure a capacitated RAF.
Organisational Structure Maintained	The RAF will maintain its budgeted and approved positions with no further plans of expansion through an automated integrated organisation modeller tool. This will also assist in tracking and reporting on talent within the RAF.
Social and Economic Transformation	Implement talent attraction programmes to maintain gender equity and attract females to Management positions, thereby contributing to government's social and economic transformation agenda. Implement e-Recruitment portal to reduce the administrative burden of screening applications. The system will enable the RAF to screen CVs, create an audit trail and save a database of applications, thus also improving turnaround times.

11. HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel Cost by Programme

Programme	Total Expenditure for the Entity	Personnel Expenditure (Total Employment Cost (TEC) and Non-TEC HR- related Costs)	Personnel Exp. as a % of Total Exp.	No. of Permanent Employees	Average Personnel Cost per Employee
	(R'000)	**(R'000)**	**%**		**(R'000)**
All	68,164,560	1,279,874	1.88%	2,593	494

Personnel Cost by Salary Band (TEC)

Level	Personnel Expenditure	% of Personnel Exp. to total Personnel Cost	No. of Employees	Average Personnel Cost per Employee
	(R'000)	**%**		**(R'000)**
Top Management	4,703	0.45%	1	4,703
Senior Management	40,790	3.87%	23	1,773
Professional qualified	285,967	27.11%	368	777
Skilled	551,838	52.32%	1,418	389
Semi-skilled	169,369	16.05%	768	220
Unskilled	2,149	0.20%	15	143
Total	**1,054,816**	**100%**	**2,593**	**407**

Performance Rewards

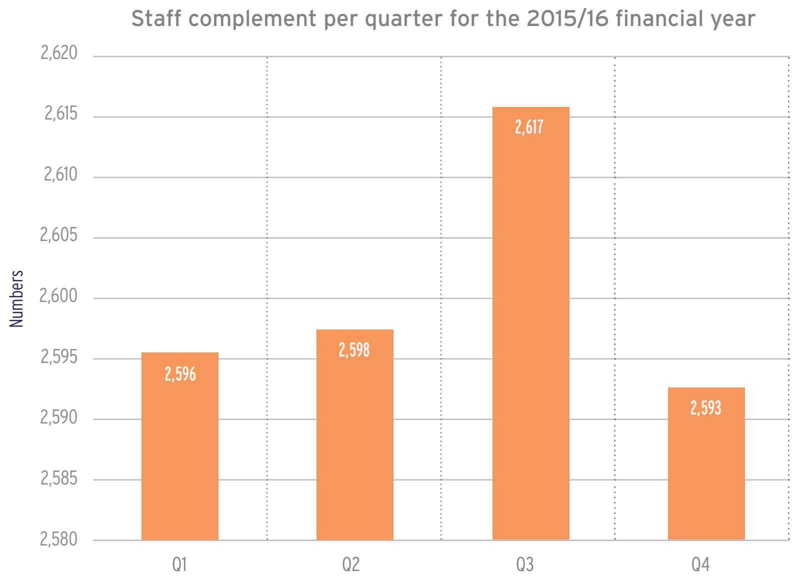
Programme	Performance Rewards	Personnel Expenditure	% of Performance Rewards to Total Personnel Cost
	(R'000)	**(R'000)**	**%**
Top Management	1,901	4,703	40%
Senior Management	6,274	40,790	15%
Professional qualified	39,536	285,967	14%
Skilled	51,781	551,838	9%
Semi-skilled	16,638	169,369	10%
Unskilled	188	2,149	9%
Total	**116,318**	**1,054,816**	**11%**

Training Costs

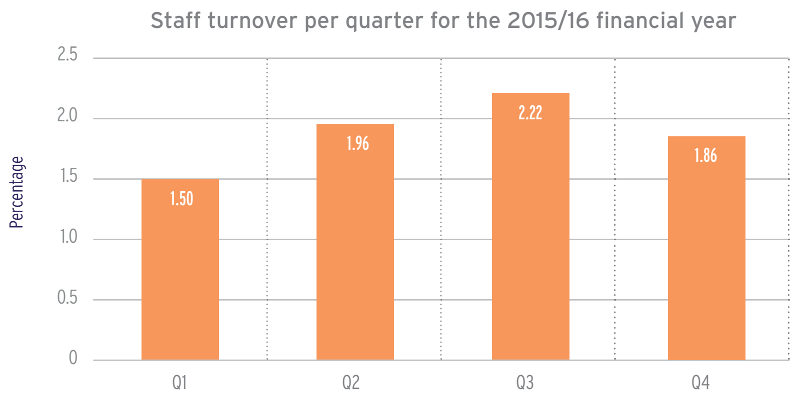
Business unit	Personnel Expenditure (TEC Related Costs)	Training Expenditure	Training Expenditure as a % of Personnel Cost	No. of Employees Trained	Average Training Cost per Employee
	(R'000)	(R'000)	%		
RAF Learning and Development	1,054,816	11,834	1%	1,967	R6,016

Employment and Vacancies

Programme	No. of Employees	Approved Posts	No. of Employees	Vacancies	% of Vacancies
	2014/2015	2015/2016	2015/2016	2015/2016	
Top Management	1	1	1	0	0.00%
Senior Management	20	27	23	4	14.81%
Professional Qualified	344	413	368	45	10.90%
Skilled	1,410	1,543	1,418	125	8.10%
Semi-skilled	763	822	768	54	6.57%
Unskilled	17	17	15	2	11.76%
Total	2,555	2,823	2,593	230	8.14%



***Graph 4** – Permanent staff complement per quarter*



***Graph 5** – Staff turnover rate per quarter*

Number of employees trained: 1,967

Salary band	Employment at Beginning of Period	Appointments Internal	Appointments External	Terminations	Employment at End of the Period
Top Management	1	0	0	0	1
Senior Management	20	1	4	2	23
Professional Qualified	344	19	33	29	368
Skilled	1,410	94	140	139	1,418
Semi-skilled	763	15	70	32	768
Unskilled	17	0	2	2	15
Total	**2,555**	**129**	**249**	**204**	**2,593**

Reasons for Staff Leaving

Death	7	3%
Dismissal	16	8%
Ill Health	1	0%
Resignation	176	86%
Retirement	4	2%

Misconduct and Disciplinary Action

Nature of Disciplinary Action	Number
Verbal Warning	51
Written Warning	57
Final Written Warning	19
Dismissal	16
Total	**143**

Employee Relations

The RAF considers its relations with the Union as a key interface to meet employee expectations in the workplace. Similarly, the RAF considers employee discipline and adherence to the RAF Code of Conduct and compliance to its policies, procedures and regulations as serious matters. During the reporting period, a total of 16 employees were dismissed for serious offences and transgressions.

Incidences and Grievances

There were 38 incidences and grievances lodged during the year under review. This is a 7% decline from the previous reporting period which had 41. This can be attributed to training and engagements conducted with staff across all the regions.

Employment Equity

Equity Target and Employment Equity Status

Levels	Male							
	African		Coloured		Indian		White	
Permanent Employees	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	1	0	0	1	0	0
Senior Management	7	10	1	1	1	0	0	1
Professional Qualified	135	143	14	16	11	5	31	17
Skilled	502	576	33	66	24	21	29	67
Semi-skilled	255	303	27	35	10	11	9	35
Unskilled	0	7	0	1	0	0	0	1
Total	**899**	**1,039**	**76**	**119**	**46**	**38**	**69**	**121**

Levels	Female							
	African		Coloured		Indian		White	
Permanent Employees	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	12	10	0	1	0	0	2	1
Professional Qualified	137	150	13	18	9	5	18	17
Skilled	632	604	63	72	59	21	76	69
Semi-skilled	378	318	49	38	14	11	26	36
Unskilled	14	7	1	1	0	0	0	1
Total	**1,173**	**1,089**	**126**	**130**	**82**	**37**	**122**	**124**

Employees living with Disability	Race							
	African		Coloured		Indian		White	
	Male	Female	Male	Female	Male	Female	Male	Female
Total	**11**	**18**	**0**	**2**	**0**	**0**	**2**	**1**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PART E

FINANCIAL INFORMATION

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

REPORT OF THE AUDITOR-GENERAL

TO PARLIAMENT ON THE ROAD ACCIDENT FUND

Report on the Financial Statements

Introduction

1. I have audited the financial statements of the Road Accident Fund set out on pages 177 to 240, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's Responsibility for the Financial Statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's Responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Road Accident Fund as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMA.

Emphasis of Matter

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Going Concern

8. As disclosed in note 36 to the financial statements the Road Accident Fund had an accumulated deficit of R145,335,490,000 at 31 March 2016 and, as of that date, the entity's current liabilities exceeded its total assets by R145,252,092,000. These conditions, along with other matters as set forth in the accounting authority's report, indicate the existence of a material uncertainty that may cast significant doubt on the public entity's ability to operate as a going concern.

Report on Other Legal and Regulatory Requirements

9. 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 findings on the reported performance information against predetermined objectives of selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined Objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2016:

- Strategic objective 1: Efficient claims processing on pages 69 to 71
- Strategic objective 2: Accessible services on pages 72 to 74
- Strategic objective 3: Effective financial management on page 74 to 76
- Strategic objective 4: Optimal ICT services on page 77 to 78

11. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information (FMPPI)*.

12. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

13. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following objectives:

- Strategic objective 1: Efficient claims processing
- Strategic objective 2: Accessible services
- Strategic objective 3: Effective financial management
- Strategic objective 4: Optimal ICT services

Additional Matter

14. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matter:

Achievement of Planned Targets

15. Refer to the annual performance report on pages 69 to 83 for information on the achievement of the planned targets for the year.

Compliance with Legislation

16. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Expenditure Management

17. The accounting authority did not take effective steps to prevent irregular, fruitless and wasteful expenditure, as required by section 51(1)(b)(ii) of the PFMA.

Internal Control

18. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matter reported below is limited to the significant internal control deficiencies that resulted in the finding on compliance with legislation included in this report.

Leadership

19. Slow response by management in implementing effective controls to prevent the repeated incurrence of irregular, fruitless and wasteful expenditure.

Auditor-General

Auditor-General
Pretoria
31 July 2016

AUDITOR-GENERAL
SOUTH AFRICA

REPORT OF THE AUDIT COMMITTEE

The Audit Committee is pleased to present its report for the financial year ended 31 March 2016.

The Audit Committee is an independent statutory committee appointed by the Board of the RAF. The duties and responsibilities of the Audit Committee, as delegated by the Board of the RAF, are included in this report.

Audit Committee Terms of Reference

The Audit Committee has adopted formal Terms of Reference as its Audit Committee Charter that has been approved by the Board of the RAF. The Committee has conducted its affairs in compliance with this Charter and has discharged its responsibilities contained therein. The Charter is available on request.

Audit Committee Members and Attendance

The Audit Committee consists of four independent Non-executive Board members. It meets at least four times per year, as specified in terms of the Audit Committee Charter.

The Chairperson of the Board, Chief Executive Officer, Chief Financial Officer, Chief Audit Executive, external auditors and other assurance providers (Legal, Compliance, Risk, Health and Safety) attend meetings by invitation only.

During the year under review five meetings were held.

Name of Member	23 April 2015	27 May 2015	22 July 2015	22 Oct 2015	28 Jan 2016	Total
LED Hlatshwayo	Yes	Yes	Yes	Yes	Yes	5
D Coovadia	Yes	Yes	Yes	Yes	Yes	5
TP Masobe	Yes	Yes	Yes	Yes	X	4
DK Smith	Yes	Yes	Yes	X	Yes	4

Director General's Representative	23 April 2015	27 May 2015	22 July 2015	22 Oct 2015	28 Jan 2016	Total
T Tenza	X	X	X	Yes	Yes	2

X - Apologies were rendered for meetings not attended

The Audit Committee has adopted formal Terms of Reference as its Audit Committee Charter that has been approved by the Board of the RAF.

Roles and Responsibilities

The Audit Committee's roles and responsibilities include its statutory duties as per the PFMA, 1999 (Act No. 1 of 1999), as well as the Treasury Regulations issued in terms of the PFMA and the responsibilities assigned to it by the Board.

The Audit Committee was responsible for performing its duties as set out in the Audit Committee Charter, which included reviewing the following:

- The effectiveness of the RAF's internal control systems;
- The risk areas of the RAF's operations to be covered in the scope of the internal and external audits;
- The accounting and auditing concerns identified as a result of the internal or external audits;
- The RAF's compliance with legal and regulatory provisions, in particular the Road Accident Fund Act, 1996 (Act No. 56 of 1996) (RAF Act); the Road Accident Fund Amendment Act, 2005 (Act No. 19 of 2005) (RAF Amendment Act); the PFMA, as well as National Treasury Regulations;
- The activities of the Internal Audit function, including its work programmes, coordination with the external auditors, the reports of significant investigations and the responses of Management to specific recommendations;
- The independence and objectivity of the external auditors;
- The review of the Annual Financial Statements with specific attention to:

  - Underlying accounting policies or changes thereto;
  - Major estimates and managerial judgements; Significant adjustments flowing from the year-end audit;
  - Compliance with effective South African Standards of Generally Recognised Accounting Practice (GRAP), the PFMA, IFRS 4 and other statutory precepts; and
  - The appropriateness of the 'going concern' assumption.

The Audit Committee also undertook the following activities during the year under review:

- Reviewing and recommending the Internal Audit Department's Charter for approval by the Board;
- Reviewing and approving the Internal Audit Plan;
- Conducting investigations within its Terms of Reference; and
- Encouraging communication between members of the Board, Senior and Executive Management, the Internal Audit Department; and the external audit partner.

External Auditors

During the year under review, the Audit Committee met with the external auditors and with the Chief Audit Executive without Management being present. The Audit Committee is satisfied that it complied with its legal, regulatory and other responsibilities.

The Audit Committee, in consultation with Executive Management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the 2015/16 financial year.

Financial Statements and Accounting Policies

The Audit Committee has evaluated the Accounting Policies and Annual Financial Statements of the RAF for the year ended 31 March 2016 and concluded that they comply, in all material respects, with the requirements of the PFMA, and were prepared in accordance with the effective SA Standards of GRAP issued by the Accounting Standards Board (ASB).

The Audit Committee has established a process to receive and deal appropriately with any concerns and complaints relating to the reporting practices of the RAF. No matters of significance were raised in the past financial year.

Unauthorised, Irregular and Fruitless and Wasteful Expenditure

The Audit Committee is satisfied with the processes in place to detect and disclose unauthorised, irregular and fruitless and wasteful expenditure. Any unauthorised, irregular and fruitless and wasteful expenditure that exceeds the materiality limit of 5% of the total asset value as documented in the Materiality Framework will be disclosed. For the year under review, there has been no such expenditure which has breached the materiality limit of R489,788,100, either individually or in totality.

Internal Financial Controls

The Audit Committee's assessment of the internal financial controls in the claims environment is that the systems, although enhanced, could still be improved. Despite this, and based on the information and explanations given by Management and the Internal Audit function, together with discussions held with the Auditor-General of South Africa on the result of their audits, the Audit Committee is of the opinion that the internal financial controls are adequate to ensure that the financial records may be relied upon for preparing the Annual Financial Statements, and accountability for the assets and liabilities is maintained.

Based on the results of the formal documented review of the design, implementation and effectiveness of the RAF's system of internal financial controls conducted by the Internal Audit function during the 2015/16 financial year and, in addition, considering information and explanations given by Management and discussions with the external auditor on the results of their audit, the Audit Committee is of the opinion that the RAF's system of internal financial controls is effective and forms a sound basis for the preparation of reliable Annual Financial Statements.

Whistle-blowing

The Audit Committee receives and deals with any concern or complaints, whether from within or outside the RAF, relating to the accounting practices and Internal Audit of the RAF, the content or auditing of the RAF's Annual Financial Statements, the internal financial controls of the RAF and related matters.

Reporting and Combined Assurance

The Audit Committee fulfils an oversight role regarding the RAF's Annual Report and the reporting process, including the system of internal financial control. Furthermore, the Audit Committee oversees co-operation between the internal and external auditors and other service providers. A Combined Assurance Forum has been formed which is chaired by the General Manager: Risk and reports to the Audit Committee on a quarterly basis.

Going Concern

The Audit Committee reviewed a documented assessment by Management of the 'going concern' premise before agreeing that the adoption of the 'going

The Audit Committee is satisfied that it complied with its legal, regulatory and other responsibilities.

concern' premise is appropriate in preparing the Annual Financial Statements. (Refer to the Report of the Board as it pertains to the section on 'going concern'.)

Governance of Risk

The Board has assigned oversight of the RAF's Risk Management function to the Risk Management and Ethics Committee (RMEC).

The Chairperson of the Audit Committee is a member of the RMEC to ensure that information relevant to these committees is transferred regularly. The Audit Committee fulfils an oversight role regarding financial reporting risks, internal financial controls and fraud and information technology risks, as it relates to financial reporting.

Internal Audit

The Audit Committee is responsible for ensuring that the RAF's Internal Audit function is independent and has the necessary resources, standing and authority within the RAF to enable it to discharge its duties.

The Internal Audit function reports centrally with responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all of the RAF's operations. The Chief Audit Executive is responsible for reporting the findings of the Internal Audit work against the agreed Internal Audit Plan to the Audit Committee on a regular basis.

The Chief Audit Executive has a functional reporting line to the Audit Committee, primarily through its Chairperson, and reports administratively to the CEO. The Audit Committee is also responsible for the assessment of the performance of the Chief Audit Executive and the Internal Audit function.

Evaluation of the Expertise and Experience of the Chief Financial Officer and Finance Function

The Audit Committee has satisfied itself that the Chief Financial Officer has appropriate expertise and experience.

The Audit Committee has considered, and has satisfied itself with the appropriateness of the expertise and adequacy of the resources in the Finance function and the experience of the senior members of Management responsible for the Finance function.

MR LED HLATSHWAYO
Chairperson of the Audit Committee
29 July 2016

STATEMENT OF RESPONSIBILITY BY THE BOARD

The Annual Financial Statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB).

The Public Finance Management Act (PFMA) requires the Accounting Authority (Board) to ensure that the Road Accident Fund (RAF) keeps full and proper records of its financial affairs. The Annual Financial Statements should fairly present the state of affairs of the RAF, its financial results, its performance against predetermined objectives and its financial position at the end of the year in terms of the effective South African Standards of GRAP.

The Annual Financial Statements are the responsibility of the Board. The external auditors are responsible for independently auditing and reporting on the Annual Financial Statements.

To enable the Board to meet the above-mentioned responsibilities, the RAF Board sets standards and oversees systems of internal control. The controls are designed to provide cost-effective assurance that assets are safeguarded, and that liabilities and working capital are efficiently managed.

Policies, procedures, structures and approval frameworks provide direction, accountability and division of responsibilities, and contain self-monitoring mechanisms. The controls throughout the RAF focus on the critical risk areas identified by operational risk management and confirmed by Executive Management. Both Management and the Internal Audit Department closely monitor the controls and actions taken to correct deficiencies as they are identified.

Based on the information and explanations given by Management and the Internal Audit Department, and discussions held with the Auditor-General of South Africa on the result of their audits, the Board is of the opinion that the internal financial controls are adequate to ensure that the financial records may be relied upon for preparing the Annual Financial Statements, and accountability for the assets and liabilities is maintained.

Nothing significant has come to the attention of the Board to indicate that any material breakdown has occurred in the functioning of these controls, procedures and systems during the year under review.

In the opinion of the Board, based on the information available, the Annual Financial Statements fairly present the financial position of the RAF at 31 March 2016 and the results of its operations and cash flow information for the year.

Though the RAF will continue to face material cash flow constraints, it is believed that based on the initiatives implemented to date, the support from its stakeholders, the absence of any indication that it should no longer execute its statutory obligations and by continuing to work with its service providers, that the RAF will be able to meet its obligations arising in the next 12 months.

On an annual basis following the Minister of Finance's Budget Speech in Parliament, the Taxation Amendment Act indicates what the RAF Fuel Levy will be for the applicable financial year.

The Annual Financial Statements of the RAF for the year ended 31 March 2016, which have been prepared on the 'going concern' basis (refer to the Report of the Board as it pertains to the section on 'going concern'), have been approved by the Board and signed on its behalf by:

DR NM BHENGU
Chairperson of the Board
Date: 29 July 2016

REPORT OF THE BOARD

1. Introduction

The Board presents its report which forms part of the Annual Financial Statements of the RAF for the year ended 31 March 2016 to the Minister of Transport, who is the Executive Authority in terms of section 55(1)(d) of the PFMA.

The RAF, as established by the RAF Act, is listed as a National Public Entity in accordance with schedule 3A of the PFMA. The Board acts as the Accounting Authority in terms of the PFMA.

2. Board

The Board members and Corporate Secretary as at the date of this report are as follows:

Non-Executive Board Members

Dr NM Bhengu (Chairperson)
Mr D Coovadia (Vice Chairperson)
Dr KLN Linda
Adv. DS Qocha
Mr TP Masobe
Mr AM Pandor
Mr DK Smith
Ms R Mokoena
Ms A Steyn
Mr LED Hlatshwayo
Mr TB Tenza (DG representative)*

*The Director-General of the Department of Transport or any other Senior Officer in the Department of Transport, designated by him or her for a particular purpose, serves as an *ex officio* member of the Board.

Corporate Secretary

Ms JR Cornelius

Chief Executive Officer

Dr EA Watson

Chief Financial Officer

Ms Y van Biljon

3. Review of Activities

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

The detailed review of the results of the RAF for the year ended 31 March 2016 is included in Part B: Performance Information in the Annual Report.

4. Solvency and Going Concern

We draw attention to the fact that as at 31 March 2016, the entity had an accumulated deficit of R145,335,490,000 and that the entity's total liabilities exceeded its assets by R145,252,092,000.

In the course of this financial year, the RAF continued to complete and settle more claims than it could honour from available funding. The Fund was limited to paying claims to the value of the annual RAF Fuel Levy it receives, a levy that bears no reference to the historic or forecasted claims profile, the value of claims settled or the operational capacity the entity has to settle claims.

The assessment and the assumptions used to conclude on the continued appropriateness of the application of 'going concern' as a basis for the preparation of the Annual Financial Statements are explored below. The assessment and assumptions inform mitigation measures being implemented.

In the course of this financial year, the RAF continued to complete and settle more claims than it could honour from available funding.

Assessment:

Initiatives in the 2014/15 financial year still believed to be relevant:

- The Legal Opinion obtained on what it means for the RAF to be considered 'insolvent', whether it can be classified as a 'going concern', what process needed to be followed for the RAF to be wound up, how the RAF was to deal with creditors where it could not pay them, what exposure the RAF had were it not in a position to pay claimants, the recourse of such claimants and the personal liability of the RAF's Board and Officials were a case to be made for financial mismanagement.
- The Technical Opinion on 'going concern' from one of its Panel of Internal Audit Firms with respect to the basis on which the Financial Statements of the RAF should be prepared and how the institution should mitigate the risk of obtaining a qualified audit opinion given the threat to the 'going concern'.

Initiatives put in place in the 2014/15 financial year that were maintained in the 2015/16 financial year:

- Updated cash flow forecasts were prepared on a daily, weekly and monthly basis to reflect the latest available financial status both in-year and multiyear and to identify the funding shortfall for any next steps.
- Extensive reporting mechanisms exist to monitor cash flows on a real-time basis and to report relevant information to the various affected parties and stakeholders, as well as to develop a proactive response to the extent possible.
- Writs instances and the processes followed in responding thereto were actively monitored and tracked by Operations and the Finance Treasury Department, whilst being supported by the Corporate Legal Department.
- Assessed the risk against the risk-bearing capacity of the entity.
- Again considered the fact that the RAF Act contemplates that the RAF may be 'unable' to pay and may be insolvent, but to liquidate the Fund is not possible under the said Act. To wind up the business of the RAF will require an Act of Parliament. Section 21 of the Act provides for the revival of the common law claim of the person injured in a road crash, or the dependents of the person killed as a result of the injuries sustained in a road crash, to sue the wrongdoer. Should section 21 of the RAF Act be "triggered" by the RAF's inability to pay claimants, the implications for the public, and the State, would be dire.

It thus remains clear that the RAF cannot stop making payments, despite its cash flow constraints.

The RAF developed and implemented the following actions:

- A Cash Management Strategy was designed, recently reviewed and implemented to ensure available funding was distributed in an equitable and fair manner.
- An extensive multipronged Communication Strategy remains in place to ensure that all service providers are kept abreast of developments in a transparent and frank manner.
- The entity, on a continuous basis, sought to reduce its own cost base by freezing headcount growth and implementing various savings initiatives and projects designed to seek cost optimisation.
- Following the zero cent increase in the RAF Fuel Levy for the 2015/16 financial year, the entity embarked on a further ad hoc purpose-specific cost optimisation exercise and the outcomes included, among others, an across-the-board reduction of the 2015/16 financial year budgets for all expenditure items, delaying project expenditure, maintaining instead of replacement, removing non-active vacancies, and various initiatives in Supply Chain Management and Operations.
- Extensive engagements with stakeholders – National Treasury, DoT and other relevant parties and forums – are on-going to ensure awareness, to present status updates and to seek solutions.

Assumptions:

- The ability of the RAF to continue as a 'going concern' cannot be considered, primarily because it is not a commercial enterprise. The RAF is, as its name implies, a fund. It is a receptacle of all monies procured from the National Treasury pursuant to section 5(1) of the RAF Act from which all claims for damages arising from bodily injuries are to be paid. The Fund therefore has no realistic alternative other than to continue to operate in accordance with the above-said legislation.
- The RAF is incapable of being liquidated. To wind up the business of the RAF will require an intervention through an Act of Parliament. The winding up process will, however, not absolve the RAF from the debts that it would have incurred as at the time of the culmination of such a process. There is currently no indication of any intention to repeal the Act.
- Cash flow forecasts for the next 12 months indicate that the extent to which net liabilities exceed net assets is expected to increase and the backlog on its Accounts Payable Book will increase. The impact of a deficit will remain a matter of emphasis as has been the case. The uncertainty thus remains.
- The power to levy rates or taxes enables the RAF to be considered a 'going concern' even though it may operate with negative net assets.
- Support from its stakeholders, repeatedly expressed and visibly actioned in the past and more recently, continues.
- The intention to continue with the Cash Management Strategy and the Communication Strategy and the maintenance of the relationships built with service providers.
- The continuous reporting and implementation of actions to respond to what the reporting indicates, also proactively, where possible.
- The RAF will continue to execute its mandate within its available funding and, with the initiatives mentioned, is confident that it will be able to meet its short-term obligations.
- The initiatives identified above with respect to cost optimisation will continue.
- Engagements with National Treasury and the DoT will continue with status updates and to support expectations communicated, as and when required.
- Active continuation of the pursuit of the promulgation of RABS will see a financially viable social security system introduced via a mechanism like the RAF become affordable and appropriately funded going forward.

- At the date of transition from RAF to RABS, the provision for outstanding claims as well as the Accounts Payable Book will be transferred to the fiscus. The obligations incurred will thus have to be honoured.

It is further important to note the following:

- On an annual basis, following the Minister of Finance's Budget Speech in Parliament, the Taxation Amendment Act indicates what the applicable RAF Fuel Levy will be for the financial year. The National Budget, inclusive of the fuel levy amount, is submitted and approved by the South African Parliament via the Taxation Amendment Act. Government also commits to the RAF budget in its Medium-Term Expenditure Framework (MTEF).
- It should further be noted that the RAF can only be dissolved by an Act of Parliament which repeals the current Act and will result in the common law residual claim being revived. Once triggered, common law delictual claims may be instituted against the wrongdoer and it is likely that claims would be instituted against the State on the basis that the State is required to ensure that the RAF is funded to pay claims. There is currently no indication of any intention to repeal the Act.

It is believed that, based on the initiatives implemented to date, the support from its stakeholders and the absence of any indication that the RAF should no longer execute its statutory obligations, and by continuing to work with its service providers, the RAF will be able to meet its obligations arising.

On the basis of the above, the 'going concern' basis used in preparing the Annual Financial Statements is thus still believed to be appropriate. This basis presumes that funds will be available to finance future operations and that the realisation of assets and the settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business, and it is the opinion of the Board that this will be achieved.

The following table depicts the total assets and the total liabilities of the RAF over the past five years. From the table below, it is clear that the RAF has not been solvent for a number of years. The accumulated deficit has increased by the deficit of the year of R34,958,399,059 in the 2015/16 financial year.

	2016	**Restated 2015**	**2014**	**2013**	**2012**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**
Total assets	9,795,762	7,367,289	7,694,347	10,717,258	8,572,312
Total liabilities	(155,047,854)	(117,613,845)	(98,492,105)	(84,219,622)	(73,660,604)
	(145,252,092)	**(110,246,556)**	**(90,797,758)**	**(73,502,364)**	**(65,088,292)**

5. Subsequent Events

No undisclosed material events have taken place between the Statement of Financial Position date and the authorisation of the Annual Financial Statements.

6. Accounting Policies

The Annual Financial Statements are prepared in accordance with the prescribed South African Standards of GRAP issued by the ASB as the prescribed framework by National Treasury. During the current financial year, no new GRAP Standards were applied for the first time.

7. Materiality Framework

A materiality framework has been developed for reporting losses through criminal conduct and irregular, fruitless and wasteful expenditure, or for significant transactions that require approval by the Executive Authority, as envisaged in Section 54(2) of the PFMA. The framework was finalised by the RAF and approved by the Board on 6 February 2014.

8. Fruitless and Wasteful and Irregular Expenditure

Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure of R31,127,704 (2014/15: R24,508,993) relating to administrative costs, bad debts written off, interest, sheriff costs and writ costs, has been disclosed in Note 25 of the Annual Financial Statements.

Interest, Sheriff Costs and Writ Costs

Interest cost is the cost paid for late payment of the claim compensation as agreed to in a settlement agreement or order of the court, and taxed legal bills settled through taxation, as these costs are due immediately. The interest is charged under the Prescribed Rate of Interest Act of 1975 at 9.0% as per *Government Gazette* No. 37831, issued on 18 July 2014. This interest rate was amended to the repo rate plus 3.5% (currently 10.25%) with effect from 1 March 2016 as per *Government Gazette* No. 39587, issued on 8 January 2016.

Sheriff cost is the cost paid to the Sheriff for its service with regard to serving the warrant of execution (writs) on the Fund.

As per the definition in the PFMA, fruitless and wasteful expenditure means "expenditure which was made in vain and could have been avoided had reasonable care been exercised". The amounts listed above are costs incurred in the settlement process of claims influenced by external legal processes and time limits legally enforced on the RAF in the settlement of claims.

The total value of claims-related fruitless and wasteful expenditure included in the Annual Financial Statements for the year ended 31 March 2016 is R28,386,904 (2014/15: R24,265,919) representing a 17% increase. This, as a percentage of claims expenditure, is 0.05% (2014/15: 0.06%). The total value of claims-related fruitless and wasteful expenditure, had it not been reduced for the current cash position and Management Strategy, would have been R139,025,402 (2014/15: R59,172,712).

Reporting and adherence to the Writs Standard Operating Procedures (SOPs) will continue.

Legal costs create operational constraints, as there are no legal obligations for plaintiff attorneys to submit the bill within any stipulated time frames. The majority of legal cost bills are disputed, because their content or the items billed are incorrect or invalid. The process of taxation of legal cost bills through the Office of the Taxation Master is the only option to settle these disputes.

The taxation of the legal cost bills exposes the RAF to a risk of non-compliance with court processes despite an Instruction Note from National Treasury that all payments from legal settlements must be paid within 30 days from the date of settlement. Court rules require that taxed bills must be paid immediately after taxation and plaintiff attorneys issue warrants of execution immediately after the settlement.

As a result, payments may comply with the PFMA, but not the court rules.

The following information relates to the legal cost bills settled through taxation for 2015/16:

- Number of bills settled through taxation: 17,280 (2014/15: 21,112) – and it has decreased by 18%.
- Number of bills where a saving was made through taxation: 16,741 (2014/15: 20,177) – and it has decreased by 17%.
- Amount saved through taxation: R1,097,303,853 (2014/15: R633,269,897) – and it has increased by 73%.
- The success rate in terms of saving legal cost bills was 97% (2014/15: 96%).

The number of taxed legal cost bills has reduced as a result of the cash constraints, as well as increased cost contributions. Cost contributions towards the attorney prevents the attorney from drawing bills for higher amounts and also realising a saving as there are no drawing fees, attendance fees or cost consultant fees.

The increased savings are as a result of higher capital settlements, an increase in tariffs as, well as attorneys overreaching when drawing up their bills which equate to higher bills, and when taxed, result in higher savings. In addition to the above, savings originate from the appointment of cost consultants by the RAF who realise higher savings as their fee is determined by the saving.

RAF officials are required to diligently apply the process of the legal cost bills assessment. Writs SOPs are in place to ensure that all taxed bills are paid timeously to minimise the impact of the interest cost at a rate of 9% and 10.25% from 1 March 2016.

The number of writs received in the 2015/16 financial year was 15,273 (2014/15: 10,752). It was 42% higher than in 2014/15 and was related to the documented cash flow constraints.

The fruitless and wasteful expenditure is monitored closely by the Executive Management and the Board. There are processes which have been undertaken to ensure that this risk is mitigated.

Fruitless and wasteful expenditure relating to administrative costs totalled R2,740,800 and was comprised of interest on late payment of suppliers, bad debts written off, additional travel costs which could have been avoided, and other sundry items.

Disciplinary action was taken against staff members as a result of negligence resulting in the payment of sheriff and interest costs, as well as duplicate payments and administrative costs. During the 2015/16 financial year 510 staff members received counselling and 84 verbal warnings and 90 written warnings were issued. No dismissals were necessary. (These figures were obtained from the Writs and Financial Misconduct Registers.)

Irregular Expenditure

Irregular expenditure of R11,428,300 (2014/2015: R14,645,000) was condoned during the 2015/16 financial year and is disclosed in Note 26 of the Annual Financial Statements.

Irregular expenditure arose as a result of:

- Non-compliance with Supply Chain Management practices;
- Failure to comply with procurement processes when procuring goods or services as stipulated in the Supply Chain Management Policy and also committing acts that contravened or failed to comply with a provision of the PFMA and the RAF Act; and
- Non-compliance with the provisions of the RAF Financial Misconduct Policy and PFMA, which constituted financial misconduct and warranted disciplinary actions.

Any employee who committed an act which undermined the financial management and internal control systems of the RAF, as required by relevant legislations and policies, was dealt with in terms of the Disciplinary Policy.

Employees who made or permitted irregular expenditure or fruitless and wasteful expenditure, as defined in section 57 of the PFMA, exposed themselves to appropriate disciplinary measures.

In 2015/16, three employees were counselled as a result of financial misconduct where they were found to have contravened provisions of the Acts and internal policies.

Upon review, the number and type of irregular expenditure had improved by 61% from 33 in 2014/15 to 13 at the end of the 2015/16 financial year. This reduction confirms the efficiency of Management interventions and a continued reduction is expected.

9. Addresses

Business address:
Eco Glades Office Park 2, 420 Witch-hazel Avenue
Centurion 0046

Postal address:
Private Bag X178, Centurion 0046

Website: www.raf.co.za

10. Approval

The Annual Financial Statements, which have been prepared on the going concern basis, were approved by the Board on 29 July 2016 and were signed on its behalf by:

DR NM BHENGU
Chairperson of the Board
Date: 29 July 2016

DR EA WATSON
Chief Executive Officer
Date: 29 July 2016

CORPORATE SECRETARY'S CERTIFICATION

I hereby certify that the RAF has lodged all returns as required by the Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended by Act No. 29 of 1999.

MS JR CORNELIUS
Corporate Secretary
Date: 29 July 2016

STATEMENT OF FINANCIAL POSITION

as at 31 March 2016

	Note(s)	2016 R'000	2015 (Restated) R'000
ASSETS			
Current Assets			
Cash and cash equivalents	3	2,044,261	1,048,224
Receivables from non-exchange transactions	4	7,361,832	5,887,118
Receivables from exchange transactions	5	9,541	4,356
Other financial assets	6	147,147	140,855
Consumable stock	7	5,736	4,929
		9,568,517	7,085,482
Non-current Assets			
Property, plant and equipment	8	201,443	251,752
Intangible assets	9	25,802	30,055
		227,245	281,807
TOTAL ASSETS		**9,795,762**	7,367,289
LIABILITIES			
Current Liabilities			
Payables from exchange transactions	10	194,290	177,952
Other financial liabilities	11	46,719	77,518
Claims liabilities	12	46,505,919	34,395,468
Other provisions	13	738,525	935,119
		47,485,453	35,586,057
Non-current Liabilities			
Claims liabilities	12	107,500,974	81,973,500
Employee benefit obligation	14	53,821	50,675
Operating lease liability	15	7,606	3,613
		107,562,401	82,027,788
TOTAL LIABILITIES		**155,047,854**	117,613,845
NET ASSETS		**(145,252,092)**	(110,246,556)
Reserves			
Revaluation reserve		83,398	130,535
Accumulated deficit		(145,335,490)	(110,377,091)
TOTAL NET ASSETS		**(145,252,092)**	(110,246,556)

* *See note 35*

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2016

	Note(s)	2016 R'000	2015 (Restated) R'000
REVENUE			
Revenue from Exchange Transactions			
Recoveries	17	2,750	961
Allowance for credit losses adjustment		410	-
Investment revenue	18	88,557	64,630
Gains on disposal of assets		1,388	-
TOTAL REVENUE FROM EXCHANGE TRANSACTIONS		**93,105**	65,591
Revenue from Non-exchange Transactions			
Net fuel levies	16	33,113,056	22,614,340
TOTAL REVENUE		**33,206,161**	22,679,931
EXPENDITURE			
Claims expenditure	19	(66,266,472)	(40,456,056)
Reinsurance premiums	20	(22,417)	(23,385)
Employee costs	21	(1,279,874)	(1,164,018)
Depreciation and amortisation		(47,219)	(45,184)
Finance costs	22	(151,036)	(67,265)
Loss on disposal of assets		-	(1,509)
General expenses	23	(397,542)	(374,056)
TOTAL EXPENDITURE		**(68,164,560)**	(42,131,473)
DEFICIT FOR THE YEAR		**(34,958,399)**	(19,451,542)

* *See note 35*

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2016

	Revaluation Reserve R'000	Accumulated Deficit R'000	Total Net Assets R'000
BALANCE AT 1 APRIL 2014	**127,786**	**(90,925,549)**	**(90,797,763)**
Changes in Net Assets			
Revaluation of land	412	-	412
Revaluation of buildings	2,337	-	2,337
Deficit for the year	-	(19,451,542)	(19,451,542)
Total Changes	2,749	(19,451,542)	(19,448,793)
Opening balance as previously reported	130,535	(110,377,792)	(110,247,257)
Adjustments			
Correction of errors	-	701	701
RESTATED* BALANCE AT 1 APRIL 2015	130,535	(110,377,091)	(110,246,556)
Changes in Net Assets			
Revaluation of land	(7,070)	-	(7,070)
Revaluation of buildings	(40,067)	-	(40,067)
Deficit for the year	-	(34,958,399)	(34,958,399)
Total Changes	(47,137)	(34,958,399)	(35,005,536)
BALANCE AT 31 MARCH 2016	**83,398**	**(145,335,490)**	**(145,252,092)**

* *See note 35*

CASH FLOW STATEMENT

for the year ended 31 March 2016

	Note(s)	2016 R'000	2015 (Restated) R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Fuel levies		31,441,748	21,582,491
Interest income		83,372	76,390
Other income		2,750	961
		31,527,870	21,659,842
Payments			
Employee costs		(1,279,874)	(1,164,018)
Claims expenditure		(28,628,546)	(21,469,707)
Finance costs		(151,036)	(67,265)
Reinsurance premiums		(22,417)	(23,385)
Other expenditure		(411,555)	(334,435)
		(30,493,428)	(23,058,810)
Net Cash Flows from Operating Activities	27	**1,034,442**	(1,398,968)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	(33,600)	(35,725)
Proceeds from sale of property, plant and equipment	8	2,490	30
Purchase of other intangible assets	9	(7,295)	(21,888)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(38,405)**	(57,583)
Net Increase/(Decrease) in Cash and Cash Equivalents		996,037	(1,456,551)
Cash and cash equivalents at the beginning of the year		1,048,224	2,504,775
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3	**2,044,261**	1,048,224

* *See note 35*

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

for the year ended 31 March 2016

	Approved Budget R'000	Adjustments R'000	Final Budget R'000	Actual Amounts on Comparable Basis R'000	Difference between Final Budget and Actual R'000	Notes
STATEMENT OF FINANCIAL PERFORMANCE						
REVENUE						
Revenue from Exchange Transactions						
Other income	-	-	-	2,750	2,750	
Allowance for credit losses adjustment	-	-	-	410	410	
Investment revenue	11,690	-	11,690	88,557	76,867	38
Gain /(Loss) on disposal of assets	(22)	-	(22)	1,388	1,410	38
Total Revenue from Exchange Transactions	**11,668**	**-**	**11,668**	**93,105**	**81,437**	
Revenue from Non-exchange Transactions						
Transfer Revenue						
Net fuel levies	32,630,007	-	32,630,007	33,113,056	483,049	
TOTAL REVENUE	**32,641,675**	**-**	**32,641,675**	**33,206,161**	**564,486**	
EXPENDITURE						
Employee costs	(1,400,996)	-	(1,400,996)	(1,279,874)	121,122	
Claims expenditure	(33,547,058)	-	(33,547,058)	(66,266,472)	(32,719,414)	38
Depreciation and amortisation	(44,381)	-	(44,381)	(47,219)	(2,838)	
Finance costs	(13,022)	-	(13,022)	(151,036)	(138,014)	38
Reinsurance premiums	(22,417)	-	(22,417)	(22,417)	-	
General expenses	(491,107)	-	(491,107)	(397,542)	93,565	38
TOTAL EXPENDITURE	**(35,518,981)**	**-**	**(35,518,981)**	**(68,164,560)**	**(32,645,579)**	
DEFICIT FOR THE YEAR	**(2,877,306)**	**-**	**(2,877,306)**	**(34,958,399)**	**(32,081,093)**	

ACCOUNTING POLICIES

for the year ended 31 March 2016

1. Presentation of Financial Statements

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 91(1) of the Public Finance Management Act, 1999 (Act No. 1 of 1999).

Where Standards of GRAP are not available, International Financial Reporting Standards (IFRS) have been applied. The IFRS Standards applied are detailed below:

IFRS 4 Insurance Contracts

In accordance with a directive issued to the RAF by the ASB in the 2014/15 financial year, IFRS 4 Insurance Contracts have been applied in the recognition, measurement, presentation and disclosure of Claims Liabilities. The Standard was adopted for the first time in the 2014/15 financial year.

IFRS 7 Financial Instruments: Disclosures

The Standard has only been applied to disclosures of Claims Liabilities where required in accordance with IFRS 4 Insurance Contracts.

These Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specified otherwise. It is presented in South African Rand and rounded to the nearest thousand Rand.

A summary of the significant accounting policies applied in the preparation of these Annual Financial Statements are disclosed below and are consistent with those applied in the prior period.

1.1. Significant Judgements and Sources of Estimation Uncertainty

In preparing the Annual Financial Statements, Management is required to make estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements, as new information becomes known, circumstances change or more experience is obtained. The RAF recognises the effect of these changes in accounting estimates prospectively, by including the effects in surplus or deficit in the period of the change if the change affects that period only, or in the period of the change and future periods, if the change affects both. Significant judgements include:

Impairment Testing

A cash generating or non-cash generating asset is impaired when the carrying amount of the asset exceeds its recoverable service amount. These calculations require the use of estimates and assumptions.

The RAF reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Outstanding Claims Provision

The estimation of the ultimate liability arising from claims incurred but not settled at the reporting date is the RAF's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the amount that the RAF will ultimately pay for such claims. The provision for outstanding claims is actuarially determined on an annual basis.

The measurement of the obligations in respect of this liability requires actuarial estimates and valuations. An actuary is engaged to perform these calculations. More detail on the actuarial assumptions can be found in Note 12 - Claims Liabilities.

Post-retirement Benefits

The RAF provides a defined benefit post-retirement medical plan to some of its employees. The measurement of the obligations (and assets) in respect of this liability requires actuarial estimates and valuations. An actuary is engaged to perform these calculations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 14.

Impairment of Financial Assets Held at Amortised Cost

Financial assets held at amortised cost include receivables from exchange transactions, receivables from non-exchange transactions and other financial assets held at amortised cost. On the financial assets, an impairment loss is recognised in surplus or deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition. Additional information is disclosed in Note 6 and Note 23.

Revenue Recognition on the Road Accident Fund Fuel Levy

With effect from 1 April 2006, the responsibility for the collection of the Fuel Levy was devolved from the Central Energy Fund (CEF) to the South African Revenue Services (SARS).

The changes to the Customs and Excise Act, 1964 (Act No. 91 of 1964) have introduced new provisions that require the fuel companies to pay 50% of the RAF Fuel Levy at the end of the month following the month of removal of the fuel from the refinery and the remaining 50% at the end of the following month.

The effect of these provisions is that cash receipts of RAF Levies do not correspond with the accrual of Fuel Levy revenue by the RAF. This particularly impacts the year-end revenue receivable raised from the RAF Fuel Levy. To correctly accrue for the revenue for the period, RAF Management makes an estimate as to what the expected Fuel Levy income should be based on historical evidence. Additional information is disclosed in Note 4 and Note 16.

Diesel Refunds

Diesel refunds are concessions deducted from the fuel levies received. Diesel concessions are granted to certain sectors of the economy on the basis of the level of use by the diesel consumer in primary production activities.

In terms of section 5(2) of the RAF Act, after being amended by the Revenue Laws Amendment Act, 2005 (Act No. 31 of 2005), the RAF receives the RAF Fuel Levy net of diesel refund after it has been collected by SARS.

Diesel refunds affect the amount of revenue to be recognised and cannot be measured accurately at the point of revenue recognition. Consequently, estimates are made by Management as to what the value of the diesel refunds will be. The estimates are based on historical evidence, and Management formulates a percentage that is applied to the RAF Fuel Levy. The average percentage for diesel refunds for the current year is 12% of the gross Fuel Levy for the year. Additional information is disclosed in Note 13 and Note 16.

Revaluation of Land and Buildings

Land and buildings held for administrative purposes are carried at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are performed by an independent valuer on a yearly basis, such that the carrying amounts do not differ materially from those that would be determined using fair values at the reporting date. The fair value of land and buildings measured using the valuation model is based on market values. The market value of property is determined by taking into account the market rentals that are paid in the immediate area. The applicable relevant market rental is used to determine potential income. Thereafter, the relevant expenditure is deducted to determine the net income and with a relevant capitalisation rate, the market value is calculated. Additional information is disclosed in Note 8.

1.2. Property, Plant and Equipment

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

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

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

Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Cost includes costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by Management.

Major spare parts and stand-by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand-by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses except for land and buildings, which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Land is not depreciated.

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

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

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

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

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

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

Item	Average Useful Life
Buildings	30 years
Office furniture	15 years
Motor vehicles	5 years
Office equipment	10 years
IT equipment	7 years
Leasehold improvements	3 years

The residual value and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate, unless expectations differ from the previous estimate.

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

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

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

1.3. Intangible Assets

An asset is identified as an intangible asset when it:

- 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, assets or liability; or
- Arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferrable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- The cost or fair value of the asset can be measured reliably.

Where an intangible asset is acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- It is technically feasible to complete the asset so that it will be available for use or sale;
- There is an intention to complete and use or sell it;
- There is an ability to use or sell it;
- It will generate probable future economic benefits or service potential;
- There are available technical, financial and other resources to complete the development and to use or sell the asset; or
- The expenditure attributable to the asset during its development can be measured reliably.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets, amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally, generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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

Item	Useful Life
Computer software	5 years

Intangible assets are derecognised either:

- On disposal; or
- When no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.4. Financial Instruments

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options), but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts.

There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument or group of financial instruments.

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

A financial asset is either cash, a residual interest of another entity, a contractual right to receive cash or another financial asset from another entity, exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the RAF.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity, or exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the RAF.

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- Equity instruments or similar forms of unitised capital;
- A formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- A formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that the entity designates at fair value at initial recognition, or are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- Derivatives;
- Combined instruments that are designated at fair value;
- Instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated a fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The RAF has the following types of financial assets, in terms of classes and category, as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Class	Category
Advance payment in respect of suppliers' claims	Financial asset measured at amortised cost
Employee debtors	Financial asset measured at amortised cost
Sundry debtors	Financial asset measured at amortised cost
Claims debtors	Financial asset measured at amortised cost
Other deposits	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Rent-a-Captive insurance	Financial asset measured at amortised cost

Advance payment in respect of suppliers' claims represents a payment made to a third party to settle claims on the RAF's behalf. Though all the ring-fenced claims have been settled, an overall debtor remains. Claims debtors represent over-payments, duplicate payments and wrong payments made to claimants. These items are financial assets and do not meet the criteria of an insurance asset as defined in IFRS 4.

The RAF has the following types of financial liabilities (classes and category) as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Class	Category
Trade and other creditors	Financial liability measured at amortised cost
Unrecognised portion of straight-lined leases	Financial liability measured at amortised cost

Initial Recognition

The RAF recognises a financial asset or a financial liability in its Statement of Financial Position when the entity becomes a party to the contractual provisions of the instrument.

The RAF recognises financial assets using trade date accounting.

Initial Measurement of Financial Assets and Financial Liabilities

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

Subsequent Measurement of Financial Assets and Financial Liabilities

The RAF measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Impairment and Uncollectibility of Financial Assets

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

Objective evidence of impairment includes:

- Amounts not recovered or no instalments received within 90 days of recognition of the financial asset or the previous instalment received;
- Information received about the debtor indicating their inability to settle the financial asset; or
- Legal action has been instituted to recover the amount receivable.

Financial assets measured at amortised cost:

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

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

Derecognition

Financial Assets

The RAF derecognises financial assets using trade date accounting.

The RAF derecognises a financial asset only when:

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

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial Liabilities

The entity removes a financial liability, or a part of a financial liability, from its Statement of Financial Position when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Presentation

A financial asset and a financial liability are only offset and the net amount presented in the Statement of Financial Position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.5. Tax

Tax Expenses

The RAF is exempt from taxation in terms of the provision of section 10(1)(cA)(i) of the Income Tax Act, 1962 (Act No. 58 of 1962) and section 16 of the Road Accident Fund Act, 1996 (Act No. 56 of 1996).

1.6. Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes land and buildings elements, the entity assesses the classification of each element separately.

Operating Leases - Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7. Consumable Stock

Consumable stock is initially measured at cost, except where consumable stock is acquired through a non-exchange transaction, then its costs is its fair value as at the date of acquisition.

Subsequently, consumable stock is measured at the lower of cost and net realisable value.

Consumable stock is measured at the lower of cost and current replacement cost where it is held for distribution at no charge or for a nominal charge.

Current replacement cost is the cost the RAF incurs to acquire the asset on the reporting date.

The cost of consumable stock comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the consumable stock to its present location and condition.

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

When consumable stock is utilised, the carrying amounts of the consumable stock are recognised as an expense in the period in which the stock is distributed. The amount of any write-down of consumable stock to net realisable value or current replacement cost and all losses of consumable stock are recognised as an expense in the period, the write-down or loss occurs. The amount of any reversal of any write-down of consumable stock, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of consumable stock recognised as an expense in the period in which the reversal occurs.

1.8. Impairment of Cash-generating Assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return, that generates cash inflows from continuing use, that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

- The period of time over which an asset is expected to be used by the RAF; or
- The number of production or similar units expected to be obtained from the asset by the RAF.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The RAF assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the RAF estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the RAF also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Reversal of Impairment Loss

The RAF assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the RAF estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- Its recoverable amount (if determinable); and
- The carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.9. Impairment of Non-cash-generating Assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The RAF assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the RAF also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually, by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in Use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets' remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated Replacement Cost Approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration Cost Approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service Units Approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and Measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss, which is recognised immediately in the surplus or deficit. Any impairment loss of a revalued non-cash generating asset is treated as a revaluation decrease.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value, if any, on a systematic basis over its remaining useful life.

Reversal of an Impairment Loss

The RAF assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the RAF estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.10. Employee Benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Short-term Employee Benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- Wages, salaries and social security contributions;
- Short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- Bonus, incentive and performance-related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- Non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the RAF recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the RAF recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- As an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement, or, in the case of non-accumulating absences, when the absence occurs. The RAF measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonuses, incentives and performance-related payments when the RAF has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the RAF has no realistic alternative but to make the payments.

Post-employment Benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than State plans and composite social security programmes) or defined benefit plans (other than State plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

The RAF contributes towards the Employees' Pension Fund administrated by ABSA Consultants and Actuaries (Pty) Limited, the cost of which is recognised in surplus or deficit in the year that it is paid.

Post-employment Benefits: Defined Benefit Plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability, the RAF recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a benefit fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits, and these assets are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity, or the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation, which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive, that is, when benefits are introduced or changed so that the present value of the defined benefit obligation increases, or negative, that is, when existing benefits are changed so that the present value of the defined benefit obligation decreases. In measuring its defined benefit liability, the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The RAF accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the RAF's informal practices. Informal practices give rise to a constructive obligation where the RAF has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the RAF's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- The present value of the defined benefit obligation at the reporting date;
- Minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- Plus any liability that may arise as a result of a minimum funding requirement.

The amount determined as a defined benefit liability may be negative (an asset). The RAF measures the resulting asset at the lower of the amount determined above or the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The RAF determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity, such that the amounts recognised in the Annual Financial Statements do not differ materially from the amounts that would be determined at the reporting date.

The RAF recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- Current service cost;
- Interest cost;
- The expected return on any plan assets and on any reimbursement rights;
- Actuarial gains and losses;
- Past service cost;
- The effect of any curtailments or settlements; and
- The effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The RAF uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- The date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- The date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The RAF offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial Assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- Estimated future salary increases;
- The benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- Estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Termination Benefits

Termination benefits are recognised as an expense when the RAF is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the RAF has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

1.11. Provisions and Contingencies

Provisions are recognised when:

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

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

Where the effect of time value of money will affect the decisions of the users of the Annual Financial Statements, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

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

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

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

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

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

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- Has a detailed formal plan for the restructuring, identifying at least:

- the activity/operating unit or part of an activity/ operating unit concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for services being terminated;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

- Has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- Necessarily entailed by the restructuring; and
- Not associated with the on-going activities of the RAF.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in Note 33.

1.12. Payables

Liabilities are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

Provisions can be distinguished from other liabilities, such as payables and accruals because there is uncertainty about the timing or amount of the future expenditure required in settlement. By contrast:

- Payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier (and include payments in respect of social benefits where formal agreements for specified amounts exist); and
- Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees (for example, amounts relating to accrued leave pay).

Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much less than for provisions.

The RAF reports accruals and provisions as part of trade and other creditors.

Recognition

The RAF recognises payables in accordance with GRAP 19.

A provision shall be recognised when:

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

If these conditions are not met, no provision shall be recognised.

The recognition criteria for accruals are similar to that of the provisions, except that the amount of the obligation is not estimated.

The amount recognised is accurately determined using the relevant report, contract or invoice.

In most instances, the system is used to derive these amounts.

Measurement

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

It will often be impossible or prohibitively expensive to settle or transfer an obligation at the reporting date.

However, the estimate of the amount that the RAF would rationally pay to settle or transfer the obligation gives the best estimate of the expenditure required to settle the present obligation at the reporting date.

The estimates of outcome and financial effect are determined by the judgement of the Management of the RAF, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date.

The RAF measures the accruals based on the actual amount as per internal and external reports, including contracts and invoices.

The risks and uncertainties that inevitably surround many events and circumstances shall be taken into account in reaching the best estimate of a provision.

With regard to accruals, there is little to no risk and uncertainty as compared to provisions as actual amounts are used.

1.13. Revenue from Exchange Transactions

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

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

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

Measurement

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

Income

Income arising from the use by others of entity assets yielding interest, reinsurance income and other income is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the RAF, and the amount of the revenue can be measured reliably.

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

Reinsurance income comprises income received in terms of high-value claims insured by reinsurance companies and commutation offers received from same.

Other income comprises fees that are collected for published tenders, vending machines and parking fees received from employees and other immaterial inflows not related to the mandate of the RAF.

1.14. Revenue from Non-exchange Transactions

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

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

Recognition

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

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

Measurement

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

The main income received by the RAF is a levy that is based on fuel sales known as the RAF Fuel Levy. The RAF Fuel Levy income is a charge levied on fuel throughout the country and the quantum of the RAF Fuel Levy per litre is determined by National Treasury. The RAF Fuel Levy amendments are communicated through the Budget Speech.

The RAF recognises revenue from Fuel Levies when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the RAF.

Revenue is measured at the fair value of the consideration received or receivable (net of the Diesel Rebate).

1.15. Borrowing Costs

All borrowing costs are recognised as an expense in the period in which they are incurred.

1.16. Translation of Foreign Currencies

Foreign Currency Transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous Annual Financial Statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.17. Claims Payments

An insurance contract is defined as a contract under which the insurer accepts significant insurance risk from another party (the policy holder) by agreeing to compensate the policy holder if a specified uncertain future event (the insured event) adversely affects the policy holder. The RAF does not have any insurance contracts, but does however accept insurance risk as it is mandated by legislation to compensate victims of road accidents for injuries suffered as a result of motor vehicle accidents.

Claims Incurred

Claims incurred comprise claims and related expenses incurred and paid during the year and changes in the claims finalised but not yet paid at year-end and provisions for outstanding claims, including related external expenses, together with any other adjustments to claims from previous years.

Provision for Outstanding Claims Recorded

Provision is made at year-end for the estimated cost of claims incurred, but not yet settled at the reporting date. Claims outstanding are determined as accurately as possible on the basis of a number of factors, which include previous experience in claims patterns and claims settlement patterns.

Further, the outstanding claims provision is calculated taking the following elements into account:

- Estimates of additional claims payments that may be required on claims that have already been reported to the RAF and are still open;
- Estimates of additional claims payments that may be required on claims that have already been reported to the RAF and are closed, but could be reopened in the future; and
- Estimates of external claims handling expenses, i.e. legal and medical experts, assessors and other experts – excluding the RAF's overhead administrative costs.

The outstanding claims estimate is reflected in the Financial Statements at a discounted value, based on expected monetary values at the expected time of payment of those claims. The discount rate is the rate before tax that reflects current market assessments of the time value of money and the risks specific to the liability. Reserves for internal or indirect claim handling expenses (e.g. administration costs) are specifically excluded from the estimates.

Provision for Incurred but Not Yet Reported Claims (IBNR)

Provision is made at year-end for the cost of claims incurred but not yet reported (commonly referred to as "Claims IBNR") to the RAF. This provision represents claims which are deemed to have happened before the valuation date, but which are not yet registered on the claims system.

An adjusted Bornheutter Fergusson method is used to determine the number of IBNR claims. This requires two separate estimates to be made of ultimate expected claims per accident year. The two estimates are based on the Chain ladder method, and an independent estimate respectively. The Chain ladder method is very sensitive to small movements in the most recent accident quarters. A small number of claims reported to date is grossed up to the ultimate number, and hence a small change in claims reported to date will have a large impact on the result. Hence, an independent estimate for the more recent quarters is used in order to provide stability. The extent to which the independent estimate is used, reduces based on how far an accident quarter has run off. For older accident quarters the Chain ladder result alone would be applied, while for more recent quarters the independent estimate is given more weight.

A best estimate of the amount that the RAF would rationally pay to settle its claims obligation has been calculated. As the claims received every month are funded by the Fuel Levy received each month, there is no unexpired risk exposure. Therefore, the total claims liabilities are considered to be adequate.

Reinsurance Contracts Held

The RAF procures reinsurance cover for the purposes of limiting its net loss potential. The reinsurance policies do not release the RAF from its direct obligations to its claimants, as the duty to compensate the claimants remains with the RAF in spite of the fact that the reinsurance cover has been procured.

The contracts entered into by the RAF with reinsurers, under which the RAF is compensated for losses on one or more "contracts" issued by the RAF and that meet the classification requirements for the insurance contracts above, are classified as reinsurance contracts held. Only the rights under contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

Reinsurance premiums are charged to the Statement of Financial Performance over the period that the reinsurance cover is provided based on the expected pattern of the reinsured risks.

Reinsurance assets comprise contracts with reinsurers under which the entity is compensated for losses on one or more contracts which are classified as insurance contracts. Reinsurance assets on contracts that do not meet this classification are classified as financial assets.

Reinsurance assets principally include the reinsurer's share of liabilities in respect of the legislative obligation to claimants. Amounts recoverable under reinsurance contracts are recognised in a manner consistent with the reinsured risks and in accordance with the reinsurance contract.

The RAF does not recognise reinsurance assets, except for claims which have already been lodged with reinsurers and liability acknowledged due to uncertainty regarding the successful realisation of the claims.

Reinsurance assets are assessed for impairment at each reporting date. Impairments on reinsurance assets are recognised in surplus/deficit.

A reinsurance asset is impaired if, and only if:

(a) there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the RAF may not receive all amounts due to it under the terms of the contract; and
(b) that event has a reliably measurable impact on the amounts that the RAF will receive from the reinsurer.

Claims Requested for Payment and Not Paid at Year-end

Claims requested for payment which have not been paid at the reporting date are recognised as an insurance liability in the Statement of Financial Position when the value of the claim has been determined and the payment of the claim has been requested.

At initial recognition, claims requested for payment but not yet paid at year-end are measured at fair value. The fair value of a claim is the amount payable by the RAF to extinguish its obligation in respect of the claim, and represents the future cash flows arising from the request for the claim to be paid.

The claims requested for payment but not paid at year-end are subsequently measured at amortised cost. These liabilities are considered to be short-term, as they will be settled within 12 months of the reporting date and are therefore not discounted.

1.18. Fruitless and Wasteful Expenditure

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

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

1.19. Irregular Expenditure

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

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

National Treasury practice note no. 4 of 2008/09, which was issued in terms of sections 76(1) to 76(4) of the PFMA, requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year-end and/or before finalisation of the Financial

Statements must also be recorded appropriately in the Irregular Expenditure Register. In such an instance, no further action is also required 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.

1.20. Budget Information

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

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

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

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

The Annual Financial Statements and the budget are prepared on the same basis of accounting; therefore a comparison with the budgeted amounts for the reporting period has been included in the Statement of Comparison of Budget and Actual Amounts. Material movements will be explained in the Statement of Comparison of Budget and Actual Amounts and movements of greater than 10% will be assumed material.

1.21. Related Parties

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

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

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that Management in their dealings with the RAF. Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

2. New Standards and Interpretations

2.1. Standards and Interpretations Issued, but Not Yet Effective

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

GRAP 20: Related Parties

The objective of this Standard is to ensure that a reporting entity's Financial Statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents Financial Statements under the accrual basis of accounting (in this Standard referred to as the reporting entity) shall apply this Standard in:

- Identifying related party relationships and transactions;
- Identifying outstanding balances, including commitments, between an entity and its related parties;
- Identifying the circumstances in which disclosure of the items above is required; and
- Determining the disclosures to be made about those items.

This Standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate Financial Statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Annual Financial Statements. This Standard also applies to individual Financial Statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The effective date of the Standard is not yet set by the Minister of Finance.

The entity expects to adopt the Standard for the first time when the Minister sets the effective date for the Standard.

It is unlikely that the Standard will have a material impact on the RAF's Financial Statements.

GRAP 108: Statutory Receivables

The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the Standard is not yet set by the Minister of Finance.

The entity expects to adopt the Standard for the first time when the Minister sets the effective date for the Standard.

It is unlikely that the Standard will have a material impact on the RAF's financial statements.

3. Cash and Cash Equivalents

	2016 R'000	2015 R'000
Cash and cash equivalents include the following:		
Short-term deposits	2,038,126	1,041,366
Current accounts	6,085	2,347
Deposit accounts	-	4,464
Cash on hand	50	47
Total	**2,044,261**	**1,048,224**
Cash and cash equivalents held by the entity that are not available for use by the economic entity:	-	4,464

The effective rate on call deposits in 2016 was 5.80% and 5.40% in 2014/15.

4. Receivables from Non-exchange Transactions

Fuel Levy receivable	**7,361,832**	**5,887,118**

The RAF Fuel Levy is recovered directly from the oil refineries by the South African Revenue Service (SARS) and is paid into the National Revenue Fund. SARS pays the funds into the National Revenue Fund after certain deductions are made in terms of section 47 of the Customs and Excise Act, 1964 (Act No. 91 of 1964), section 5 of the RAF Act, as well as Schedule No. 6 to the Customs and Excise Act, 1964. National Treasury then pays these levies from the National Revenue Fund to the RAF.

Approximately 50% of the levies due are payable by the refineries at the end of the month following the month of removal from the refinery, and the remaining 50% at the end of the following month.

This amount is reduced by any bad debts that the refineries have sustained that need to be refunded by the RAF.

5. Receivables from Exchange Transactions

Interest receivable from money market investments	**9,541**	**4,356**

6. Other Financial Assets

	2016 R'000	2015 R'000
At amortised cost		
Refund receivable i.r.o. suppliers claims and other	24,757	27,089
Employee debtors	1,149	733
Sundry debtors	2,038	2,056
Rent-a-captive insurance	131,290	124,388
Other deposits	127	119
Claims debtors	5,027	4,120
Total loans and receivables	**164,388**	**158,505**
Impairments of claims, advance payment, employee and sundry debtors	(17,241)	(17,650)
	147,147	**140,855**
Current assets		
At amortised cost	147,147	140,855

FINANCIAL ASSETS AT AMORTISED COST

Financial assets at amortised cost past due but not impaired

Financial assets which are past due but are not considered to be impaired amounted to R2,754,000 as at 31 March 2016 and R860,000 in 2014/15.

The breakdown of amounts past due but not impaired are as follows		
Claims debtors (greater than 90 days)	2,754	860

Financial assets at amortised cost impaired

Claims, advance payment, employee and sundry debtors that are impaired were R17,240,579 as at 31 March 2016 and R17,650,000 in 2014/15.

These were impaired and provided for.

The breakdown of amounts is as follows:

Sundry debtors	153	-
Claims debtors	3,691	3,888
Employee debtors	323	323
Refund receivable i.r.o. supplier claims and other	13,074	13,439
	17,241	17,650

6. Other Financial Assets (continued)

	2016 R'000	2015 R'000
FINANCIAL ASSETS AT AMORTISED COST (CONTINUES)		
Reconciliation of Provision for Impairment of Financial Assets at Amortised Cost		
Sundry debtors		
Provision for impairment	153	-
Claims debtors		
Opening balance	3,888	6,133
Provision for impairment	44	901
Amounts written off as uncollectible	(140)	(3,146)
Amounts recovered	(101)	-
	3,691	**3,888**
Employee debtors		
Opening balance	323	289
Provision for impairment	-	34
	323	**323**
Refunds receivable i.r.o. supplier claims and other		
Opening balance	13,439	12,783
Provision for impairment	-	656
Amounts recovered	(365)	-
	13,074	**13,439**

The creation and release of provision for impairment receivables have been included in General Expenses Note 23. The impairment of financial liabilities was estimated using the factors set out in the Accounting Policy.

The maximum exposure to credit risk and the reporting date is the carrying amount of each class of receivable mentioned above. The RAF does not hold any collateral as security.

7. Consumable Stock

Consumable stock	5,736	4,929

Included in consumable stock is printing paper, printer cartridges and stationery

8. Property, Plant and Equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Land	18,820	-	18,820	25,890	-	25,890
Buildings	78,950	-	78,950	124,458	(35)	124,423
Office furniture	36,249	(15,369)	20,880	33,225	(12,618)	20,607
Motor vehicles	7,620	(5,985)	1,635	15,643	(12,628)	3,015
Office equipment	31,848	(21,254)	10,594	30,729	(19,708)	11,021
IT equipment	216,708	(146,645)	70,063	195,284	(128,556)	66,728
Leasehold improvements	17,116	(16,615)	501	16,440	(16,372)	68
Total	**407,311**	**(205,868)**	**201,443**	**441,669**	**(189,917)**	**251,752**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Revaluations	Accumulated depreciation on transfers	Accumulated depreciation on disposals	Depreciation	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Land	25,890	-	-	-	(7,070)	-	-	-	18,820
Buildings	124,423	-	-	-	(40,067)	-	-	(5,406)	78,950
Office furniture	20,607	3,421	(401)	4	-	-	308	(3,059)	20,880
Motor vehicles	3,015	-	(8,023)	-	-	-	7,526	(883)	1,635
Office equipment	11,021	2,065	(988)	(1,472)	-	1,472	940	(2,444)	10,594
IT equipment	66,728	27,438	(6,086)	1,586	-	(1,496)	5,633	(23,740)	70,063
Leasehold improvements	68	676	-	-	-	-	-	(243)	501
	251,752	**33,600**	**(15,498)**	**118**	**(47,137)**	**(24)**	**14,407**	**(35,775)**	**201,443**

8. Property, Plant and Equipment (continued)

The carrying amount of fully depreciated property, plant and equipment that are still in use is as follows:

	2016 R'000	2015 R'000
Cost	162,476	60,239
Accumulated depreciation	(162,468)	(60,231)
Carrying Amount	**8**	**8**

Reconciliation of property, plant and equipment - 2015 (Restated)

	Opening Balance R'000	Additions R'000	Disposals R'000	Transfers R'000	Revaluations R'000	Accumulated Depreciation on Disposals R'000	Depreciation R'000	Total R'000
Land	25,478	-	-	-	412	-	-	25,890
Buildings	126,297	-	-	-	2,337	-	(4,211)	124,423
Office furniture	15,830	7,229	(2,604)	-	-	2,074	(1,922)	20,607
Motor vehicles	5,106	386	(483)	-	-	351	(2,345)	3,015
Office equipment	10,954	2,298	(4,617)	978	-	4,034	(2,626)	11,021
IT equipment	63,332	25,739	(5,918)	(978)	-	5,622	(21,069)	66,728
Leasehold improvements	-	73	-	-	-	-	(5)	68
	246,997	**35,725**	**(13,622)**	**-**	**2,749**	**12,081**	**(32,178)**	**251,752**

Revaluations

The effective date of the revaluations was 31 March 2016. Revaluations were performed independently by Mr van Rensburg, Professional Associated Valuer of CA Young Valuations. CA Young Valuations is not a related party of the entity.

Land and buildings are re-valued independently every year, in terms of the RAF Policy.

The valuation was performed using the Income Capitalisation Method to determine the market value by discounting the future income flow to a present value. A capitalisation rate of 10.5% (2014/15: 9.5%) was applied to the first year's net income to arrive at the capitalised value.

Registration of the land in the name of the RAF has not yet taken place due to circumstances beyond the control of the RAF. The deed of sale specifically states that all risks and rewards incidental to ownership pass to the RAF on the signing of the deed of sale. Economic benefits are flowing to the entity in the form of use of the land, as well as any appreciation in value. The cost of the land was measured reliably at recognition as the consideration paid for the purchase of the property. The asset has therefore been recognised in the Annual Financial Statements in accordance with the definition of an asset as set out in GRAP 1 Presentation of Financial Statements and recognition criteria as set out in GRAP 17 Property, Plant and Equipment.

9. Intangible Assets

	2016			2015		
	Cost	Accumulated Amortisation and Accumulated Impairment	Carrying Value	Cost	Accumulated Amortisation and Accumulated Impairment	Carrying Value
	R'000	R'000	R'000	R'000	R'000	R'000
Computer Software	113,387	(87,585)	25,802	106,258	(76,203)	30,055

Reconciliation of intangible assets - 2016

	Opening Balance	Additions	Disposals	Transfers	Accumulated Depreciation on Transfers	Accumulated Depreciation on Disposals	Amortisation	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Computer Software	30,055	7,295	(48)	(118)	24	38	(11,444)	25,802

Reconciliation of intangible assets - 2015

	Opening Balance	Additions	Amortisation	Total
	R'000	R'000	R'000	R'000
Computer Software	21,172	21,888	(13,005)	30,055

10. Payables from Exchange Transactions

	2016 R'000	2015 R'000
Accrual for overtime	2,264	704
Accrual for leave	44,266	46,404
Accrual for 13th cheque	15,084	15,107
Accrual for performance bonuses	132,676	115,737
Total	**194,290**	**177,952**

11. Other Financial Liabilities

	2016 R'000	2015 R'000
At amortised cost		
Trade and other creditors	46,719	77,518
Current liabilities		
At amortised cost	46,719	77,518

12. Claims Liabilities

	2016 R'000	2015 R'000
Provision for outstanding claims recorded	99,152,409	78,491,000
Provision for claims incurred but not yet reported	44,182,223	30,807,000
Provision for hand-over costs	36,573	130,859
Claims requested for payment but not paid at year-end	10,635,688	6,940,109
	154,006,893	**116,368,968**

Claims liabilities are classified as follows:

	2016 R'000	2015 R'000
Non-current liabilities	107,500,974	81,973,500
Current liabilities	46,505,919	34,395,468
	154,006,893	**116,368,968**

Provision for Claims Recorded and Incurred But Not Yet Reported (IBNR)

No adjustments have been made to the methodology used in the valuation of the Outstanding Claims and Claims Incurred But Not Yet Reported (IBNR) liabilities for the year ended 31 March 2015 in the current year valuation.

The total claims liability, including provision for Claims IBNR as at 31 March 2016, was estimated to be R143,334,632,000 (2014/15: R109,431,115,000). This R143,334,632,000 should be interpreted as the expected monetary amount that, together with notional investment income on this amount, would be sufficient to cover future payments in respect of accidents that occurred prior to 1 April 2016. The estimate of the total claims liability increased by R33,900,000,000 from the March 2015 estimate due to an increase in the average cost of a claim, high levels of newly reported claims (increasing IBNR), interest and legislative changes.

Claims registered represent an insurance liability. However, what is not certain is when it will be paid and how much will be paid based on the environment within which the RAF operates. Hence, the valuation amount relating to reported claims is classified as a Provision for Outstanding Claims and is as such recognised in the Statement of Financial Position as at the reporting period. The provision amount recognised in the Statement of Financial Position as at 31 March 2016 amounted to R99,152,409,000 (2014/15: R78,491,000,000).

With regard to the IBNR claims, a claim has not been lodged nor has an assessment been made in terms of the RAF Act to determine whether the RAF has an obligation or not. The validity of a claim depends on the assessments being done in terms of the RAF Act. This uncertainty has been accounted for in the actuarial valuation of the IBNR liability of R44,182,223,000 as at 31 March 2016 (2014/15: R30,807,000,000).

It was further estimated that, had the Amendment Act not been introduced, the liability would have been approximately R29,600,000,000 higher (i.e. a total liability of approximately R172,900,000,000). If the actual future experience is as expected, the outstanding claims liability is expected to increase at a lower rate than claims inflation during the next five years, as the effect of the Amendment Act filters through. Thereafter, it is expected to increase with claims inflation, as well as any increase in the number of accidents.

Method Used in Determining the Provision for Outstanding Claims

The calculation of the provision for outstanding claims was divided into the following components:

1. Personal claims (Pre- and Post-Amendment Act); and
2. Undertakings.

Method Used to Estimate the Liability for Personal Claims

Non-undertaking, non-supplier claims were subdivided into the following groups:

- Group A: Nil claims: Claims with no compensation payments and no expense payments.
- Group B: Small claims: Claims with no compensation, but some expenses.
- Group C: Injury claims, further split into the following:
  - Group C1: No general damages.
  - Group C2: General damages, but no loss of earnings.
  - Group C3: General damages, with some loss of earnings.

12. Claims Liabilities (continued)

- Group D: Death claims, further split into the following:
  - Group D1: Death claims with loss of support.
  - Group D2: Death claims with only funeral costs, but no loss of support.

The reason for subdividing non-supplier claims into these groups was to obtain homogeneous groups. Claims in the different groups have very different characteristics. Estimates of future payments based on historical data are better if homogeneous groups are used.

The liability in respect of personal claims was estimated as follows:

- Firstly, the number of ultimate claims and, hence, the number of outstanding claims for each accident interval was estimated.
- Secondly, it was estimated how many of the outstanding non-supplier claims (both reported and IBNR) are expected to fall into each group.
- The average amount expected to be paid on outstanding claims in each group was estimated taking into account that past experience showed that, on average, larger claims in each group took longer to finalise than smaller claims.
- The outstanding liability was then estimated by multiplying the estimated number of outstanding claims in each group by the average amounts for the respective groups, for each accident year.
- Amounts already paid in respect of open claims were then deducted and further amounts payable in respect of finalised claims were then estimated and added. These additional payments were also taken into account in determining the average amounts.
- The liability of all open limited passenger claims that occurred prior to 1 August 2008 became unlimited (referred to as the Mvumvu liability) and was also added.
- The liability as a result of the Van Zyl judgments was also allowed for.

Method Used to Estimate Liability for Undertakings

The conversion date of an undertaking is defined as the first date that an undertaking payment is made on a claim. Then, the liability is calculated as follows for each conversion year:
Liability = Number of undertakings (UTs) converted x *Average future annual payments x Life expectancy of recipients*
Each of these components is explained in more detail below.

Number of Undertakings

From past data, it is observed that about 80% of undertaking payments are in respect of claims in Group C3. Hence, by using basic Chain ladder techniques, the ultimate number of undertakings per accident quarter is estimated as a percentage of the ultimate number of Group C3 claims expected for that quarter.

Average Annual Payment per Undertaking

From past data, it is observed that the annual cost of an undertaking is dependent on the time that has elapsed since the conversion date. Initially, payments are much higher, and as undertakings get older, on average lower annual payments are made, as illustrated by the table below for undertakings that converted since the 2005 financial year:

Year Converted	Number of UTs	Average Annual Cost per Undertaking in Development Year (R'000)											
		1	2	3	4	5	6	7	8	9	10	11	12
2005	1,228	29.1	13.1	10.3	6.1	6.2	5.2	4.5	7.3	5.3	5.8	4.8	6.6
2006	946	29.8	12.6	8.1	10.1	7.7	7.4	7.8	5.9	7.0	7.5	9.1	
2007	711	36.7	11.8	8.4	12.7	10.0	12.5	9.9	8.7	8.1	9.1		
2008	565	40.6	25.1	20.5	12.0	11.1	19.1	17.3	9.4	18.3			
2009	868	39.7	9.9	10.6	7.5	10.7	9.6	8.1	8.6				
2010	746	41.3	17.1	16.9	16.3	18.2	13.8	13.4					
2011	515	51.9	19.0	20.4	21.8	16.8	18.5						
2012	1,003	51.1	23.9	20.2	16.9	19.7							
2013	1,931	39.8	21.4	17.2	16.7								
2014	1,887	57.4	32.6	22.3									
2015	2,218	53.4	30.6										
2016	2,024	63.8											

An additional important feature of the data above is that the annual average cost of undertakings seems to stabilise after a number of years, and the assumption is made that this level of average payment will continue for the expected future lifetime of the recipients.

Using the data above, we arrive at the following overall future average cost per undertaking, leading to the liability as shown:

	Number of UTs	Average Annual Cost	Life Expectancy	Liability (R'bn)
Total	33,084	17,753	23.6	13,837

12. Claims Liabilities (continued)

Discounted and Undiscounted Provisions

The method outlined above leads to an estimate of R143,334,632,000 (in March 2016 monetary terms) in respect of accidents prior to 1 April 2016. The table below summarises the overall results, based on future claims inflation of 8% per year (2% above assumed CPI of 6%) and a discount rate of 8% per year (2% above assumed CPI of 6%) – further assuming past payment patterns will be repeated in future. (Note that the undiscounted liability for undertakings is shown in March 2016 terms without allowing for future inflation. This is done, because the RAF is of the opinion that an undiscounted liability in respect of undertakings is meaningless, considering the long-term nature of undertakings).

In respect of the discount rate, it is assumed that CPI will be 6%. The level of CPI is less important than the "gap" between claims inflation and the discount rate. When amounts are adjusted to reflect time-value at a different date, CPI + 2% is used. There is justification for this in the calculation bases used by actuaries in determining loss of earnings/ loss of support claims and the historic differential between CPI, salary inflation and medical inflation. This is the same assumption used when projecting claims into the future (for purposes of determining the discounted and undiscounted liabilities). Real yields (as implied by the yield on inflation-linked bonds), suggest that the discount rate should be CPI + 2%, which is what was used in the basis. It was therefore assumed that, had the provision for outstanding claims been backed by actual assets, these assets would have earned investment returns of CPI + 2%.

The discounted liability for supplier claims included in the above is R939,000,000 (2014/15: R791,000,000).

	March 2016 Monetary Terms	**Discounted Liability**	**Undiscounted Liability**
	R'million	**R'million**	**R'million**
Pre-Amendment Act	8,599	8,599	10,673
Post-Amendment Act	120,898	120,898	172,382
Undertakings	13,837	13,837	13,837
Total	**143,334**	**143,334**	**196,892**

Assumptions

The assumptions that have the greatest effect on the measurement of the outstanding claims provision are:

- The proportion of the number of claims falling into each of the defined groups (taking into account that some groups take on average longer to finalise) will remain similar to the past experience.
- The average amount payable per claim in each defined group (taking into account that larger claims take on average longer to finalise) will remain similar to the past experience, allowing for claims inflation of 2% above price inflation.
- The reporting pattern observed for post-Amendment Act claims.
- Payments in respect of undertakings will follow similar patterns as in the recent past.

Movement in Outstanding Claims Liability including IBNR	Notes	Personal: Old Act	Personal: New Act	Undertaking	Supplier	Total
		R'million	R'million	R'million	R'million	R'million
Opening balance		12,229	86,427	9,851	791	109,298
Unwinding	1	978	6,914	788	63	8744
Payments	2	(5,969)	(26,371)	(388)	(691)	(33,419)
Accidents since 31 March 2015	3	-	27,594	1,505	1,001	30,100
Impact of reporting	4a	498	11,151	941	(226)	12,364
Unexpected increase	4b	1,603	13,505	1,140	-	16,248
Closing balance		**9,339**	**119,220**	**13,837**	**938**	**143,334**

Notes

Note 1: This represents interest credited to the liability at the rate of 8% p.a. for 12 months (our assumption for future investment returns).

Note 2: The RAF expects actual claim payments made during the inter-valuation period to result in a corresponding release in the liability.

Note 3: This represents the expected new claims for accidents that happened during the 12-month inter-valuation period.

Note 4: This is the amount required in addition to the items above, to add up to the newly calculated liability (on a similar basis). For personal claims, the unexpected increase was a result of the net effect of the following factors.

Note 4a: The recent increase in the number of claims reported has caused the IBNR estimate to increase by more than what was expected. The large increase in the number of claims reported also led to an increase in the number of open claims on the system (considering the number of claims that were closed).

Note 4b: Settlement patterns have changed in recent periods, leading to a change in the assumed proportions of open claims that will fall into each finalised group.

12. Claims Liabilities (continued)

Sensitivity Analysis

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

The RAF believes that the stated discounted liability of R143,334,632,000 is reasonable. It was calculated on a best estimate basis. The actual payments will differ from the estimated liability, as the estimate was based on certain variables and assumptions. The sensitivity of some of the assumptions is shown below:

	Notes	Outstanding Reported Claims	IBNR	Total	Effect on deficit
		R'billion	R'billion	R'billion	R'billion
Base scenario		99.1	44.2	143.3	-
Faster run-off	1	94.9	42.8	137.7	5.6
Fewer assumed nil claims	2	103.6	46.5	150.0	6.7

Notes

Note 1: The current IBNR calculation methodology assumes that the speed with which claims will be reported in future, will be in line with what has been observed to date. It is therefore over-reserved if the actual reporting speed for recent reporting quarters has been quicker than observed in the past. In this sensitivity, the impact on the provision, where if claims reported to date (in respect of accidents on or after 1/4/2009) are 10% higher than what is normally the case, is shown.

Note 2: It is currently assumed that a material number of open claims will settle as nil claims. If our assumption is too high, the provision could be materially understated. This scenario assumes that only 90% of the claims currently assumed to settle as nil claims will actually settle as such.

Reconciliation of Other Claims Liabilities

The claims requested for payment but not paid at year-end increased significantly from the prior period. This is due to the ability of the RAF to settle claims being limited to the net Fuel Levy received. For further discussion on the RAF's ability to settle claims. See Note 36.

The movement in other claims liabilities not detailed above is set out below:

2016	Opening balance	Estimate adjustment	Claims paid	Claims requested for payment	Closing balance
	R'000	R'000	R'000	R'000	R'000
Claims requested for payment but not paid at year-end	6,940,109	-	(28,628,546)	32,324,125	10,635,688
Provision for hand-over costs	130,859	(94,286)	-	-	36,573
	7,070,968	**(94,286)**	**(28,628,546)**	**32,324,125**	**10,672,261**

2015	Opening balance	Claims paid	Claims requested for payment	Additions	Closing balance
	R'000	R'000	R'000	R'000	R'000
Claims requested for payment but not paid at year-end	377,379	(21,466,282)	28,029,012	-	6,940,109
Provision for hand-over costs	-	-	-	130,859	130,859
	377,379	**(21,466,282)**	**28,029,012**	**130,859**	**7,070,968**

13. Other Provisions

In terms of legislation, the RAF has an obligation to refund a portion of the RAF Fuel Levy, 154c/l (2014/15: 104c/l) relating to the diesel usage in other economic sectors where vehicles are not used. The provision is calculated based on actual claims from these sectors processed through SARS. The provision is settled on a quarterly basis with the provision at year-end being based on the last quarter's results. These results are generally finalised after year-end and after all rebates have been taken into account.

	2016	2015
	R'000	R'000
Opening balance	935,119	848,561
Increase in the provision charged to surplus or deficit	4,440,491	3,046,552
Provision utilised	(4,637,085)	(2,959,994)
Total	**738,525**	**935,119**

14. Employee Benefit Obligations

Defined Benefit Plan

Post-retirement Medical Aid Plan

The RAF operates a post-employment medical benefit scheme that covers employees who were appointed prior to 1 May 1998.

The latest valuation of the RAF's liability in respect of post-retirement medical benefits for the financial year-end was performed on 31 March 2016 and it will be valued at annual intervals thereafter.

Twenty nine (29) pensioners qualify for this benefit and approximately 5.2% of employees are prospectively entitled to this benefit. The initial liability and future increases thereof are charged to surplus or deficit.

No plan assets are shown, as the medical benefits are unfunded.

The amounts recognised in the Statement of Financial Position are as follows:

	2016 R'000	2015 R'000
Carrying value		
Present value of the defined medical benefit obligation-wholly unfunded	(53,821)	(50,675)
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	(50,675)	(43,340)
Benefits paid	665	634
Net expense recognised in the Statement of Financial Performance	(3,811)	(7,969)
	(53,821)	**(50,675)**
Net income/(expense) recognised in the Statement of Financial Performance		
Current service cost	(2,105)	(1,885)
Interest cost	(4,388)	(4,027)
Actuarial gains / (losses)	2,682	(2,057)
	(3,811)	**(7,969)**

Post-retirement Medical Aid Plan (continued)

	2016 R'000	2015 R'000
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used	10.03%	8.66%
Healthcare cost inflation	8.93%	7.79%
Real discount rate	1.01%	0.81%
Spouse age gap	3	3
Expected average age of retirement	59	59
Normal retirement age	60	60
Proportion married at retirement	80%	80%
Continuation at retirement	100%	100%
Mortality: Pre-expected retirement age	SA85-90 light	SA85-90 light
Mortality: Post-expected retirement age	PA(90) - 1	PA(90) - 1

Expected return on assets

There are currently no assets set aside in respect of the post-employment medical scheme liability. Therefore no assumption specific to the assets has been made.

Expected contributions to the plan during the subsequent 2016/17 financial year is R1,276,000.

Sensitivity analysis

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A percentage point change in assumed healthcare cost trends rates would have the following effects:

	1% increase R'000	1% increase R'000
Effect on the aggregate of the service cost and interest cost	(8,806)	9,988
Effect on defined benefit obligation	45,015	63,809

	2016 R'000	2015 R'000	2014 R'000	2013 R'000	2012 R'000
Amounts for the current and previous four years are as follows:					
Defined benefit obligation	53,821	50,675	43,340	46,588	39,863

15. Operating Lease Liability

	2016 R'000	2015 R'000
Non-current liability	7,606	3,613

Refer to Note 32 for the disclosure of the minimum payments due in respect of operating leases.

16. Net Fuel Levies

	2016 R'000	2015 R'000
Gross fuel levies	37,553,547	25,660,892
Less: diesel rebate	(4,440,491)	(3,046,552)
Total	**33,113,056**	**22,614,340**

17. Other Income

	2016 R'000	2015 R'000
Recoveries	2,750	961
Allowances for credit losses adjustment	410	-
Total	**3,160**	**961**

Recoveries relate to minor recoveries that do not form part of the normal business of the RAF, such as bad debts recovered, parking income and SETA refunds.

18. Investment Revenue

	2016 R'000	2015 R'000
Interest revenue		
Interest received from money market investments	81,646	58,548
Interest received from Rent-a-Captive insurance	6,911	**6,082**
Total	**88,557**	**64,630**

19. Claims Expenditure

	2016 R'000	2015 R'000
Claims paid	28,628,546	21,469,707
Claims finalised and not yet paid	10,635,688	6,940,109
Reversal of claims finalised not yet paid	(6,940,109)	(382,619)
Net increase in claims provision	33,942,347	12,428,859
Total	**66,266,472**	**40,456,056**
The breakdown of the claims paid is as follows:		
Claimant compensation (loss of earnings and support, general damages and funeral costs)	21,644,355	15,525,303
Claimant medical costs	1,510,476	1,306,237
Claimant and RAF legal and other costs	5,473,715	4,634,652
	28,628,546	**21,466,192**

20. Reinsurance Premiums

	2016 R'000	2015 R'000
Paid to reinsurers during the year	**22,417**	**23,385**

21. Employee Costs

	2016 R'000	2015 R'000
Total staff costs	**1,279,874**	**1,164,018**
Included in staff costs are:		
Contributions to the post-retirement healthcare benefit	3,811	7,969

As at 31 March 2015, 2,682 staff members (of which 2,593 permanent) were employed by the RAF (2014/15: 2,602 staff members (of which 2,555 permanent)).

22. Finance Costs

	2016 R'000	2015 R'000
Interest charged by creditors	2,482	15
Interest charged on claims	148,554	67,250
Total	**151,036**	**67,265**

Finance costs of R25,456,083 included in the amounts above have been considered fruitless and wasteful expenditure and have been included in the disclosures in Note 25.

23. General Expenses

Included in gereral expenses are:

	2016 R'000	2015 R'000
Advertising	29,960	19,688
Auditors remuneration	6,247	5,002
Computer expenses	55,973	56,321
Consulting and professional fees	41,037	44,466
Legal costs	5,866	8,145
Forensic costs	7,797	16,896
Insurance	2,910	2,786
Lease rentals on operating lease	60,082	56,523
Marketing	33,106	35,409
Motor vehicle expenses	15,121	5,657
Printing and stationery	13,420	12,404
Security	9,009	5,715
Telephone and fax	18,775	15,982
Travel local	25,702	24,140
Travel overseas	1,294	809
Electricity	11,798	11,743
Maintenance	17,651	17,416
Operating costs	18,304	8,768
Board members' expenses	2,069	2,067
Bad debts	141	1,654
	376,262	**351,591**

The expenses indicated above are viewed as material and have therefore been separately disclosed.

24. Taxation

In accordance with section 16(1) of the Road Accident Fund Act, 1996 (Act No. 56 of 1996),the RAF is exempt from Income Tax and all customs, excise and stamp duties, as well as any liability for payment, withholding or collecting of any tax or duty.

25. Fruitless and Wasteful Expenditure

	2016 R'000	2015 R'000
Fruitless and wasteful expenditure	31,128	24,509

Interest, Sheriff Costs and Writ Costs

Interest cost is the cost paid for the late payment of the claim compensation as agreed to in a settlement agreement or an order of the court, and taxed legal bills settled through taxation, as these costs are due immediately. The interest is charged under the Prescribed Rate of Interest Act of 1975 at 9.0% as per *Government Gazette* No. 37831 issued on 18 July 2014. This interest rate was amended to the repo rate plus 3.5% (currently 10.25%) from 1 March 2016 as per *Government Gazette* No. 39587 issued on 8 January 2016.

Sheriff cost is the cost paid to the sheriff for his service with regard to serving the warrant of execution (writs) to the RAF.

As per the definition in the PFMA, fruitless and wasteful expenditure means "expenditure which was made in vain and could have been avoided had reasonable care been exercised". The amounts listed are costs incurred in the settlement process of claims influenced by external legal processes and time limits legally enforced on the RAF in the settlement of claims.

The total value of claims-related fruitless and wasteful expenditure included in the Annual Financial Statements for the year ended 31 March 2016 is R28,386,904 (2014/15: R24,265,919) representing a 17% increase. This, as a percentage of claims expenditure is 0.05% (2014/15: 0.06%). The total value of the claims-related fruitless and wasteful expenditure, had it not been reduced for the current cash position, would have been R139,025,402 (2014/15: R59,172,712).

Reporting and adherence to the Writs Standard Operating Procedures (SOPs) will continue.

Legal costs create operational constraints, as there are no legal obligations for plaintiff attorneys to submit the bill within stipulated time frames. The majority of legal cost bills are disputed, because their content or the items billed are incorrect or invalid. The process of taxation of legal cost bills through the Office of the Taxation Master is the only option to settle these disputes.

The taxation of legal cost bills exposes the RAF to a risk of non-compliance to court processes, despite an Instruction Note from National Treasury that all payments from legal settlements must be paid within 30 days from the date of settlement. Court rules require that taxed bills must be paid immediately after taxation and plaintiff attorneys issue warrants of execution immediately after settlement.

As a result, payments may comply with the PFMA, but not the court rules.

The following information relates to the legal cost bills settled through taxation for 2015/16:

- Number of bills settled through taxation: 17,280 (2014/15: 21,112) – and it has decreased by 18%.
- Number of bills where a saving was made through taxation: 16,741 (2014/15: 20,177) – and it has decreased by 17%.
- Amount saved through taxation: R 1,097,303,853 (2014/15: R 633,269,897) – and it has increased by 73%.
- The success rate in terms of saving legal cost bills was 97% (2014/15: 96%).

The number of taxed legal cost bills has reduced as a result of the cash constraints, as well as increased cost contributions. Cost contributions towards the attorney prevents the attorney form drawing bills for higher amounts and also realising a saving as there are no drawing fees, attendance fees or cost consultant fees.

The increased savings is as a result of higher capital settlements, an increase in tariffs as well as attorneys overreaching when drawing up their bills which equate to higher bills and when taxed result in higher savings. In addition to the above, savings originate from the appointment of cost consultants by the RAF who realise higher savings as their fee is determined by the saving.

RAF officials are required to diligently apply the process of the legal cost bills assessment. Writs SOPs are in place to ensure that all taxed bills are paid timeously to minimise the impact of the interest cost at a rate of 9% and 10.25% from 1 March 2016.

The number of writs received in 2015/16 was 15,273 (2014/15: 10,752). It was 42% higher than in 2014/15 and is related to the documented cash flow constraints.

The fruitless and wasteful expenditure is monitored closely by the Executive Management and Board. There are processes which have been undertaken to ensure that this risk is mitigated.

Fruitless and wasteful expenditure relating to administrative costs amounts to R2,740,800 (2014/15: R243,074) and is comprised of interest on late payment of suppliers, bad debts written off, additional travel costs, which could have been avoided, advertising costs and other sundry items.

Disciplinary action has been taken against staff members as a result of negligence resulting in the payment of sheriff and interest costs, as well as duplicate payments and administrative costs. During the financial year, 510 staff received counselling and 84 verbal warnings and 90 written warnings were issued. No dismissals were necessary. (These figures were obtained from the Writs and Financial Misconduct Registers.)

26. Irregular Expenditure

	2016 R'000	2015 R'000
Irregular expenditure - current year	11,428	14,645
Less: Amounts condoned	(11,428)	(14,645)
	-	-

Irregular expenditure arose as a result of:

- Non-compliance with Supply Chain Management practices.
- Failure to comply with procurement processes when procuring goods or services as stipulated in the Supply Chain Management Policy and also committing acts that contravened or failed to comply with a provision of the PFMA and the RAF Act.
- Non-compliance with the provisions of the RAF Financial Misconduct Policy and the PFMA, which constituted financial misconduct and warranted disciplinary actions.

Any employee who commits an act which undermines the financial management and internal control systems of the RAF, as required by relevant legislations and policies, is dealt with in terms of the RAF Disciplinary Policy. Employees who make or permit an irregular expenditure or fruitless and wasteful expenditure exposes themselves to appropriate disciplinary measures as required by section 57 of the PFMA.

In 2015/16, three (3) employees were counselled as a result of financial misconduct where they were found to have contravened provisions of the Acts and internal policies.

Upon review, the number and type of irregular expenditure had improved from 61% from 33 in 2014/15 to 13 at the end of the 2015/16 financial year. This reduction confirms the efficacy of Management interventions and a confirmed reduction is expected.

27. Cash Flows from Operating Activities

	2016 R'000	2015 Restated R'000
Deficit	(34,958,399)	(19,451,542)
Adjustments for:		
Depreciation and amortisation	47,219	45,184
Deficit/(surplus) on sale or derecognition of assets	(1,388)	1,509
Movements in retirement benefit assets and liabilities	3,146	7,335
Movements in claims liabilities	37,637,926	12,425,344
Movement in diesel rebate provision	(196,594)	86,558
Movement in operating lease liability	3,993	2,997
Changes in working capital:		
Consumable stock	(807)	(1,326)
Receivables from exchange transactions	(5,185)	11,760
Other receivables from non-exchange transactions	(1,474,714)	(1,118,408)
Other financial assets	(6,310)	(7,880)
Payables from exchange transactions	(14,445)	6,599,501
	1,034,442	**(1,398,968)**

28. Related Parties

The RAF is an entity created by statute, with the Minister of Transport being the Executive Authority representing the government of South Africa. The RAF is a Schedule 3A Public Entity in terms of the PFMA. The related party disclosures are in terms of the requirements of IPSAS 20. The related parties of the RAF mainly consist of Departments, State-owned Entities (SOEs), other public entities in the national sphere of government and key Management personnel of the RAF, or its Executive Authority and close family members of related parties. The list of public entities in the national sphere of government is provided by National Treasury on their website www.treasury.gov.za. National Treasury also provides the names of subsidiaries of public entities.

Although the RAF transacted with other public entities within the national sphere of government, none of the related parties identified influenced, or was influenced by the RAF during the reporting period and therefore no related party transactions with other entities in the national sphere of government are disclosed. All these transactions took place at arm's length.

The following transactions were concluded with key Management of the RAF in terms of employment contracts entered into with the RAF (please refer to Note 29 - Board and Executive members' emoluments for detailed information relating to compensation of members and other key Management).

	2016 R'000	2015 R'000
Compensation to members and other key management		
Key Management compensation	26,233	26,237

29. Board Members' and Executive Management's Emoluments

Non-executive Board Members

The Executive Authority approves the remuneration of the Board. Remuneration of Non-executive Board members is benchmarked against the norms for organisations of a similar size and in line with the guidelines issued by the Executive Authority.

Non-executive Board members receive a fixed monthly remuneration. Remuneration is not determined by meeting frequencies, and escalated by inflationary adjustments only.

Executive Remuneration

The Chief Executive Officer makes recommendations to the Board concerning the remuneration of Executives (EXCO) and the Board approves the remuneration of EXCO members including that of the CEO in accordance with the approved Remuneration Policy.

The RAF introduced a performance-based remuneration for its Management staff by linking annual salary increases to individual contributions. Management receives an annual increase based on a combination of Consumer Price Index (CPI) and individual performance. The organisation conducts an annual salary survey/benchmark to ensure that Management rewards and remuneration are market-related and kept at levels that will assist the Fund in retaining and attracting key leadership skills. The RAF aims to remunerate in line with the 50th percentile (median) of the market to recruit and retain the Management team to lead the organisation. Over and above the basic salary, staff members receive a performance incentive as a percentage of their total cost of employment.

All EXCO members are employed on fixed-term contracts of employment.

Executive

2016	Salary	Performance Bonus	Pension Contributions	Medical Contributions	Total
	R'000	R'000	R'000	R'000	R'000
Dr EA Watson	4,643	1,901	-	60	6,604
Ms Y van Biljon	2,081	432	265	20	2,798
Ms L Jabavu	2,235	530	202	71	3,038
Mr R Gounden	2,098	572	-	-	2,670
Ms M Kola	2,103	600	199	65	2,967
Mr PE Dhlomo	1,644	-	168	30	1,842
Ms JR Cornelius	1,610	473	189	-	2,272
Ms LP Gumbi (appointed 1 August 2015)	1,347	-	105	14	1,466
Ms VC Menye	1,935	478	112	51	2,576
Total	**19,696**	**4,986**	**1,240**	**311**	**26,233**

2015	Salary	Leave Pay	Performance Bonus	Pension Contributions	Medical Contributions	Acting Allowance	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Dr EA Watson	4,561	-	1,849	-	55	-	6,465
Ms LJ Fosu (ended 30 April 2013)	176	110	590	17	5	-	898
Ms Y van Biljon (appointed 1 June 2014)	1,630	-	-	208	15	-	1,853
Ms L Jabavu	2,125	-	455	189	43	-	2,812
Mr R Gounden	1,847	-	449	125	-	-	2,421
Ms M Kola (appointed 1 April 2014)	1,977	-	-	187	59	-	2,223
Ms NA Jafta (ended 31 August 2014)	635	152	445	56	13	-	1,301
Mr PE Dhlomo (appointed 1 November 2014)	667	-	-	68	12	-	747
Ms JR Cornelius	1,512	-	441	178	-	-	2,131
Mr RHS Matabane (ended 11 February 2015)	1,618	219	-	90	-	-	1,927
Mr I Barriel (acted from 11 February 2015)	159	-	-	22	6	56	243
Mr M Mvelase (ended 31 March 2014)	-	373	571	-	-	-	944
Ms V Menye	1,785	-	301	140	46	-	2,272
Total	**18,692**	**854**	**5,101**	**1,280**	**254**	**56**	**26,237**

29. Board Members' and Executive Management's Emoluments (continued)

Non-executive

	Members' fees	Total
	R'000	R'000
2016		
Dr NM Bhengu (Chairperson)	852	852
Mr D Coovadia (Vice-Chairperson)	653	653
Dr KLN Linda	568	568
Adv DS Qocha	625	625
Mr T Masobe	568	568
Mr AM Pandor	625	625
Mr DK Smith	568	568
Ms R Mokoena	625	625
Ms A Steyn	568	568
Mr LED Hlatshwayo	625	625
Total	**6,277**	**6,277**

2015		
Dr NM Bhengu (Chairperson)	808	808
Mr D Coovadia (Vice - Chairperson)	619	619
Dr KLN Linda	538	538
Adv DS Qocha	592	592
Mr T Masobe	538	538
Mr AM Pandor	592	592
Mr DK Smith	538	538
Ms R Mokoena	592	592
Ms A Steyn	538	538
Mr LED Hlatshwayo	592	592
Total	**5,947**	**5,947**

30. Risk Management

Overview

The RAF is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of financial risk are credit risk, liquidity risk and market risk, which comprises interest rate risk, currency risk and other price risks. The risks that the RAF primarily faces due to the nature of its assets and liabilities are liquidity risk, interest rate risk and currency risk.

Liquidity Risk

Liquidity risk is the risk that the RAF will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate Liquidity Risk Management Framework for the management of the RAF's short-, medium- and long-term funding and liquidity management requirements. A Cash Management Strategy was designed and implemented to manage the liquidity risk of the RAF which ensures available funding is distributed in an equitable and fair manner. For further information on how the RAF manages liquidity risk, also refer to the Report of the Board.

Reinsurance is also used to manage liquidity risk.

The following table analyses the entity's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Financial Liabilities	Within 1 Year	2 - 5 Years	After 5 Years	Total
	R'000	R'000	R'000	R'000
As at 31 March 2016				
Trade and other creditors	46,719	-	-	46,719
Claims liabilities	46,505,919	75,967,355	31,533,619	154,006,893
Operating lease liability	-	7,606	-	7,606
As at 31 March 2015				
Trade and other creditors	77,518	-	-	77,518
Claims liabilities	34,395,468	51,370,060	30,603,440	116,368 968
Operating lease liability	-	3,613	-	3,613

30. Risk Management (continued)

Credit Risk

The RAF has exposure to credit risk, which is the risk of financial loss to the RAF if a counterparty to a financial instrument fails to meet its contractual obligations. Key areas where the RAF is exposed to credit risk are:

- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due with respect to claims debtors;
- Amounts due with respect to study loans and bursaries (this risk is very minimal as the amounts are immaterial);
- Short-term call deposits;
- The ultimate amount due from the self-funding claims reinsurance policy; and
- Fuel levy debtor.

The nature of the RAF's exposure to credit risk, as well as the policies and processes for managing the credit risk have not changed significantly from the prior period.

Potential concentrations of credit risk consist mainly of short-term cash. Money market instrument operations are only entered into with well-established and reputable financial institutions.

It is the RAF's policy to grant bursaries and study loans, relevant only to its line of business, to employees.

The Rent-a-Captive insurance includes an amount set aside as a self-funding Claims Reinsurance Policy. This policy will be utilised to fund the first R100,000,000 of the retention amount of the Claims Reinsurance Policy in the event of a catastrophic claim being instituted against the RAF. The deposit amount of R131,290,000 represents the balance of the special experience account, an account the insurer maintains for the purposes of recording this policy. The insurer is a well-established and reputable financial institution.

Under the terms of reinsurance agreements, reinsurers agree to reimburse the settled amount in the event that a gross claim is paid. The RAF, however, remains liable to its claimants regardless of whether the reinsurer meets the obligations it has assumed. Consequently, the RAF is exposed to credit risk.

The RAF monitors the financial condition of reinsurers on an on-going basis and reviews its reinsurance arrangements periodically.

The carrying amounts of financial assets and reinsurance assets included in the Statement of Financial Position represent the RAF's exposure to credit risk in relation to these assets. As at 31 March 2016, the RAF did not consider there to be a significant concentration of credit risk which had not been adequately provided for.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the RAF's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on investment.

The RAF is also exposed to foreign exchange fluctuations where claims from foreigners have been lodged, and damages for future medical expenses and loss of earnings or support are claimed in a foreign currency. When such claims are settled, the RAF pays the compensation as soon as possible after settlement date so as to minimise the risk of foreign exchange fluctuations.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The RAF is exposed to interest rate risk, as it invests funds in the money market at floating interest rates.

As at 31 March 2016, no derivative financial instruments were used to manage the RAF's exposure to interest rate risk.

All liquid funds are invested with registered South African banking institutions with maturities of 90 days or less, thereby minimising interest rate risk.

Interest rates of interest-bearing debts are linked to the prime overdraft rate

Interest Rate Risk Sensitivity Analysis

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate, because of changes in market interest rates at the reporting date. For financial instruments and insurance contracts, the sensitivity is solely associated with the former as the carrying amounts of the latter are not directly affected by changes in the interest rate.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the RAF's deficit for the year ended 31 March 2016 would decrease/(increase) by R10,900,000 (2014/15: decrease/(increase) by R5,900,000). This is mainly attributable to the RAF's exposure to interest rates on its floating rate investments. The sensitivity analysis has been determined based on the exposure to interest rates for the RAF's non-derivative instruments at the financial reporting date. The analysis was prepared assuming that the investments at year-end were constant throughout the year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key Management personnel and represents Management's assessment of the reasonably possible change in interest rates.

Foreign Exchange Risk

The financial items that are exposed to currency risk at the reporting date are claims that have not been paid to foreign claimants yet. The engaging of forward cover is considered on a case-by-case basis if the period between making an offer and final payment is material. As at 31 March 2016, no derivative financial instruments were used to manage the RAF's exposure to foreign currency risk; only fixed term forward cover contracts were utilised.

30. Risk Management (continued)

The carrying amount of the RAF's outstanding foreign currency denominated claims

Liabilities		2016	2015
		R'000	R'000
USD	4,047 (2014/15: 4,047)	61,938	48,902
GBP	464 (2014/15: 464)	10,070	8,317
Euro	1,289 (2014/15: 1,289)	22,493	16,900
		94,501	74,119

The following table details the RAF's sensitivity to a 10% increase and decrease in the South African Rand against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key Management personnel and represents Management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated claims at reporting date and adjusts their translation at the period end for a 10% change in foreign currency rates. The figures above indicate an increase in surplus or deficit where the presentation currency strengthens 10% against the relevant currency. For a 10% weakening of the presentation currency against the relevant currency, there would be an equal and opposite impact on the surplus or deficit and the balances above would be negative.

	USD Impact	GBP Impact	Euro Impact	All Foreign Currencies
	R'000	R'000	R'000	R'000
2016	6,194	1,019	2,255	9,468
2015	4,890	832	1,690	7,412

31. Insurance Risk Management

Overview

The RAF accepts insurance risk as it is mandated by legislation to compensate victims of road accidents for injuries suffered as a result of motor vehicle accidents. The RAF is exposed to uncertainty surrounding the timing, frequency and severity of claims under these contracts.

This Note presents information about the RAF's exposure to insurance risk and the RAF's objectives, policies and processes for managing this risk.

The RAF has developed, implemented and maintained a sound and prudent Insurance Risk Management Strategy that encompasses all aspects of the RAF's operations including the reinsurance risk retention limits. Key aspects of the processes established to mitigate insurance risk include:

- The maintenance and use of sophisticated management information systems, which provide reliable and up-to-date data on the risks to which the business is exposed at any point in time;
- Actuarial models, using information derived from the management information systems are used to monitor claims patterns. Past experience and statistical methods are used as part of the process;
- Catastrophic accidents are modelled and the raf's exposures are protected by arranging reinsurance to limit the losses arising from an individual event. The retention and limits are approved by the raf's board; and
- Only reinsurers with credit ratings equal to 'aa' or in excess of a minimum level determined by management are accepted as participants in the raf's reinsurance agreements.

Reinsurance Income

The RAF enters into reinsurance treaties with major international reinsurance companies to cover catastrophic accidents. No amounts were recovered from reinsurers during the current financial year in respect of claims settled by the RAF, as there were no claims in excess of the retention amount.

Foreign Claims

The number of claims by foreign visitors to South Africa continues to rise as the volume of visitors to the country increases. As the bulk of these claims are paid in the applicable foreign currency and these claimants also enjoy unlimited benefits, foreigners' claims form a large proportion of high-value claims. At 31 March 2016, 4.4% (2014/15: 4.6%) of the value of the provision for outstanding claims in excess of R5,000,000 was made up of claims by foreign nationals. It is important to note, however, that the actual claimed amount can exceed the estimated value of the claim.

Claims Reinsurance

In terms of section 4(1)(d) of the Road Accident Fund Act, 1996 (Act No. 56 of 1996), the RAF may procure reinsurance for any risk undertaken in accordance with this Act. Simultaneously, section 51(1)(a)(i) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) states as a condition that a public entity must ensure that it has and maintains effective, efficient and transparent systems of financial and risk management.

The RAF, through its reinsurance brokers procures reinsurance cover and negotiates reinsurance treaties for the RAF. The RAF's reinsurance treaties are all in excess of loss agreements. Therefore, the reinsurers indemnify the RAF for that part of the ultimate net loss (total amount paid) which exceeds the retention amount, as per the relevant treaty subject to an indexation clause as contained in the treaties. The RAF will only accept terms provided by reinsurers with acceptable ratings. The ratings are done by Standard & Poor and AM & Best which are international rating companies. The RAF currently places its limited reinsurance cover with a South African company, AIG SA, and the unlimited cover is placed with reinsurers based in London. The current limited cover has a set retention level of R100,000,000 and, in terms of the treaty, the reinsurer's liability is limited to paying up to R400,000,000 per any one loss occurrence event, on account of each and every loss occurrence. The unlimited cover placed in the London reinsurance market provides for cover in excess of R500,000,000 per any loss occurrence event, on account of each and every loss occurrence.

The RAF must report to reinsurers all losses (all claims arising from an accident) likely to exceed the notification amounts, as specified in the respective reinsurance treaties.

In terms of the reinsurance treaties, the reinsurers indemnify the RAF for that part of the ultimate net loss (total amount paid) which exceeds the retention amounts as specified in the treaties, subject to the indexation clause.

31. Insurance Risk Management (continued)

The following table illustrates the notification amounts and retention amounts for the respective annual reinsurance treaties:

Accident Years	Notification Amount	Retention Amount
1984 to 1986	500,000	1,500,000
1986 to 1988	3,000,000	5,000,000
1989	1,000,000	2,500,000
1989 to 1991	1,000,000	3,000,000
1991 to 1992	1,000,000	4,000,000
1992 to 1993	1,000,000	4,500,000
1993 to 1994	2,000,000	4,500,000
1994 to 1996	2,000,000	5,000,000
1996 to 1997	2,000,000	10,000,000
1997 to 1999	5,000,000	10,000,000
1999 to 2000	7,500,000	15,000,000
2000 to 2002	15,000,000	20,000,000
2002 to 2005	15,000,000	50,000,000
2005 to 2007	15,000,000	100,000,000
2008 to 2016	75,000,000	100,000,000

The RAF monitors its reinsurance risk on a quarterly basis by reviewing and updating reports to reinsurers, which indicate the current status with regard to matters reported to reinsurers. Furthermore, regular reports are run against the RAF's database to identify potential reportable matters, as a pro-active measure.

Board Members' and Officers' Liability Insurance

The RAF manages the risks that the Board Members and Officers of the RAF are exposed to by way of Board Members' and Officers' liability insurance. The RAF's current Board Members' and Officers' insurance cover is placed with two underwriters respectively. The total limit of indemnity per claim is R250,000,000 and to all in the aggregate.

Claims Development Table

The table below illustrates how estimates of cumulative claims have developed over time on a gross basis. The top half of the table shows the development of estimates of gross cumulative claims for each accident year. The lower half of the table shows the gross claims paid. The table has been categorised according to the nature of the claim.

Personal claims Estimates of gross ultimate claims	2013 R'million	2014 R'million	2015 R'million	2016 R'million	Total R'million
Personal claims					
At end of accident year	15,092	17,419	19,144	27,594	
One year later	14,877	19,258	26,666	-	
Two years later	18,385	25,336	-	-	
Three years later	23,755	-	-	-	
Supplier claims					
At end of accident year	450	519	770	1 001	
One year later	441	534	662	-	
Two years later	506	566	-	-	
Three years later	537	-	-	-	
Undertakings					
At end of accident year	443	608	868	1,505	
One year later	529	873	1,418	-	
Two years later	814	1,305	-	-	
Three years later	1,177	-	-	-	
Personal claims					
Claims paid					
Personal claims					
At end of accident year	37	96	121	151	
One year later	770	1,151	1,196	-	
Two years later	3,571	4,543	-	-	
Three years later	9,164	-	-	-	
Supplier claims					
At end of accident year	149	163	227	316	
One year later	372	430	498	-	
Two years later	490	506	-	-	
Three years later	523	-	-	-	
Undertakings					
At end of accident year	2	3	2	6	
One year later	13	23	19	-	
Two years later	39	45	-	-	
Three years later	57	-	-	-	
Estimates of gross ultimate claims					
Gross liabilities in respect of accident years 2013 - 2015	15,726	22,113	27,034	29,627	**94,500**
Gross liabilities in respect of 2012 and prior accident years	-	-	-	-	**48,834**
	15,726	**22,113**	**27,034**	**29,627**	**143,334**

32. COMMITMENTS

	2016 R'000	2015 R'000
Already contracted for but not provided for		
Property, plant and equipment	14,028	23,978
Intangible assets	10,477	6,889
Operating expenditure	61,762	18,069
	86,267	**48,936**
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	50,683	34,505
- within second to fifth year inclusive	95,816	129,940
	146,499	**164,445**

Operating lease payments represent rentals payable by the RAF for certain of its office properties.

The leases have varying terms, escalation clauses and renewal rights.

33. Contingencies

Other Contingent Liabilities

There are a number of outstanding corporate legal matters. These are as follows:

- Litigation by/against service providers – 11 matters
- Constitutional challenges – 11 matters
- Other litigation/disputes – 19 matters

The RAF is involved in commercial and labour-related litigious matters. The quantum of this exposure is not disclosed as these matters are *sub judice*.

Guarantees

The guarantee exposure as at 31 March 2016 was R2,320,000 (2014/15: R3,969,000)

	2016 R'000	2015 R'000
Description		
SA Mutual Life Assurance Society	-	300
Ryckloff Beleggings	-	2,700
Columbia Falls Properties	77	-
Redefine Properties	878	-
Faerie Glen Waterpark (Pty) Ltd	1,365	969
Total	**2,320**	**3,969**

34. Change in Estimate

Useful Life of Buildings

The useful life of buildings was estimated in 2015 to be 30 years. In the current period Management has revised their estimate to 22 years at reporting date. The effect of this revision has increased the depreciation charge for the current and future periods by R1,257,209.

35. Prior Period Errors

Certain comparative figures have been restated in accordance with GRAP requirements. The restatement arose due to the following prior period errors:

1. In the prior period, the Operating Lease Liability was disclosed as a Financial Liability. The comparative figures have been restated to reflect the reclassification from Other Financial Liabilities to Operating Lease Liability.
2. On the first time adoption of IFRS 4: Insurance Contracts, Claims Liabilities of R1,724,676 were presented as Other Financial Liabilities and not as Claims Liabilities. The comparative figures have been restated to reflect the reclassification.
3. In February 2015, a new generator was purchased for the Eco Glades premises. This amount was, however, erroneously included in the deficit for the year and not capitalised in accordance with GRAP 17: Property, Plant and Equipment. This led to an understatement of Property, Plant and Equipment and the deficit for the period.

The above errors, individually and in aggregate, do not have a material impact on the Annual Financial Statements and have been disclosed to ensure fair presentation.

35. Prior Period Errors (continued)

The correction of the errors results in adjustments as follows:

	2016 R'000	2015 R'000
Statement of Financial Position		
Property, plant and equipment	-	701
Other financial liabilities	-	5,338
Operating lease liabilities	-	(3,613)
Claims liabilities	-	(1,725)
Opening accumulated surplus or deficit	-	(701)
Statement of Financial Performance		
Depreciation expense	-	7
General expenses	-	(708)

36. Going Concern

The RAF draws attention to the fact that at 31 March 2016 the entity had an accumulated deficit of R145,335,490,000 and that the entity's total liabilities exceeded its assets by R145,252,092,000. This indicates that a material uncertainty exists as to whether the 'going concern' assumption is appropriate for the preparation of the Annual Financial Statements.

The 'going concern' basis was nonetheless used for the preparation of the Annual Financial Statements despite the cash flow challenges faced by the RAF – a basis that presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Though the RAF will continue to face material cash flow constraints, it is believed that based on the initiatives implemented to date, the support from its stakeholders, the absence of any indication that it should no longer execute its statutory obligations, and by continuing to work with its service providers, that the RAF will be able to meet its obligations arising.

37. Events after the Reporting Date

No undisclosed material events have taken place between the Statement of Financial Position date and the authorisation of the Annual Financial Statements as disclosed in the Report of the Board.

38. Budget Differences

Material Differences between Budget and Actual Amounts

Material differences can be explained as follows:

Investment Revenue

An average cash holding of R200,000,000 was budgeted throughout the year. The average actual cash holding was however around R2,000,000,000 at every month-end due to the Fuel Levy being received towards the end of each month. The payments of claims were further distributed throughout the month, based on the Cash Management Strategy, with only a minimum buffer being maintained shortly before the receipt of the Fuel Levy. The cash flow profile throughout a month was thus mature and based on actual experience; as such resulting in investment income actually received significantly exceeding the budgeted amount. This matured profile will be depicted in the budgets going forward.

Gains on Disposal of Assets and Liabilities

The Gain/(Loss) on Disposal of Assets and Liabilities varied from the amount projected in the budget due to the RAF entering into a fleet management agreement and disposing of the motor vehicles on hand at the time of entering into the agreement. This was not expected at the time of the budget approval.

Claims Expenditure

The variance in Claims Expenditure is due to an increase in the provision for outstanding claims of R25,000,000,000 more than what was budgeted for. The number of claims reported was consistently higher than expected. Together with this, the change in the mix of the Heads of Damages settled, and higher inflation rates than what was budgeted for, resulted in an increase in the claims provision which was not estimated at the time the budget was prepared.

Finance Costs

Interest on late payment of claims was projected to reduce due to improved efficiencies being implemented in order to reduce the number of claims being paid late. However, the depletion in cash reserves resulted in more finalised claims being paid late, resulting in the increase in finance costs.

General Expenses

The variance in General Expenses is due to the cost containment initiatives implemented as per the National Treasury Instruction Note and the delay in initiation of projects.

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