Chapter Two: Governance

2.1 Introduction

The Compensation Fund subscribes to the principle of good corporate governance espoused in King III.

The Compensation Board continued to work effectively as a team in advising the Minister of Labour and tackling substantive issues facing the Fund, while at the same time maintaining a constructive and collaborative relationship with the Compensation Commissioner.

2.2 Compensation Board

The Compensation Board is a statutory body of the Compensation Fund that advises the Minister of Labour on policy matters, annual benefit increases, appointment of assessors and amendments to the Compensation for Occupational Injuries and Diseases Act (COIDA). Representatives are from organised business, organised labour, government, mutual assurance companies related to the Fund and medical experts. It is expected that all representatives consult with their constituencies on all inputs they provide to the Fund.

2.3 Mandate of the Board

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

The Board's function is to advise the Minister on the following:

I. Matters of policy arising out of or in connection with the application of COIDA.
II. The nature and extent of the benefits that shall be payable to employees or dependents of employees, including the adjustment of existing benefits.
III. The amendment of COIDA.

2.4 Board Composition

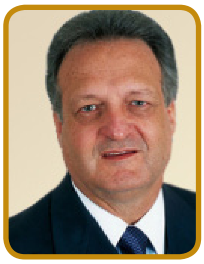
The Board members bring with them a wide range of skills, business acumen, independent judgement and experience on various issues, including strategy development, performance and general leadership whilst the Compensation Fund senior managers bring in profound functional experience and an understanding of the business of the Fund.

The Compensation Board

Mr. M Mngqibisa
(Chairperson)
(National Treasury)

Mr. J Singh
(RMA)

Ms. TT Pugh
(FEMA)



Mr. N Weltman
(BUSA)

Mr. M Majola
(BUSA)

Dr. T Balfour Kaipa
(BUSA)

Mr. T Lamati
(DOL)

Mr. S Tsiane
(COSATU)

Mr. P Magane
(COSATU)

Ms J Bodibe
(COSATU)

Ms. B Modise
(NACTU)

Mr. G McIntosh
(FEMA)

Mr. F Xaba
(BUSA)

Mr. S Motloung
(FEDUSA)

Dr. L Ndelu
(DOH)

Mr. W Shisana
(HPCSA)

Table 1: Compensation Fund Board Members

Name	Organisation	Principal Member	Alternative Member	Appointment Date
Mr.B Singh	RMA	√		18/08/08
Ms TT Pugh	FEMA	√		18/08/08
Prof. MS Mokgokong	HPCSA	√		18/08/08
Dr R B Crouch	HPCSA	√		18/08/08
Mr. N Weltman	BUSA	√		18/08/08
Mr. M Majola	BUSA	√		18/08/08
Dr. L Ndelu	Dept. of Health	√		18/08/08
Mr. T Lamati	Dept. of Labour	√		01/04/09
Mr. M Mngqibisa	Dept of National Treasury (GEPF)	√		18/08/08
Mr. S Tsiane	COSATU	√		18/08/08
Mr. P Magane	COSATU	√		18/08/08
Ms J Bodibe	COSATU	√		18/08/08
Mr. S Motloung	FEDUSA	√		18/08/08
Ms. B Modise	NACTU	√		18/08/08
Dr. T. Kaipa- Balfour	BUSA		√	18/08/08
Mr. E Lefhugu	RMA		√	18/08/08
Mr. G McIntosh	FEMA		√	18/08/08
Mr. W Shisana	HPCSA		√	18/08/08
Brig F Meyer	HPCSA		√	18/08/08
Mr. F Xaba	BUSA		√	18/08/08
Mr. S Deva	BUSA		√	18/08/08

2.5 Board Induction

Board induction takes place when new members are appointed, in order to familiarise them with the Fund's operation, risk management procedures, strategy, governing framework and their responsibilities. An induction workshop was conducted on 10 November 2010, and the following members attended the programme.

Table 2: Schedule of Attendance of the Induction Workshop

Names and Surnames		10 November 2010
1.	Dr. R . Crouch	√
2.	Mr. S. Motloung	√
3.	Ms. L . Ndelu	√
4.	Mr. G . McIntosh	√
5.	Mr. P. Magane	√
6.	Mr. J. Singh	√
7.	Mr. S. Mngqibisa	√
8.	Ms. T . Pugh	√
9.	Prof. M . Mokgokong	√
10.	Mr. M . Majola	√
11.	Mr. N . Weltman	√
12.	Dr. T . Kaipa-Balfour	√
13.	Mr. F. Xaba	√
14.	Mr. S. Deva	√
15.	Mr. S. Tsiane	√
16.	Mr. L . Lamati	√
17.	Ms. J. Bodibe	√
18.	Ms. B . Modise	√
19.	Mr. W . Shisana	√

2.6 Delegation of Authority

According to the Compensation for Occupational Injuries and Diseases Act (COIDA), the Director-General may designate the Compensation Commissioner or any other official in the Public Service to chair meetings of the Compensation Fund Board. The Director-General appointed Mr. S.S. Mkhonto to chair the Compensation Board. However, the position of the Chairperson was reviewed and a new Chairperson Mr. Mgqibisa was appointed on the 1st September 2010. The Board Secretariat is currently co-ordinated from the Monitoring and Evaluation office.

The following is the schedule of attendance of Board meetings by all Board members.

Table 3: Schedule of Attendance of Board Meetings

Names and Surnames	26 May 2010	25 June 2010	11 August 2010	1 September 2010	24 November 2010	16 February 2011
1. Mr. M. Mgqibisa (Elected new Chairperson in September 2010)	√	√	A	√	AP	√
2. Mr. J. Singh	√	√	√	√	√	√
3. Ms T. Pugh	√	√	√	√	AP	√
4. Ms. J. Bodibe	√	√	√	√	√	√
5. Dr R. Crouch	AP	AP	√	AP	R	R
6. Ms. B. Modise	AP	√	A	√	√	√
7. Mr. S. Tsiane	√	√	√	AP	√	√
8. Dr. L. Ndelu	√	√	AP	√	AP	A
9. Mr. M. Majola	√	√	A	√	√	√
10. Mr. N Weltman	√	√	AP	√	√	√
11. Dr. T. Kaipa-Balfour	√	AP	√	√	AP	A
12. Mr. G. McIntosh	√	√	√	√	AP	√
13. Mr. P. Magane	√	√	√	√	√	√
14. Prof. S. Mokgokong	AP	AP	√	√	R	R
15. Mr. W. Shisana	A	√	√	√	√	√
16. Mr. F. Xaba	AP	√	√	√	√	√
17. Mr. L. Lamati	√	√	√	AP	AP	AP
18. Mr. S. Motloung	AP	√	√	√	√	AP

√ = Present
AP = Apology
A = Absent
R = Resigned

2.7 Board Committees

Consistent with King III and best practices, the Board has established technical sub-committees to assist in advising the Board in order to efficiently and effectively achieve its objectives. Each sub-committee has a mandate outlining authority delegated to it by the Board. The mandate of each sub-committee sets out the purpose, composition, terms of reference and reporting responsibilities.

The Board has established the following sub-committees:

- Technical Committee on Occupational Diseases
- Assessment and Rating Committee
- Benefits Committee
- Reporting and Statistics Committee
- Communication, Education and Marketing Committee
- Strategic Operational Committee
- Investment Committee
- Audit and Risk Committee (PFMA)

Due to challenges and duplication of reporting experienced in the course of the year, other sub-committees were merged to form one sub-committee:

- The Assessment and Rating committee and the Benefits committee were merged to form the Assessments and Benefits Committee.
- The Reporting and Statistics Committee and the Communication, Education and Marketing Committee were combined to the Strategic Operational Committee.
- The Technical committee on Occupational Diseases to also include Injuries.

The following are key committees to assist the Board in advising on the core business of the Fund:

- Finance and Investment Committee
- Assessments and Benefits Committee
- Audit Committee

2.7.1 Finance and Investment Committee

2.7.1.1 Composition

The Committee consists of three independent members

- The Chairperson is appointed by the Board.
- The Chief Financial Officer and two Executive Managers attend meetings by invitation.
- Members are appointed for a four-year term of office and meets at least quarterly.

The Fund has also appointed Alexander Forbes as its investment advisors and actuaries.

2.7.1.2 Mandate

In terms of section 8 (2) of the COID Act the Fund is mandated to invest its surplus funds with the Public Investment Corporation (PIC).

During the period under review the Finance and Investment Committee considered investments totalling approximately R26 billion.

The mandate of the Investment Committee encompasses, among others, the following key responsibilities:

- Overseeing the implementation of the Fund’s Investment Strategy.
- Monitoring performance of the investments on a regular basis.
- Reporting quarterly to the Compensation Board on issues relating to the investment of funds under management.

- Overseeing the criteria and process for the selection of external investment managers.
- Reviewing the Risk Management Framework and policies in respect of investment management, including derivatives policy.
- Overseeing the criteria and process for the selection of external investment managers.
- Reviewing the Risk Management Framework and policies in respect of investment management, including derivatives policy.
- Present the Annual Financial Statements to the Board.
- Reporting quarterly financial management reports.

Table 4: Schedule of Attendance of Investment Committee

Names & Surnames	21 July 2010	2 November 2010	31 January 2011
1. Mr. S. Tsiane*	√	√	√
2. Mr. F. Xaba	√	A	√
3. Mr. M. Mngqibisa	√	√	√
4. Ms. J. Bodibe	A	A	A

* = Chairperson
√ = Present
AP = Apology
A = Absent

2.7.2 Assessments and Benefits Committee

The Benefits and Assessments and Rating Committees were merged to become the Assessments and Benefits Committee.

The main objective of the committee is to advise and recommend to the Board on matters relating to**:**

- Assessment of employers and rates applicable to such assessments.
- Benefits payable in terms of COID Act, to employees or dependents.

2.7.2.1 Composition

The Committee composes of the following representatives:

- All representatives (7 members) of various constituencies as represented on the Board.
- All the Directors representing all Departments within the Fund have standing/permanent invitation to attend committee meetings. Directors may bring their supporting managers/representatives as and when they consider it necessary.
- The Committee may invite any other personnel or party to the meeting when they deem necessary.

2.7.2.2 Legislative Mandate

The core mandates of the committee emanate from the Act and are found in the following sections of the Act:

- Sections 47-64: Determination and calculation of benefits and or compensation,
- Sections 80-89: Obligations and Assessment of employers,
- Regulations issued in terms of COIDA,
- PFMA and National Treasury Regulations,
- Other applicable legislation and directives.

The following are schedules of subcommittee meetings before and after the merger:

Table 5: Schedule of Attendance of Benefits Committee

Names & Surnames	22 April 2010	13 May 2010	7 July 2010	22 September 2010	1 October 2010
1. Ms. J. Bodibe*	√	√	√	√	√
2. Mr. M. Motloung	√	√	√	√	A
3. Dr. L. Ndelu	A	√	A	A	A
4. Mr. N. Weltman	A	A	A	A	A
5. Mr. G. McIntosh	A	A	√	√	√
6. Ms. T. Pugh	A	A	A	A	√
7. Dr. T. Balfour –Kaipa	A	A	A	A	A

* = Chairperson
√ = Present
AP = Apology
A = Absent

Table 6: Schedule of Attendance of Assessment & Rating Committee

Names & Surnames	12 May 2010	21 September 2010	11 November 2010
1. Mr. G. McIntosh*	√	√	√
2. Ms. B. Modise	√	√	√
3. Ms. J. Bodibe	A	√	√
4. Ms T Pugh	AP	AP	AP
5. Mr. F. Xaba	√	AP	AP

* = Chairperson
√ = Present
AP = Apology
A = Absent

Table 7: Schedule of Attendance of the Merged Assessment & Benefits Committee

Names & Surnames	19 January 2011	23 February 2011
1. Ms. J. Bodibe*	√	√
2. Mr. G. McIntosh	√	A
3. Ms. B. Modise	√	√
4. Mr. S. Motloung	√	AP
5. Ms. T. Pugh	√	A
6. Mr. F. Xaba	√	√
7. Ms. L. Ndelu	√	AP
8. Mr. N. Weltman	√	AP
9. Mr. M. Mngqibisa	A	AP

* = Chairperson
√ = Present
AP = Apology
A = Absent

2.7.3 Compensation Fund Audit Committee

The Audit Committee was established in terms of the PFMA and Treasury Regulations to assist the Executive Authority in fulfilling its oversight responsibility in terms of these statutes. The duties of the committee are broadly defined in Section 51(1) (a) (ii) of the PFMA and Treasury Regulations issued in March 2005.

2.7.3.1 Composition

- Section 77 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) regulates the membership of the Audit Committee.
- The Audit Committee will comprise of at least four independent members.
- The Chairperson is appointed by the Director-General in consultation with the Executive Authority.
- At least once during the term of membership will the Audit Committee meet with the Executive Authority or the Minister in charge of the Department of Labour.
- The Chairperson must not be in the employ of the Department of Labour.
- Members will be appointed for a four-year term of office.
- The Director-General has to concur with any termination of the services of a person serving on the Audit Committee.
- A quorum for any meeting will be fifty percent plus one member.

2.7.3.2 The Audit Committee Charter

The Audit Committee has adopted formal terms of reference as its Audit Committee Charter that has been approved by the Fund's Board. The terms of reference do not replace the responsibilities in terms of the above Act and Regulations, but complement and clarify the role of the Audit Committee in terms of their responsibilities. The Committee has conducted its affairs in compliance with this charter and has discharged its responsibilities contained therein. The Charter is available on request from the Compensation Fund.

2.7.3.3 Roles and Responsibilities

The Audit Committee's roles and responsibilities include its statutory duties as required by Public Finance Management Act (PFMA) and Treasury Regulations issued in March 2005.

Primarily the Audit Committee is established to assist the Board in discharging its duties relating to, among others:

- The safeguarding of assets
- The operation of adequate systems and controls
- Ensuring the preparation of accurate financial reporting and statements in compliance with all legal requirements and accounting standards
- Effective risk management
- Ensuring good corporate governance
- Ensuring the effectiveness of internal and external audit processes
- Ensuring that the Codes of Governance Principles are maintained

2.7.3.4 Report of the Audit Committee

The Compensation Fund audit committee is firmly committed to sound corporate governance. The committee subscribes to a set of values that amongst others foster integrity, respect, honesty and openness. We hereby present our report for the financial year ended 31 March 2011.

Audit Committee Members and Attendance:

The audit committee is chaired by an independent non-executive and comprises only of independent non-executives. The Audit Committee consists of the members listed hereunder that met at least four (4) times during the current financial year, as per the approved terms of reference. During the current year ten (10) meetings were held and attended as follows:

Table 9: Schedule of attendance of Audit Committee Meetings

NAME	19/04/2010	19/05/2010	24/05/2010	21/07/2010	11/08/2010	16/09/2010	03/11/2010	10/11/2010	06/12/2010	07/02/2011
Mr K. Buthelezi *	√	√	√	√	√	√	√	√	√	√
Mr G. Nzalo	√	AP	√	√	√	√	√	√	√	√
Mr S. Makhubu	√	√	√	√	√	√	√	√	√	√
Mr F. Xaba	√	AP	AP	√	√	√	√	AP	√	√

* = Chairperson
√ = Present
AP = Apology

Audit Committee Responsibility

The Audit Committee confirms that it has complied with its responsibilities arising from section 51 (1) (a) (ii) of the PFMA and Treasury regulation 27.1

The Committee operates in terms of its charter and reviews audit, accounting and financial reporting issues and endeavours to ensure an effective internal control environment.

Overseeing and Informing the Risk Management Process

Risk management processes is being implemented through a formal Risk Management Strategy that was adopted to ensure effective, efficient and transparent risk processes that focus on strategic and operational risks. From this risk process, the Committee conclude that an adequate Risk Management Framework needs to be aligned with the overall strategy of the Fund, to identify, focus, manage, and monitor business risks. The Fund is predominantly focusing on operational risks in their efforts towards risk management. This is inadequate from best practice and legislative perspectives as both calls for strategic objectives being the departure point for risk management. The internal audit department assists the committee and management in monitoring the risk management process.

The Effectiveness of Internal Controls

In line with the PFMA and the King Code on Corporate Governance requirements, Internal Audit provides the Audit Committee and Management with assurance on the appropriateness and effectiveness of internal controls. Accounting and internal controls focus on critical risk areas. The systems of internal controls implemented by the Fund within its business processes was not entirely effective for the year under review, as compliance with prescribed policies and procedures were lacking in certain instances. Internal and external audit highlighted numerous internal control deficiencies.

The control environment has been assessed as inadequate and ineffective. The Committee therefore recommends improved controls to be designed to provide reasonable assurance that assets of the Fund are safeguarded from loss or unauthorised use and the financial records may be relied on for preparing the financial statements and maintaining accountability for assets and liabilities.

The Audit Committee is of great concern that there is lack of Management's ability to monitor the fund's performance. The audit Committee has tasked Management to prepare a comprehensive "Action Plan" to indicate how the Fund intends to address the issues raised in the report. Management has already embarked on the process of addressing these issues, these include inter alia:

- Revenue and Accounts Receivables;
- Medical and Compensation claims;
- Pre-determined objectives; and
- Review of organisational business processes (i.e. Supply Chain Management and Accounts Payable).

It is further expected that management will include KPI's of implementation of these action plans into their performance agreements.

Internal Audit and the management report of the Auditor-General indicated certain internal control deficiencies and matters that have not yet been satisfactorily addressed by management as reported in prior years. This indicates that there has been little progress made to improve the Funds internal controls. The Committee however acknowledges that in some cases, these matters are dependent on the newly envisaged Information Technology solutions for the Fund. Other matters have escalated as top-priority through robust action plans that are being monitored by the audit and risk committee.

The Audit Committee as part of its commitment in improving the current state has arranged and put measures in place to monitor the progress. Management will on regular basis report directly to the Audit Committee, with Internal Audit reporting independently on the progress by management in implementing the plan to enable the Audit Committee to evaluate the progress made.

The quality of management and quarterly reports submitted in terms of the PFMA and the Division of Revenue Act.

There has been good progress on the content and quality of quarterly reports prepared and issued by the Accounting Officer of the Fund during the year under review. It was however noted that the progress on Revenue, Accounts Receivable and implementation of a new system for the Fund has been very slow.

Internal Audit

The Fund implemented a co-sourced internal audit function effective from April 2010. The in-house internal audit staff complement was increased from 1 to 6 members. This has assisted the Fund in ensuring that the internal audit function has adequate resources and is able to execute on their mandate. Internal audit performed periodic independent evaluations of the adequacy and effectiveness of all controls, financial reporting, and the integrity of all information systems and records. Internal audit reports to the audit committee and has unrestricted access to the Commissioner.

Evaluation of the Annual Financial Statements

The Audit Committee has:

- Engaged with Finance Management, the Chief Financial Officer and The Commissioner and has reviewed the Performance and Financial Statements;
- Reviewed and discussed with the Auditor-General and Accounting Officer the audited annual financial statements to be included in the annual report; and
- Reviewed the Auditor-General's management letter and management responses.

The Committee concurs and accepts the conclusions of the Auditor-General on the Annual Financial Statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

Auditor-General South Africa

The Audit Committee has met with the Auditor-General South Africa to ensure that there are no unresolved issues.

K. Buthelezi - Chairman of the Audit Committee
28 July 2011

2.8 Governance of Risk

2.8.1 Fraud Prevention Plan

As required by section 29.1.1 of the Treasury Regulations and as prescribed by Public Finance Management Act, No.1 of 1999, the Compensation Fund prepared a Fraud Prevention Plan to effectively manage the fraud risk to which the Fund is exposed. The Audit Committee is ensuring that Fraud Prevention Plan and Strategy is implemented to minimise exposure to criminal acts, particularly fraud. The Risk Management Unit addresses these threats. Its work covers risk assessment, fraud prevention, detection, response and investigation.

Where serious fraud, corruption and irregularities are suspected, investigations are conducted to establish facts to enable management to deal appropriately with the matter and prevent recurrence.

During the year under review 160 cases of fraud and other related to unethical activities were investigated and 13 officials were dismissed due to fraud and corruption activities. The medical service providers who colluded with internal staff were reported to SAPS and HPCSA for their action and legal actions are unfolding.

There are 560 employees who were inducted and trained on Risk management and fraud prevention awareness.

Duplicate payments to medical service providers were also uncovered. This process will be ongoing in an effort to intensify the fight against crime and corruption.

Risk assessment was performed and updating of the risk registers by various risk owners. Risk Committee is chaired by an independent member and monitors the implementation of the risk control matrix, to ensure the effectiveness of risk management.

2.8.2 Ethical Business Conduct

Compensation Fund commits itself to the highest standard of ethical conduct, underpinning its key value of integrity. It strives at all times to foster trust, dependability and honesty.

The Compensation Fund has established a Toll-Free Crime Line, (0800-20-49-74) for staff and stakeholders to report unethical behaviour, crime and irregularities confidentially.

3.1 Registration and Processing of Claims

The Fund registered a total of 215,493 claims during this financial year and a total of 144,081 of these claims were finalised, constituting 67%. The remaining 33% are claims where the medical condition of the employee has not stabilised and will only be assessed in the next financial year when the condition has stabilised, as provided by the COID Act.

The majority of the finalised claims are where the employee was off duty for 3 days and less, and the employee does not qualify for compensation benefits.

3.2 Compensation Benefits

Table 10: Claims registered, accepted, repudiated and payments processed

FINANCIAL YEAR	TOTAL CLAIMS REGISTERED	CLAIMS ACCEPTED	CLAIMS REPUDIATED	NO. OF PAYMENTS	AMOUNT PROCESSED
2008/09	203,711	179,470	712	327,647	R 630,708,449
2009/10	200,560	172,743	284	340,159	R 771,801,533
2010/11	215,493	206,851	538	329,091	R 801,724,702

Figure 1: Compensation Benefits

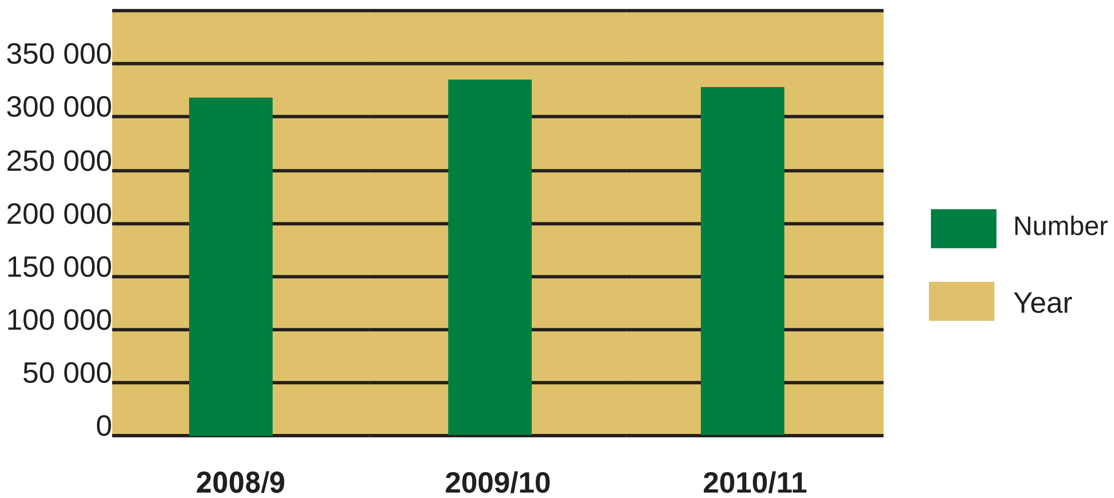


Table 11: Breakdown of compensation benefits processed payments made from April 2010 until 31 March 2011

Payment	No. of payments	Amount
Additional compensation (*Section 56 claims)	3	2,264,383.00
Burial expenses	247	1,876,192.37
Constant attendance allowance	6,452	9,059,934.00
Lump sum to widows	321	3,058,801.38
Partial dependency	14	316,334.18
PD lump sum payment (30%)	110	6,235,974.90
PD pension payment (< 30%)	3,873	77,922,949.01
PD pension (> 30%)	88,983	215,384,102.33
Pension	195,586	375,057,469.86
TTD	33,265	110,287,727.70
Widow & child pension	237	260,833.82
TOTAL	329091	801,724,702.55

* Increased compensation due to employers negligence

3.3 Improvement on Benefits and Policy Development

The Compensation Board has reviewed the existing benefits and made some remarkable increases in the benefits to be paid to injured employees and dependents in a form of lump sum, loss of earnings and monthly pensions.

Major increases include the following:

- Increase of the salary ceiling from R261,893 to R277,860 per annum.
- The monthly compensation pension increased by 4.6% plus 90% purchasing power of the low pension earners.
- The minimum earnings increased from R3,055 to R3,241.00 per month while maximum earnings increased from R21,824 to R23,155 (75%=17,366.25) per month for the Temporary Total Disablement (TTD) and for Permanent Disablement (PD) lump sum payment. Earnings have a big influence in the calculation of benefits.
- The constant attendance allowance for pensioners who need constant nursing increased from R1,300 per month to R1,379 per month in addition to the monthly pension.
- The maximum partial dependency lump sum increased from R95,200 to R107,007.
- Maximum funeral benefits increased from R12,300 to R13,050.

These increases have been determined on the basis of the actuarial investigations and recommendations of the Compensation Board.

3.4 Compliance with COIDA

3.4.1 Monitoring of Exempted Employers and unreported accidents

- The Fund has determined administrative costs for all government departments and exempted municipalities to the value of R16 million for the 2010/11 financial year.
- The Fund is still implementing the existing provisional settlements for the two mutual associations and there have been no changes made.
- Securities for all exempted municipalities were reviewed; shortfalls were identified and provided for.
- Investigations were conducted on alleged unreported accidents to 661 employers. Of these cases, 105 claims were registered while 556 were referred to Provinces for further investigations.

3.5 Decentralisation Pilot Project Report

3.5.1 Introduction

The Compensation Fund has since July 2009 started with the Pilot Project of Decentralisation of certain Compensation services to four provinces namely, Limpopo; Free State; Kwa-Zulu Natal and Eastern Cape, with a view of improving the turn around time in processing of claims. Later during December 2010, the Fund rolled out the pilot project to the 5 remaining provinces comprising Gauteng; North West; Northern Cape; Western Cape and Mpumalanga.

This decentralisation is at a smaller scale and as such is focusing on registration of claims; adjudication for liability and payment of medical claims as there is no permanent organisational structure of the Fund in the provinces. This initiative is therefore a short term intervention to address the delays in the processing of claims at Head Office. The payment of compensation benefits is still processed centrally at Head Office until the new organisational structure is in place.

In the circumstances, this report will cover areas around production; impact analysis; inherent challenges and remedial actions as well as the future way forward to sustain the decentralisation process.

Table 12: Production and Statistics

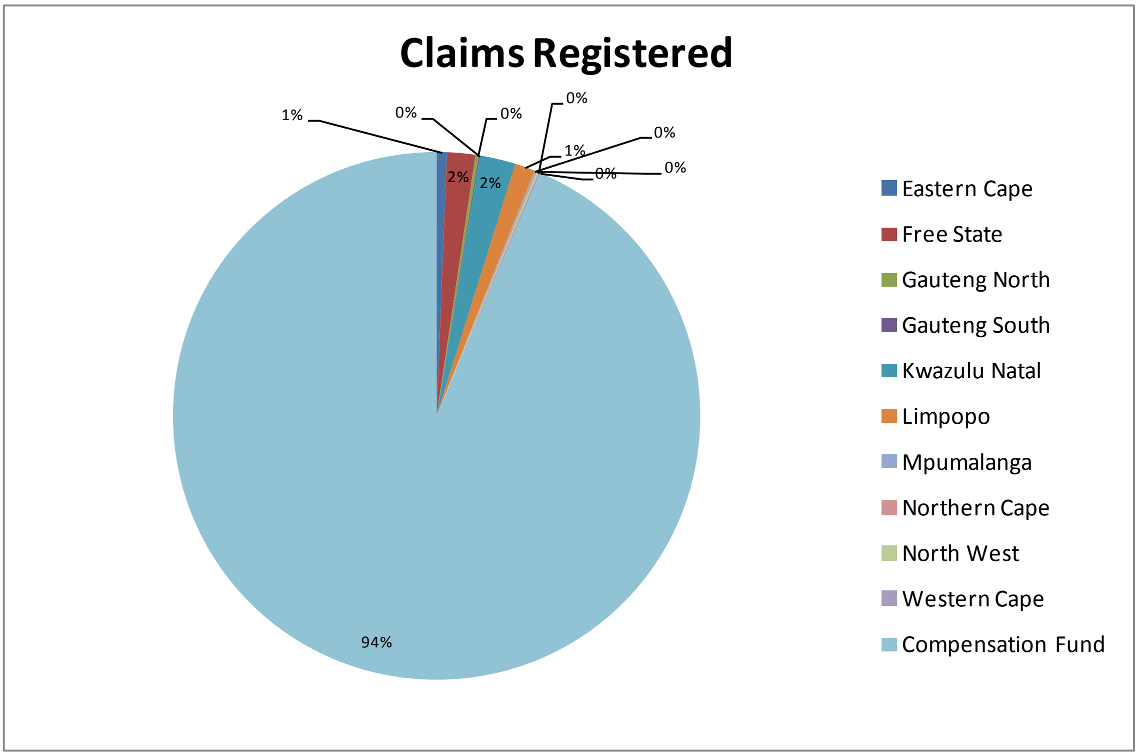
Decentralisation Statistical Report For 2010/2011				
Province	Registered Claims	Accepted Claims	Number of medical accounts paid	Amount of medical accounts paid
Eastern Cape	1351	15867	177436	R 255,618,155
Free State	3732	5804	19088	R 69,585,278
Gauteng North	437	Not yet started	Not yet started	Nil
Gauteng South	152	278	Not yet started	Nil
Kwa-Zulu Natal	4726	7669	43515	R 73,443,790
Limpopo	2635	3861	5927	R 19,950,761
Mpumalanga	135	110	Not yet started	Nil
Northern Cape	185	57	Not yet started	Nil
North West	257	Not yet started	Not yet started	Nil
Western Cape	224	199	Not yet started	Nil
TOTAL	13834	33845	245966	R 418,597,984

3.5.2 Impact analysis

- From the above statistics, the deduction is that the Eastern Cape Province has processed the highest number of claims. This is attributed to the Port Elizabeth project which is mainly processing claims from COMPSOL which is representing a large number of medical providers.
- Kwa-Zulu Natal is also the second highest province regarding registered claims; adjudication of claims and processed medical accounts followed by the Free State province and Limpopo province, respectively. The Free State province has been assisting Northern Cape with adjudication and payment of medical claims.
- The other 5 provinces namely Gauteng; North West; Northern Cape; Western Cape and Mpumalanga started registering claims from December 2010 and adjudication in March 2011, hence the lesser number of registered claims and accepted claims.
- The total number of claims registered by these provinces is 13834 which constitutes 6% of the overall registered claims(215493).
- Provinces have adjudicated and accepted 33845 claims which constitute 21% of the overall accepted claims (161518).
- The total number of Medical Payments is 245966 with a monetary value of R418, 597,984. The total number of medical accounts paid by the provinces constitutes 29% of the overall medical accounts (860000) processed by the Fund.
- Of noteworthy is that the turn around time on adjudication of claims has improved to between 3 days to 21 days on average, while processing of medical accounts turn around time is between 8 days to 30 days from province to province. This improvement is attributed to the close proximity to the Fund's stakeholders.

If the number of registered claims is viewed as a graph, the following result is obtained.

Figure 2: Provincial Registered Claims



From the above it is clear that KZN province has registered the most claims by far with Free State and Limpopo following behind. Eastern Cape also has a significant number while the rest follows relatively far behind.

If the focus is put on those provinces that also accepted claims the numbers are as follows:

Table 13: Number of Claims Registered Per Province.

Province	Registered claims	% against overall of 215 493
Eastern Cape	1 351	0.62 %
Free State	3 732	1.73%
Gauteng North	437	0.20%
Gauteng South	152	0.07%
Kwazulu Natal	4 726	2.19%
Limpopo	2 635	1.22%
Mpumalanga	135	0.06%
Northern Cape	185	0.08%
North West	257	0.11%
Western Cape	224	0.10%
Compensation Fund	201659	93.62%
TOTAL	**215493**	**100.00%**

Figure 3: Provincial Accepted Claims

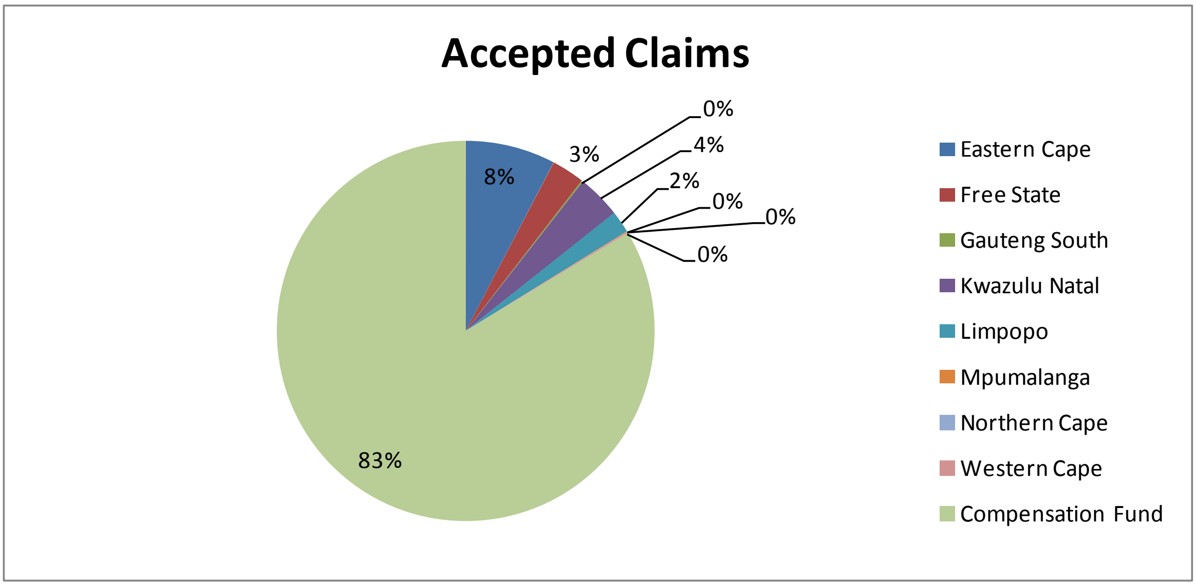


Table 14: Number of Accepted Claims Per Province

Province	Accepted	% Against overall of 206 851
Eastern Cape	15 867	7.67 %
Free State	5 804	2.81 %
Gauteng South	278	0.13 %
Kwazulu Natal	7 669	3.71 %
Limpopo	3 861	1.87 %
Mpumalanga	110	0.05 %
Northern Cape	57	0.03 %
Western Cape	199	0.10 %
Compensation Fund	173006	83.63%
TOTAL	**206851**	**100.00%**

3.5.3 Challenges and Remedial Actions

- The non existence of a permanent organisational structure is one of the major constraints. The Fund has seconded trained staff to the projects as an interim solution until a new organisational structure is implemented.
- The scanning of documents in the provinces has delayed due to IT challenges. As a solution, the Fund is upgrading and optimising the Kofax imaging system for deployment in the provinces during the new financial year.
- Since the pilot project is run on the ‘AS IS’ business processes and non-integrated legacy IT systems, provinces still encounter the same IT challenges as at Head Office. The new Integrated Claims Management IT system is currently under development for implementation during the new financial year 2011/2012.
- Limited office accommodation in the Provinces has also delayed the rollout of the project mainly to Gauteng and North West provinces. The filing space is also limited in the provinces. The North West province has acquired an alternative accommodation in the Klerksdorp Labour Centre while discussions for space are still in progress with regard to Gauteng province.

3.5.4 Way Forward

- The draft organisational structure has been finalised and is pending approval by the office of the Minister of Labour. The new organisational structure will facilitate the process of re-deploying staff permanently to the provinces.
- The Kofax imaging system will be deployed to the provinces during Quarter 3 of 2011 once the optimisation project is complete.
- Negotiations for office space in the provinces will need to be expedited to facilitate the deployment of staff.
- The development and implementation of the new ICM system will be speeded up during the 2011/12 financial year. The new system is automated and will facilitate the electronic submission of claims as well as improve productivity of staff due to automation of many processes and improve service delivery.

3.6 Contributions to the Social Comprehensive Reforms

Since the establishment in 2007 of an Inter-Departmental Task Team (IDTT) on comprehensive social security reforms, the Compensation Fund has been actively participating in discussions on the reforms during this financial year. The IDTT is coordinated by National Treasury for consolidating inputs from the member Departments.

- Inputs for the organisational analysis of COIDA were forwarded to Task Team 3 dealing with Institutional framework.
- Inputs on access to social security by non-citizens were made for the research questionnaire designed by Professor Olivier for the ILO and Department Social Development research.
- The Fund held bi-lateral discussions with the Department of Transport on the new policy proposals by the Road Accident Fund (RAF). Inputs from these discussions were consolidated in the Government Paper for social security reforms.
- Other discussions were also held with the Department of Health regarding the impact of the proposed National Health Insurance (NHI) on COIDA.
- All other COIDA related inputs were consolidated in the Government Draft Paper.
- The Fund participated in the ASISA conference on 12 October 2010 on retirement reforms.
- The Compensation Fund participated in the social security review panels for the cross border portability of migrant benefits at a conference convened by the Southern Africa Trust and ILO on 25 March 2011.
- During March 2011 the Fund was part of the evaluation panel for the feasibility study pertaining to the establishment of the Social Security Tribunal.
- The final version of the Consolidated Government Paper is still under discussion within the Inter Departmental Task Team for social security reforms.

3.7 Prevention of Accidents Through Strengthening Civil Society

As an effort to strengthen policy advocacy, the Compensation Fund through the DOL Strengthening Civil Society Fund has identified and funded six non–profit organisations, to advocate COIDA and Occupational Health and Safety policy by amongst other things developing curricula and training Shop Stewards in the various industries as follows. **Refer to table 15**

Table 15: Strengthening civil society fund annual project reports

Name of project	Project objectives and deliverables	Time frames	Progress
1. IHRG	• Develop a curricula and modules for OHS and COIDA for Metal; Iron & Steel and Local Authorities	April 2011	• The final amount that was disbursed for this project is R105,339. • This project is nearing completion and has already developed the OHS & COIDA curricula for the Foundation Phase; Intermediary Phase and Advanced Phase for Metal; Iron and Steel; Local Government and Building & Construction industries. • The project is currently developing a Guideline Manual and the project will be completed by 30 April 2011, following request for extension. The extension was granted by SCSF. • Of note is that out of 6,000 NUMSA shop stewards, a total of 4,000 were trained on OHS and COIDA 15 days module for the Metal, Iron and Steel industry. • So far this project has developed 15 modules and 67 shop stewards participated in the development and research pilot in three sectors-Construction industry; Metal, Iron & Steel and Local Government. 53 shop stewards were research subjects for the Intermediary Module, while 51 participated as research subjects for the Advanced Module. • The last reference Committee meeting to evaluate the project will be held from 18 April to 19 April 2011. The COIDA and OHS representatives will attend to close the project. **Challenges** • Some employers feel threatened by the training of shop stewards and consequently prevent them from participating in the training. • The accreditation of these modules is a protracted process that involves Sector Education and Training Authorities. • Overlaps with the development of some modules by the Mining Industry. **Positive gains** • Some employers poach trained shop stewards and employ them as their Safety representatives and this augers well for Occupational Health & Safety and Injury on duty. • Over 4000 shop stewards have been trained by NUMSA.

Name of project	Project objectives and deliverables	Time frames	Progress
2. Khanya College- Johannesburg- Gauteng Province and North West	• Develop training pamphlets for the project • Train workers/unions and communities on OHS and COIDA	December 2010 to 31 March 2011	• The Fund has disbursed the first tranch to the tune of R232,987. Of this amount, a total of R83,385 has been spent on the project already. • Held consultation planning meetings on OHS and COIDA with two unions representing various sectors including private security- GIWUSA and SAPSWU. • Held 6 training workshops at the following areas: Modderfontein, Soweto, Springs, Pretoria and Johannesburg. • A total of 93 representatives attended, most of whom were community workers matriculants and union representatives. These representatives are already assisting workers with their compensation claims. • The trainees expressed their interest in the Compensation Fund's Educational Road Shows currently running. • Two shop steward committee workshops were held with the explosives companies on OHS. **Challenges** • Ability of unions to secure the time off from employers.
3. Qholaqhwe Advice Centre	• Develop training pamphlets for the project • Train workers; employers and communities on OHS.	10 November 2010 to 31 March 2011	• Disbursed R251,733 from November 2010 to 31 March 2011. • Held 10 consultation forums with 106 representatives to market and initiate the project- trade unions and civil society from Bloemfontein; Builtfontein; Welkom; Phelanda; Zastron; Jaggersfontein; Parys; Tromburg and Rouxville attended the forums • A total of 9 training workshops were held with employees and shop stewards numbering 197. **Challenges** Employees and shop stewards alike experience challenges like dismissals owing to injury on duty.

Name of project	Project objectives and deliverables	Time frames	Progress
4. SCLC-Eastern Cape-South	Train workers/shop stewards and farming communities on COIDA and OHS	December 2010 to 31 March 2011	• The project started from 8 December 2010. • About 12 workshops for training of workers and communities on COIDA and OHS were held with Klipplaat Farming Community; Middleburg; Jansenville; Graaf Reinette; Misgund; Louterwater and Fish river and Stellenbosch. • Questionnaires were also completed to establish the database in all the above-mentioned areas.
5. Swellendam Advice Centre-Western Cape	• Train workers and farming communities on COIDA and OHS		• Held 2 OHS educational workshops at Buffelsjag Rivier and Suurbraak between 11 December 2010 and 15 January 2011. • 40 participants-farm workers from 10 workshops attended (400 trainees). • After the training sessions Afrikaans booklets on OHS were issued to the participants. • COIDA educational workshops were held on 29 January 2011; 5 March 2011 and 19 March 2011 respectively at Swellendam; Riviersonderend and Barryvale. • 90 participants- farm workers per workshop attended (270) and Afrikaans booklets were handed to them after the workshop. **Challenges** • Limited or no knowledge of COIDA by participants. • Employers deduct COIDA expenses from employees salaries. • Increase in accidents during transportation of employees and farmers failing to report accidents. • Injured employees dying without getting compensation due to the delays in processing claims.

Name of project	Project objectives and deliverables	Time frames	Progress
			• Lack of enforcement of COIDA and OHS especially at Euro Gap. Inspections are window dressing. • Chemicals for spraying causing numerous diseases-respiratoy heart; skin and noise induced loss of hearing- workers use pesticides on faulty machines. • Workers want rights to refuse under such conditions. • Few specialist inspectors from DOL against technical Savvy farms.
6. Workers World Media Productions	• Train communities for hosting radio talk shows on OHS and COIDA • Hold educational talk shows for COIDA and OHS on 39 Community radio stations and Cape Town TV • Hold training workshops with communities for COIDA and OHS	31 March 2011	• The Workers World Media Productions project is complete and SCSF is awaiting the final audited reports. The project has delivered as follows: • One mass educational conference with 200 delegates from trade unions, civil society and community radio stations. • Provincial workshops and training to communities in Western Cape; Mpumalanga; Northern Cape; Limpopo and Gauteng. • Educational shows on Cape Town TV and to 39 community radio stations countrywide for OHS and COIDA with the listenership of 3.3 million

3.8 Organisational Redesign

In an effort to improve service delivery, the Fund embarked on an organisational restructuring process. The organsational structure was submitted to the Minister of Labour for approval and consultation with the Minister of Public Service and Administration. After the final approval, the structure will be prioritised and implemented in a phased-in approach during the 2011/12 financial year. A Migration Framework, which is a document to guide placement of employees into the new structure, is currently being negotiated with organised labour.

An overall organisational diagnosis focusing on the assessment of strategy, processes, technology and people is planned. Once it is finalised, a comprehensive Change Management and Communication Strategy will be developed with the aim of supporting the implementation of the turn around programme.

Stakeholder engagement sessions have commenced to communicate all initiative undertaken by the Fund.

3.9 Medical Services Directorate

The Directorate consists of two units; viz. Medical Payments and Medical Services (Medical Officers and Nurses). Medical Payments is a unit responsible for payment of all medical expenses incurred by employees who are injured on duty or who contract occupational diseases. Medical Services is a support unit within the Compensation Fund, and provide medical advice and medical opinion to all Sub-directorates within the Fund, and focuses on:

- Processing and finalisation of all Occupational Diseases and Injuries Claims.
- Formulation of a policy framework on rehabilitation and reintegration to work of injured and diseased employees including restoration of functionality.
- Provision of medical advice on continued medical aid plus chronic medication.
- Provision of assistive devices.
- Determination of COIDA medical tariffs in conjunction with service provider representative bodies.

3.9.1 Medical Payments

For the financial year under review, 868 284 medical accounts were approved, compared to 781 249 during the financial year 2009/2010.

The value of these paid medical accounts for 2010/2011 was R1.9 billion compared to R1.4 billion paid in 2009/2010.

Table 16: Medical Claims

Year	Number of Payments	Rand Value
2006/07	886 511	R1,430,143,788
2007/08	777 320	R1,294,380,035
2008/09	815 045	R1,540,340,287
2009/10	781 249	R1,451,516,511
2010/11	868 284	R1,909,128,962

3.9.2 Turn-around Time

In 2010/2011 financial year, of the 868,284 invoices paid, 495,051 invoices was paid within 30 days.

In the 2009/2010 financial year the turnaround time on medical payments was 60 days. Of these, 179,240 were paid within 42 days.

This translates into a 71% turn-around in medical payments in comparison to the 60% of previous year. However, there is still room for improvement once the processes, capacity and systems have been addressed.

3.9.3 Tariffs for Medical Aid Expenses

The tariffs of fees for medical services are revised on an annual basis after consultation with health care service provider associations.

For 2011/2012, the tariff increase approved by the Minister of Labour is 7% across the board with three new Gazettes for wound, renal care and blood services.

3.9.4 Medical Services

During the financial year, the following performance was noted:

Table 17: Medical Services Performance

Claim type	Total	Approved	Rejected	Additional Information Required
Re-openings	2178	1109	684	385
Medical accounts	3194	3194	0	0
PTSD	834*	244	120	237
Occupational Diseases	6151	1475	492	4184

* Difference of 233 carried to the next financial year

Table 18: Rehabilitation and Assistive Devices

Claim type	Total	Approved	Rejected	Additional information required
Assistive devices	1507*	1267	151	27

*Difference of 62 carried to the next financial year

3.10 Directorate: Legal Services

The objective of Legal Services is to provide legal support and legal administration to the Compensation Fund to ensure compliance with the provisions of the Compensation for Occupational Injuries and Diseases Act 130 of 1993 (COIDA).

Legal Services is sub-divided into three sections, namely:

- Litigation and Third Party section
- Hearings section
- Contracts and Legal Opinions section

3.10.1 Litigation and Third Party

This section is responsible for management of litigation and contracts with the intent to avoid unnecessary litigation and resultant legal costs against the Compensation Fund and to ensure compliance with the COIDA.

- Legal Services received 15 summons issued against the Compensation Commissioner in his official capacity. 4 of these were finalised and 11 are still pending. Out of 30 Court applications to compel compliance with COIDA, 15 were finalised and 15 are still undergoing Court processes.

3.10.2 Third Party

The Third Party section recovers monies from the third parties, especially the Road Accident Fund (RAF) where an employee sustained injuries in a motor vehicle accident whilst on duty in terms of section 36 of the COID Act. In the event that liability for such an injury on duty is accepted by the Compensation Commissioner, the Compensation Fund pays compensation benefits in terms of the COID Act and later recovers all such monies paid to the injured employees from the RAF.

- 432 third party claims to the value of R43,626,623 were lodged against the RAF;

- 2233 claims were finalised and R202,936 (these are recoveries for claims that were lodged with the RAF prior the financial year under review);

- The Office of the State Attorney was instructed to collect payment on 474 claims to the value of R53,445,345 from the RAF (these were outstanding claims that were previously lodged with the RAF and approaching prescription).

- An offer in the amount of R2,500 364 from the RAF was accepted. This was an offer towards the settlement of the claims amounting to R53,445,345 and payment is still awaited.

- Further claims have been processed and are still pending.

The Third party section experienced procedural delays in recovery of third party claims due to challenges with electronic link between Compensation Fund and the Road Accident Fund. The two institutions are currently working together to address the backlog relating to claims.

3.10.3 Contracts and Legal Opinions

- Legal Services drafted and vetted 110 contracts, these include contracts for the Presiding Officers and Assessors that were signed by the Director-General. Eleven Addendums to the contracts were also drafted.
- 12 legal opinions were requested on the interpretation of contracts and COIDA and Legal Services provided all the requested legal opinions within two days of request.

3.11 Hearings Section

Hearings

In terms of section 91 of COIDA, any person who is affected by the decision of the Director-General relating to a claim for compensation, may lodge an objection against such decision which may be reviewed in terms of section 90 and/or be heard by the tribunal.

The tribunal decisions can only be reviewed and appealed in the High Court.

- Section 91 Objections:
  - 1175 outstanding from the previous year
  - 728 received in the current year:
    - Total of number objection = 1903
    - 1067 finalised
    - 836 outstanding due to:

1. 480 delayed by employees in accepting and/or declining reviewed decisions (offers/ awards) made in terms of section 90 of the Act.
2. 106 due for section 42 examinations.
3. 140 are subject to section 7, investigations and 40 and 45 enquiries due to employees Untraceable, Medical Practitioners delaying with further medical reports and employers lacking to provide certain and crucial information.
4. 125 are due for hearing by the tribunal inclusive of section 56 Applications.

In terms of section 56 of COIDA, employees are entitled to claim increased compensation in the event where an accident was caused by the negligence of the employer or a person deemed to be a supervisor/manager. Such claims are adjudicated in the similar process as section 91 objections.

- Section 56 applications:
    - 41 outstanding from previous year
    - 18 received
    - 10 finalised
    - 49 outstanding due to:
        1. Delayed response from Employers to applications.
        2. Delayed response from Employees.
        3. It should be noted that this is a very strict procedural process.

- A total of R7,326,924 was paid to panel members, witnesses, recording firms, etc for their participation in the hearing processes.
- Medical assessors were appointed in order assist in the review of the decisions made, in terms of section 90 and that aroused a quicker dispute resolution mechanism, rather than the traditional direct section 91 approach.

3.12 Directorate: Communication

The Sub-directorate Communication serves as a liaison between the Fund and its internal and external stakeholders, thus ensuring two-way effective communication.

The Unit is also responsible for marketing, advertising, branding as well as promoting services of the Fund so that it is accessible to all stakeholders.

3.12.1 Educational Campaigns

The Fund has conducted educational campaigns in three provinces namely, Limpopo, Mpumalanga and Eastern Cape during March 2011. The objectives of these campaigns were the following:

i. To educate stakeholders on the services provided by the Fund.
ii. To give feedback on the status of claims.
iii. To register new claims.
iv. To promote the Fund.
v. To medically examine claimants on the spot, where necessary.

The following communication channels were utilised to promote the campaigns:

Table 19: Channels utilised for the Campaigns

Communication medium	Limpopo	Mpumalanga	Eastern Cape
Community radio stations	**Tubatse** 24 Feb – 11 March	**Barbeton** 10- 13 March **Marsh** 1-15 March **Kanyamazane** 13- 17 March 2011	**Tru fm** 16 -21 March 2011 **Link FM** 11-15 March 2011 **Radio Vukani** 13-21 March 2011
Regional radio stations	**Capricorn** 24 Feb-10 March 2011	**Jakaranda** 11-15 March 2011 **M Power:** 13-16 March 2011	**Algoa FM** 11-15 March 2011
National radio stations	**SA FM** 01-08 march 2011 Thobela 24 Feb-10 March 2011	**Legwalagwala:** 10-16 March 2011	**Umhlobo Wenene** 14 -18 March 2011
National newspapers	**Sowetan** 4 & 7 March 2011 **Star** 4 & 7 March 2011	**Sowetan** 10 &16 March 2011 **Star** 10 &16 march 2011 **Daily Sun** 10 &16 March 2011	**Daily Dispatch** 17 March & 21 March **The Herald** 17 & 21 March **Die Burger** 7 & 21 March **Sowetan** 17 & 21 March **Star** 17 & 21 March 2011 **Daily Sun** 7 & 21 March 2011

Communication medium	Limpopo	Mpumalanga	Eastern Cape
Community newspapers	**Still burger** 4th March 2011 **Die pos** 25 February-4 March 2011 **The beat** 25 Feb-4 March 2011	**Laevelder** 10-15 March 2011 **Mpumalanga News** 10 March & 15 March 2011	**UD News (Uitenhage)** 11 & 18 March 2011 **The Bugle King Williams Town** 11 & 18 March 2011 **The Voice** 11 & 18 March 2011 **Mthatha Fever (Umtata)** 11 & 18 March 2011 **Kouga Express** 11 &18 March 2011 **Our Times-** 11 & 18 March 2011
Radio interviews	**Thobela FM** 2 March 2011 **Tubatse CM** 7 and 9 March 2011 **Capricon CM** 12 March		**Unitra CM** 24 March **Vukani CM** 24 March -22 March 2011 **Umhlobo wenene** 21 March

3.12.2 Branding

The draft CF branding Manual and Policy have been developed and presented to the Fund's Executive Committee for approval, and will be effectively implemented in the next financial year.

3.12.3 Marketing

As part of advocacy the unit has ensured that the Compensation Fund participates in eight major exhibitions to promote and market its services.

The following exhibitions/shows were attended during this financial year:

Table 20: Compensation Fund Exhibitions

Event	Date	Venue
Noshcon	September 2010	Drakensburg (KZN)
Shercon Conference	May 2010	North West province (Sun City)
Ministers Budget vote	April 2010	Cape Town (Parliament)
Ministers Imbizo (Farm Workers)	July 2010	WesternCape
Pretoria Show Grounds Exhibitions	September 2010	Pretoria
Ministers Imbizo	October 2010	Western Cape
Launch of Inspectors Green Cars	October 2010	Limpopo (Tzaneen)
Ministers Door to Door Campaign	June 2010	Mpumalanga (Balfour)

3.12.4 Strategic Documents

Annual Report

The Annual Report for 2009/10 was produced and delivered to Parliament on time for presentation by the Minister.

Strategic Plan

One thousand copies of the 2009/10 Strategic Plan and the Annual Report were produced. Copies of these were submitted to Parliament for tabling and the remainder distributed to officials, Board members, UIF, DoL Head Office, External Stakeholders and Clients.

Table 21: Breakdown

Item	No. Produced	Distributed to Parliament	Distributed to Stakeholders	Cost per Unit	Total cost
Annual Report	1000	500	500	65.45	R65 456.14
Strategic Plan	1000	300	700	46.62	R46 620.18

Performance Information

Table 22: Compensation Fund Organisational Performance

<table>
<tr><th colspan="6">PROVIDING AN EFFICIENT SOCIAL SAFETY NET</th></tr>
<tr><th colspan="6">1. DIRECTORATE: CLAIMS (MEDICAL AND COMPENSATION)</th></tr>
<tr><th rowspan="2">Key Outputs/ Outcomes</th><th colspan="2">Measurable Performance Indicators</th><th rowspan="2">Actual Progress/ Results Achieved</th><th rowspan="2">Constraints/ Challenges</th><th rowspan="2">Corrective Action</th></tr>
<tr><th>Time Q</th><th>Indicators</th></tr>
<tr>
<td>1.1 Increase number of compensa-tion claims finalised</td>
<td>Q1-4</td>
<td>70% of new compensation claims finalised within 3 months of registration. (Projected claims)</td>
<td>
<table>
<tr><th>QRT</th><th>Regis-tered claims</th><th>Final-ised</th><th>Aver-age%</th></tr>
<tr><td>Q1</td><td>56375</td><td>13331</td><td>24%</td></tr>
<tr><td>Q2</td><td>69813</td><td>60239</td><td>86%</td></tr>
<tr><td>Q3</td><td>46650</td><td>45537</td><td>98%</td></tr>
<tr><td>Q4</td><td>42655</td><td>24974</td><td>59%</td></tr>
<tr><td>Total</td><td>215493</td><td>144081</td><td>67%</td></tr>
</table>
</td>
<td>Outstanding medical reports.

The E-claims and the FYI systems were extremely slow in November; December 2010 and January 2011 -problem with Citrix.

The E-claims Finalisation status for finalised claims still not accurate.</td>
<td>Reminders for final medical reports are sent to employers.

The Fund is developing an ICM.

IT is still correcting the finalisation reports on E-claims.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>
Compensation benefits by quarter.
<table>
<tr><th>QRT</th><th>Number</th><th>Amount</th></tr>
<tr><td>Q1</td><td>81310</td><td>R218,915,721</td></tr>
<tr><td>Q2</td><td>82470</td><td>R194,882,058</td></tr>
<tr><td>Q3</td><td>83131</td><td>R192,512,382</td></tr>
<tr><td>Q4</td><td>82198</td><td>R185,757,012</td></tr>
</table>
Compensation benefits processed as compared to Q4 of the previous years
<table>
<tr><th>Year</th><th>Number</th><th>Amount</th></tr>
<tr><td>2008</td><td>327 647</td><td>R630,708,449</td></tr>
<tr><td>2009</td><td>340 159</td><td>R771,801,533</td></tr>
<tr><td>2010</td><td>329 109</td><td>R801,774,215</td></tr>
</table>
</td>
<td>Malfunctioning of the Kofax imaging system adversely affected the processing of claims.</td>
<td>The Kofax imaging system is currently under review.</td>
</tr>
</table>

Key Outputs/ Outcomes	Measurable Performance Indicators		Actual Progress/ Results Achieved	Constraints/ Challenges	Corrective Action
	Time Q	Indicators			
	Q1-4	Finalise outstanding claims(30%) registered from 1 April 2008 to 31 March 2009.	**Achieved in Q2** • **203 711** claims registered in 2008, **61 113** finalised (30%). • The remaining **42 869** claims for 2008 were reviewed and finalised.		Continuous review of claims and reminders to employers/ employees to submit final medical reports.
1.2 Improve claims turn around time	Q1-4	70% of medical claims (valid, accurate and complete documentation) to be finalised within 2 months of receiving the invoice	**Not Achieved (64% within 2 months)** A total of 327 757 medical invoices was received. A total of 226 382 accounts paid, valued at R520, 215, 785.04 • 115 860 invoices valued at R312, 681, 591. 00 paid within 0 – 30 days. • 25 095 invoices valued at R53, 579, 504.19 paid within 30 – 60 days. • (Accumulative total within 60 days = 145 290 invoices valued at R377, 809,959.23 – 64 %).	Document Manage-ment. Duplicate Acc Q1-Q4: **-409 079** Not Accepted Acc Q1-Q4: **-98 287**	Document Management.
		Balance of 30% to be finalised within 180 days of receipt.	**Achieved** • 24 291 invoices valued at R37,723,400.15 paid within 60 – 90 days. • (Accumulative total within 90 days = 169 • 581 invoices valued at R415, 533,359.38 –74 %). • 56 801 invoices valued at R104, 682,426.02 paid between 90 Days and 180 days. A total of 101 375 invoices carried forward to Q1 of financial year 2011 / 2012 (Including duplicates and not accepted status).		

Key Outputs/ Outcomes	Measurable Performance Indicators		Actual Progress/ Results Achieved	Constraints/ Challenges	Corrective Action
	Time Q	Indicators			
1.3 Development and Implementation of rehabilitation and reintegration Policy Framework	Q4	**Approved** Policy framework by 31 March 2011.	**Q4 target achieved** Final Draft Policy document developed.		
1.4 Publish and implement annual medical tariffs and compensation benefits increases	Q4	Gazette new medical tariffs and COIDA benefits by 31 March 2011.	**Q4 target achieved (Compensation)** The final submission for the increases was finalised in February 2011 and is pending the Minister's approval **Q4 target – Not achieved (Medical)** Only 4 Medical Tariff Gazettes published by 31 March 2011. (1. Dental, 2. Ambulance, 3. Occupational Therapists and Physiotherapists, 4. Chiropractors.	Staff member working on Tariffs suspended. ER process in place	3 more Gazettes to be finalised in Q1 (2011/2012)
1.5 To ensure equity of access to COIDA services	Q4	Decentralise COIDA services as follows: registration of claims; adjudication of claims and payment of medical accounts, to the remaining 5 Provincial offices by 31 March 2011.	**Achieved the target for Q4** • A total of 16 staff members from Head Office were seconded to five provinces for adjudication and registration of claims as of 17 March 2011. Adjudication for liability started in Gauteng South; Mpumalanga; Northern Cape; Western Cape and Eastern Cape during March 2011. • The secondment of Medical Payments staff to Gauteng province and the adjudication staff to Gauteng North is still pending provision of office accommodation by the Gauteng Provincial Office following discussions between Head Office and the province.	Inefficient functioning of the KOFAX Imaging system. Inadequate office space in the provinces. Extra responsibility to the project manager as he is also involved with other projects and functional work.	The KOFAX company will analyse and review the whole imaging system during Q2. To second staff members from Head Office to the 5 provincial offices

Key Outputs/ Outcomes	Measurable Performance Indicators		Actual Progress/ Results Achieved	Constraints/ Challenges	Corrective Action
	Time Q	Indicators			
1.6 Contribute to social security reforms	Q1-4	Provide inputs to the Interdepart-mental Task Team (IDTT) within the time frames specified by the IDTT.	**Achieved Q4 target** • Two IDTT meetings were held during this quarter. • The Compensation Fund participated in the social security review panels for the cross border portability of migrant benefits at a conference convened by the Southern Africa Trust and ILO. • The Government Consolidate Paper is pending submission to the cabinet and publishing for public comment • The risk benefits alignment discussions have not yet been finalised.	Inadequate human resource capacity to participate in all the task team and sub-task team workshops and meetings.	
1.7 Prevent Occupational Injuries by strengthening the civil society	Q1-4	Fund and monitor 6 projects by 31 March 2011.	**Q4 target achieved-6 projects running** The Industrial Health Research Group (IHRG) project is nearing completion. The final report is expected in April 2011. The project has delivered the Foundation Phase module; Intermediate Phase and the Advanced Phase on OHS and COIDA in the Metal, Iron & Steel industry; Local Government and Construction industries. This project is currently finalising the Guideline Manual for OHS and COIDA. The Workers World Media Productions project is complete and SCSF is awaiting the final audited reports. The other four new projects have submitted their initial reports.		

<table>
<tr><th colspan="6">PROVIDE PROFESSIONAL, EFFICIENT AND CLIENT ORIENTED HUMAN RESOURCE</th></tr>
<tr><th colspan="6">2. DIRECTORATE: HUMAN RESOURCES</th></tr>
<tr><th rowspan="2">Key Outputs/ Outcomes</th><th colspan="2">Measurable Performance Indicators</th><th rowspan="2">Actual Progress/ Results Achieved</th><th rowspan="2">Constraints/ Challenges</th><th rowspan="2">Corrective Action</th></tr>
<tr><th>Time Q</th><th>Indicators</th></tr>
<tr><td>2.1 Implement a Recruitment and Retention Strategy</td><td>Q1-4</td><td>10% vacancy rate to be maintained Q1-Q4.</td><td>Achieved

The current vacancy rate of the Fund is 5.5%. 94.5% of the CF establishment has been filled as at 31 March 2011
<table>
<tr><th>Total Approved Posts</th><th>Total Filled Posts</th><th>Total Vacant Posts</th></tr>
<tr><td>711</td><td>673</td><td>38</td></tr>
</table>
<u>Total Appointments & promotions 1 April 2010 – 31 March 2011:</u>

55 x New Appointments
30 x Promotions (retention of staff achieved)</td><td>SAQA and NIA delays of results.</td><td></td></tr>
<tr><td>2.2 Develop and Implement Works Skills Development Plan (WSP)</td><td>Q1-4</td><td>80% of the identified training needs addressed by Q4.</td><td>80% Q4 target achieved

10 Training needs were identified for Q4.

18 Training needs were addresses during Q4.

235 Employees have been trained during Q4.

Generic Training: 174

26 Employees have been granted bursaries.

Quarter 4 PSETA Report has been submitted to DOL as required by the legislation.</td><td></td><td></td></tr>
</table>

<table>
<tr><th rowspan="2">Key Outputs/ Outcomes</th><th colspan="2">Measurable Performance Indicators</th><th rowspan="2">Actual Progress/ Results Achieved</th><th rowspan="2">Constraints/ Challenges</th><th rowspan="2">Corrective Action</th></tr>
<tr><th>Time Q</th><th>Indicators</th></tr>
<tr><td></td><td>Q3-4</td><td>Implement Internship Learnership programme (100 Interns by Q3-4).</td><td>Recruitment of interns started in December 2010 - to date 51 interns have been recruited in the Compensation Fund, the 49 difference was allocated to provinces.

Achievements:
51 Interns were reappointed.
Mentors for Interns were trained.
Interns taken through the Orientation Programme</td><td></td><td></td></tr>
<tr><td>2.3
Promote equality in the workspace</td><td>Q1-4</td><td>Implement employment Equity Plan.</td><td>Achieved

<table><tr><td>SR Level</td><td>Remarks</td></tr><tr><td>SR13 15</td><td>On Target</td></tr><tr><td>SR9 12</td><td>On target</td></tr><tr><td>People with Disability</td><td>Not achieved</td></tr><tr><td>SR 8</td><td>Representative</td></tr></table></td><td></td><td></td></tr>
</table>

INTEGRATION OF THE FUND WITH THE COMPREHENSIVE SOCIAL SECURITY REFORMS					
3. DIRECTORATE LEGAL SERVICES					
Key Outputs/ Outcomes	**Measurable Performance Indicators**		**Actual Progress/ Results Achieved**	**Constraints/ Challenges**	**Corrective Action**
	Time Q	**Indicators**			
3.1 Amendments of the COID Act	Q1-4	COIDA Amendment bill developed.	**Q4 Not achieved** The draft chapter on the Rehabilitation and Return-to-work Strategy for inclusion in the Act as part of the proposed amendment had to be delayed pending finalisation of the research on that process by Legal Services and the outstanding final report by the service provider appointed to prepare a policy in that regard.	The drafting of the bill had to be delayed until after the final report on the Reintegration and rehabilitation of employees. The recommendations of such a report are crucial and will have to be considered for the amendment of the COIDA.	
3.2 Improve turnaround time in dispute settlements	Q1-4	45% of Section 91 objections finalised within 3 months.	**Q4 target achieved (82%)** **229** objections received. **190** finalised within 3 months. **204** backlog finalised. **394** objections finalised in total.		

PROMOTE POLICY ADVOCACY

4. DIRECTORATE COMMUNICATION

Key Outputs/ Outcomes	Measurable Performance Indicators		Actual Progress/ Results Achieved	Constraints/ Challenges	Corrective Action
	Time Q	Indicators			
4.1 Implement Communication / Marketing Strategy	Q1-4	3 educational campaigns conducted by 31 March 2011.	**Achieved** 3 Educational campaigns were held in three provinces, namely; Limpopo, Mpumalanga and Eastern Cape.		
	Q1-4	Branding Strategy developed and implemented by 31 March 2011.	**Achieved** Proposal on the Branding Guidelines/ Manual was presented to EXCO for approval.		
4.2 Production of the Annual Report	Q2	Annual Report produced by August 2010.	**Achieved** Annual report produced and delivered on time.		

IMPROVE FINANCIAL VIABILITY

5. DIRECTORATE: FINANCE

Key Outputs/ Outcomes	Measurable Performance Indicators		Actual Progress/ Results Achieved	Constraints/ Challenges	Corrective Action
	Time Q	Indicators			
5.1 Increase as-sessment rev-enue	Q1-4	3% increase as compared to previous year (R4 billion 2009/10)	**Achieved** Q4 Target = R4.12 bil-lion R4,8 billion assessments raised as at 31 March 2011.	Old and slow IT equipment (computers & printers) Manual capturing of ROE's and raising of assessments Capacity constrains Unregistered/ untraceable employers	Applications for 75 new computers lodged with IT in July 2010. Increased capacity during overtime Training of labour inspectors

Key Outputs/ Outcomes	Measurable Performance Indicators		Actual Progress/ Results Achieved	Constraints/ Challenges	Corrective Action
	Time Q	Indicators			
5.2 Increase number of registered Employers	Q1-4	5% increase of registered employers as compared to previous year.	**Achieved** Total registered employers = 422 371 (400 355: 2009/10). **5,2%** increase as at 31 March 2011.	No link between CIPRO and the Fund	Finalise CIPRO contract by 31 January 2011. Comparison of CIPRO/ SARS/ UIF database will be addressed in the integrated customer data project (SAP).
5.3 Maintain the Fund as a going concern	Q1-4	2:1 Financial ratio maintained.	**Achieved** The current ratio for the quarter is (3.1:1). All the investment and GL reconciliations are performed. The cash flow management statements are performed on daily basis.		
5.4 Debt Collection	Q1-4	5% increase of debt collected as compared to previous year (R4 billion).	**Achieved** Q4 Target = R200 million. Collected R709 million, which represent 359% over-achievement.	Receipts not matched against corresponding assessments. This process is unable to identify which receipts pertain to a certain period of the debt.	Automation of key-offs.

Key Outputs/ Outcomes	Measurable Performance Indicators		Actual Progress/ Results Achieved	Constraints/ Challenges	Corrective Action
	Time Q	Indicators			
5.5 Maximise investment returns	Q1- 4	Receive above the bench mark returns.	**Achieved for Compensation** The Fund received 8.39% as compared to the benchmark of STEFI index of 7.974% for the Compensation Fund investments. **Achieved for the Pension Fund** The Fund received 10.33% as compared to the benchmark of STEFI index of 7.021% for the Pension Fund investments. The above was the blend of the SWIZX 40 as per the new mandate to trade in unhedged equities.		

IMPROVE CORPORATE SUPPORT AND SERVICES

6. DIRECTORATE: INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)

Key Outputs/ Outcomes	Measurable Performance Indicators		Actual Progress/ Results Achieved	Constraints/ Challenges	Corrective Action
	Time Q	Indicators			
6.1 Deliver Information and Communication Technology Solutions	Q1-4	Deployment of the Integrated Claims Management System (ICM).	**Not achieved** The ICM core system has been developed, however the deployment has been delayed. User acceptance testing is in progress and was extended based on business request. Data cleansing has not been finalised and is a core dependency to Go-live. The Go-live of the system has been extended to ensure that outstanding elements are finalised.	Inadequate change management. Data migration. New Go-live date to be agreed	Organisational development is addressing change management. Data cleansing is underway and migration planning to be agreed. Steering committee weekly meetings to manage process.
	Q1-4	Deployment of the Financial Management Systems(SAP FI)	**Not achieved** Financial delayed technical solution developed. Deployment delayed due to outstanding elements including: • Data readings • Role matrices • Training User Acceptance testing to be signed off.	Data migration. Change management.	Data cleansing is underway and migration planning to be agreed. Organisational development is addressing change management. Planning on time frames of outstanding elements underway.

7. DIRECTORATE: PROJECT MANAGEMENT					
Key Outputs/ Outcomes	**Measurable Performance Indicators**		**Actual Progress / Results Achieved**	**Constraints/ Challenges**	**Corrective Action**
	Time Q	**Indicators**			
7.1 Coordinate all projects currently running under the compensation Fund:	Q1-4	Centralise and oversee all projects within the Fund.	**Achieved** All projects registered and managed on central hub. • Developed a high level project charter to govern and guide the PMO. • Established Project Governance structures i.e. Project Steering Committee to do monitoring and oversight, and escalations on all projects. • Developed PMO Framework and define the proper project Methodology to utilise as guidance in the implementation of initiatives, projects and programmes.		
7.1.1 Integrated Revenue Generation and Claim Management System	Q1-4	Implementation of all the Fund's priority projects within Committed schedule and budget	**In progress** Go – Live date on the two Project not met due to: Master and transaction data Readiness. Business Readiness. Training. **Achieved** Unit testing completed. QA testing completed. AT complete (Bug fixes & retesting in progress). Extraction of data complete. Building of upload files complete. Development of migration catalogues complete. Create/edit BP button developed.	Suspension of the two projects. Finalisation of user list for the training. Data cleansing. Data Mapping.	An internal process has been mapped to monitor the progress and involvement of key stakeholders. Service provider to be appointed to assist with data cleansing.

Key Outputs/ Outcomes	Measurable Performance Indicators		Actual Progress/ Results Achieved	Constraints/ Challenges	Corrective Action
	Time Q	Indicators			
	Q1-4	Implementation of all the Fund's priority projects within committed schedule and budget.	**In progress** **SAP ICM** • Core claims system, case management completed. • UAT is currently underway, and was extended on business request. • An issue log has been established to fix all the bugs and any issues it is managed by PMO on a weekly basis. • Outstanding Blueprint signed by business. • Process of appointing a data cleansing. Service Provider is in progress. • 15 000 data sample handed over for analysis to SP's.	Business requesting the extension of UAT has an impact on training. Training cancelled due to UAT still continuing.	Change management plan to address this issues. Review to be done on the extension of the UAT. Review the training schedule and dates. Add more training venues to train all users.
• Organisational Redesign • Medical Bulk Uploading • Rehabilitation and Reinte-gration	Q1-4	Implementation of all the Fund's priority projects within committed schedule and budget.	**Achieved** Reviewed organisational structure has been submitted to the Minister's office for approval. Change Management Strategy developed and presented. The whole process of medical uploading POC was able to pay 6000 medical invoices amounting to R5,916,122.23. Final draft Policy Framework discussed at a consultative forum with external role players on the 15th March 2011. The final draft policy presented to business and the Board for approval on the 28th of March 2011.	Review of the change management plan and strategy due to the Go – Live date not being met.	Start planning for the pilot phase of the project with all the key stakeholders.

4.1. Human Resource Information

Senior Management Appointments

In its endeavour to address the capacity challenges, the Compensation Fund has a full complement at top management of the current approved structure.

Table 23: Staff Establishment

Number of posts	Number of posts filled	Vacancy	Vacancy Rate %	Number of posts filled additional to the establishment
711	673	38	5.5	373

The Compensation Fund has over the past year reduced its overall vacancy rate to 5.5% as at end of March 2011, not withstanding the delays experienced in the verification of qualifications and pre-employment screening by NIA of prospective applicants. The verification process can take up to two months after the interviews.

Most vacancies exist at the entry level as they are created by promotion of personnel to senior posts from time to time. The recruitment and selection process to fill such posts take less than two months, however the verification process is the major constraint as explained above. The tables hereunder indicate vacancies at senior management level and lower levels, respectively.

Table 24: Employment and Vacancies by Salary Band

Salary Band	Number of posts	Number of posts filled	Number of posts vacant	Vacancy Rate of the total posts%
Senior management (Levels 13-16)	**14**	**12**	**2**	**0.3**
Highly skilled supervision (Levels 9-12)	**52**	**43**	**9**	**1.3**
Highly skilled production (Levels 6-8)	**210**	**199**	**11**	**1.6**
Skilled (Levels 3-5)	**435**	**419**	**16**	**2.3**
Total	**711**	**673**	**38**	**5.5**

Table 25: Staff Turnover Rate

Salary Band	Number of employees per band as from 1 April 2010	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate % of total number of employees
Senior Management Service (Levels 13 above)	12	0	0	0%
Highly skilled supervision (Levels 9-12)	43	3	3	0.5%
Highly skilled production (Levels 6-8)	199	5	6	0.9%
Skilled (Levels 3-5)	419	47	9	1.4%
Total	**673**	**55**	**18**	**2.7%**

Table 26: Reasons for Termination\Transfers

Termination Type	Number	% of total of staff complement
Death	1	0.2
Resignation	4	0.6
Resignation to contract	0	0
Dismissal – misconduct	6	0.9
Retirement	2	0.3
Transfers to other Public Service Departments	3	0.5
Severance Package	0	0
Total number of employees who left as a % of the total staff compliment of 673	**16**	**2.4**

Table 27: Appointments and Promotions

Salary Band	Appointments	Promotions	Contract appointments
Senior management (Levels 13-16)	0	2	0
Highly skilled supervision (Levels 9-12)	3	7	3
Highly skilled production (Levels 6-8)	5	20	11
Skilled (Levels 3-5)	47	1	68
Total	**55**	**30**	**82**

The table below represents the Compensation Fund Employment Equity (EE) profile at all levels. It is evident from the information in the table below that the designated groups are well represented at all levels. The Fund has not done well in the recruitment of persons with disabilities, which is far below the 2% set target.

Table 28: Employment Equity

Occupational Band	Male				Female				
	A	C	I	W	A	C	I	W	Total
Top Management	1	0	0	0	0	0	0	0	1
Senior Management SR 13-14	3	1	1	0	6	0	0	0	11
Professionally qualified and experienced specialists and mid-management SR 9- 12	19	0	0	2	20	0	1	3	45
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents SR7 - 8	44	4	0	4	57	7	1	27	147
Semi-skilled and discretionary decision making SR 3- 6	144	4	2	4	245	29	2	36	469

A = African
C = Coloured
I = Indian
W = White

Table 29: Sick Leave Utilisation for the Period 1 April 2010 to 31 March 2011

Salary Band	Total Days	No of Employees using sick leave	% of total employees utilising sick leave per salary band	Average days per employee
Skilled (Levels **3-5)**	3965	426	66.7 %	9.3
Highly skilled Production	791	172	26.9 %	4.5
Highly skilled production (Levels 6 - 8)	106	30	4.7 %	3.5
Senior management (Levels 13-16)	31	11	1.7 %	2.8
Total	**4893**	**639**	**95 %**	**7.7**

Table 30: Utilisation of Incapacity Leave: Policy on Incapacity Leave and Ill Health Retirement (PILIR)

Salary Band	Total days taken	% days with medical certificate	Number of employees using disability leave	% of total employees using disability leave	Average days per employee
Skilled (Levels 3-5)	873	100 %	21	0.04 %	41.5
Highly skilled production (Levels 6-8)	478	100%	7	0.02	68.2
Highly skilled supervision (Levels 9-12)	0	0	0	0	0
Senior management (Levels 13-16)	31	100%	1	0.01	31
Total	**1382**	**100 %**	**29**	**0.07 %**	**140.7**

Table 31: Annual Leave Utilisation for Period 1 April 2010 - 31 March 2011

Salary Bands	Total days taken	No of Employees using annual leave	% of total employees using annual leave	Average per employee
Skilled (Levels 3-5)	8072	352	52.3 %	22
Highly skilled production (Levels 6-8)	2836	150	22.2 %	18
Highly skilled supervision (Levels 9-12)	841	50	7.4 %	16
Senior management (Levels 13-16)	409	24	3.5 %	17
Total	**12158**	**576**	**85.4 %**	**73**

4.2. Employment Relations

Collective agreements are handled on a national basis by the Department of Labour.

Table 32: Disciplinary Cases

Outcomes of disciplinary hearings	Number	% of total cases over total staff complement
Verbal warning	0	0
Written warning	2	0.3
Final written warning	3	0.5
Suspended with pay	0	0
Demotion	0	0
Dismissal	13	2.0
Total	**18**	**2.8**

Table 33: Grievances Lodged

Grievances	Number
Lodged	21
Resolved	13
In progress	2
Withdrawn	6

4.3. Human Resource Development

The Department of Labour's Human Resource Development Strategy, ensures that the Compensation Fund complies with the Skills Development Act, 97 of 1998 and Skills Development Levies Act, 9 of 1999. The main purpose of the strategy is to develop the Fund human resource capacity to a level that will enable the Fund to perform and carry out its mandate effectively, and to also empower the Fund's staff with skills and competencies that will effectively improve service delivery to all our clients.

Table 34 (A): Training courses conducted during the year under review to address functional training required by staff.

M = Male, F = Female, AM = African Male, CM = Coloured Male, IM = Indian Male, WM = White Male
AF = African Female, CF = Coloured Female, IF = Indian Female, WF = White Female

1st Quarter												
Intervention	**Total No.**	**Gender**		**Race**								
		M	F	AM	AF	CM	CF	WM	WF	IM	IF
Bid Committee Processes in Public Service	11	3	8	2	7	1	0	0	0	0	1
Penscare System	7	4	3	3	4	0	0	0	0	0	0
Persal Introduction	8	2	6	2	5	0	0	0	0	0	1
Innovative Boarding Course	3	2	1	2	1	0	0	0	0	0	0
International Financial Reporting Standards	5	2	3	1	3	1	0	0	0	0	0
Mastering Minutes and Meeting Procedures	11	0	11	0	10	0	0	0	0	0	1
Policy Development Training	4	1	3	1	3	0	0	0	0	0	0
Total Staff Trained	**49**	**14**	**35**	**11**	**32**	**1**	**0**	**0**	**0**	**0**	**3**
2nd Quarter											
Intervention	**Total No.**	**Gender**		**Race**							
		M	F	AM	AF	CM	CF	WM	WF	IM	IF
Cross Examination & Questioning Techniques	3	0	3	0	3	0	0	0	0	0	0
Advanced Law of Evidence	3	0	3	0	3	0	0	0	0	0	0
Annual Labour Law Conference	6	2	4	2	3	0	0	0	1	0	0
Training Committee Workshop	17	10	7	9	6	1	0	0	1	0	0
Emerging Management Development Program	21	9	12	9	11	0	0	0	1	0	0
Review of Public Service Induction Program Workshop	1	1	0	1	0	0	0	0	0	0	0
Total Staff Trained	**51**	**22**	**29**	**21**	**26**	**1**	**0**	**0**	**3**	**0**	**0**

M = Male, F = Female, AM = African Male, CM = Coloured Male, IM = Indian Male, WM = White Male
AF = African Female, CF = Coloured Female, IF = Indian Female, WF = White Female

3rd Quarter												
Intervention	**Total No.**	**Gender**		**Race**								
		M	**F**	**AM**	**AF**	**CM**	**CF**	**WM**	**WF**	**IM**	**IF**
Adjudication Training	19	4	15	4	9	0	4	0	2	0	0
Annual Conference: Building Sustainable Organisational Performance	2	1	1	1	1	0	0	0	0	0	0
Comsys Training	16	7	9	7	5	0	2	0	2	0	0
Executive Dashboard Training	4	2	2	2	2	0	0	0	0	0	0
Executive Development Program	2	1	1	0	1	1	0	0	0	0	0
Labour Law Seminar	5	1	4	1	3	0	0	0	1	0	0
The 14th National Public Service Trainers' Forum Conference	2	0	2	0	2	0	0	0	0	0	0
Functional Training – Medical	84	41	43	40	43	0	0	1	0	0	0
7 Habits of Highly Effective Office Professionals	15	1	14	1	12	0	0	0	2	0	0
21st Current Annual Labour Law Seminar	3	2	1	2	1	0	0	0	0	0	0
Governance Contract and Procurement Procedures	1	1	0	1	0	0	0	0	0	0	0
Security Risk Management Course	13	9	4	7	4	1	0	1	0	0	0
Records Management Course	12	4	8	4	7	0	0	0	0	0	1
CCMA Training	2	2	0	1	0	0	0	1	0	0	0
Employment Equity Workshop	25	10	15	8	14	1	1	0	0	1	0
Claims Registration Training	28	7	21	7	18	0	0	0	3	0	0
Labour Law Act Workshop	4	0	4	0	2	0	0	0	1	0	1
Bid Committee Training	23	13	10	9	9	1	0	1	1	2	0
SAP(Comsys)	14	6	8	6	4	0	2	0	2	0	0
Total Staff Trained	**274**	**112**	**162**	**100**	**139**	**4**	**9**	**4**	**14**	**3**	**2**

M = Male, F = Female, AM = African Male, CM = Coloured Male, IM = Indian Male, WM = White Male
AF = African Female, CF = Coloured Female, IF = Indian Female, WF = White Female

4th Quarter											
Intervention	**Total No.**	**Gender**		**Race**							
		M	**F**	**AM**	**AF**	**CM**	**CF**	**WM**	**WF**	**IM**	**IF**
Axone Training	5	2	3	2	2	0	0	0	1	0	0
HRO: Labour Relations Training	23	4	19	4	18	0	0	0	0	0	1
SCM: Workshop	33	16	17	16	15	0	0	0	2	0	0
Change Management Program	22	8	14	8	11	0	1	0	2	0	0
Corporate Governance & Risk Management	1	0	1	0	1	0	0	0	0	0	0
ABET Assessment	19	6	13	6	13	0	0	0	0	0	0
Fleet Management Workshop	30	24	6	23	5	0	0	1	1	0	0
Information Protection Awareness	11	7	4	7	4	0	0	0	0	0	0
Coaching and Mentoring	19	7	10	0	0	0	1	0	0	0	0
Performance Auditing for Public Service	4	3	1	3	1	0	0	0	0	0	0
Implementing Internal Practices Framework	2	2	0	2	0	0	0	0	0	0	0
ABET Classes	16	8	8	8	6	0	2	0	0	0	0
Total	**185**	**88**	**97**	**87**	**86**	**0**	**4**	**1**	**7**	**0**	**1**
Total Staff Trained	**559**	**236**	**323**	**219**	**282**	**7**	**13**	**5**	**24**	**3**	**6**

Table 34 (B): Training Courses Conducted During the Year Under Review Address Generic Training Required by Staff.

M = Male, F = Female, AM = African Male, CM = Coloured Male, IM = Indian Male, WM = White Male
AF = African Female, CF = Coloured Female, IF = Indian Female, WF = White Female

Quarter 1 - Quarter 4											
Intervention	Total No.	Gender		Race							
		M	F	AM	AF	CM	CF	WM	WF	IM	IF
Orientation Program	41	10	31	7	31	2	0	0	0	1	0
Performance Management Training	636	241	395	223	320	10	28	7	42	1	5
Risk & Fraud Training	526	199	327	185	273	6	4	16	34	3	5
Excel Training	16	8	8	8	7	0	0	0	1	0	0
Labour Law Seminar	5	1	4	1	3	0	0	0	1	0	0
Wamkelekile Induction: New SMS	14	7	7	4	7	1	0	0	0	2	0
Public Service Induction	51	14	37	14	31	0	3	0	2	0	1
Departmental Induction	26	5	21	5	18	0	3	0	0	0	0
Orientation for Interns	61	24	37	24	37	0	0	0	0	0	0
Total Staff Trained	**1376**	**509**	**867**	**484**	**727**	**19**	**38**	**23**	**80**	**7**	**11**

The following Bursaries were approved and granted to the Compensation Fund Staff by the National Busary Committee of the Department of Labour.

Table 35: Bursaries

Quarter 4			
Field of Study	**Total Granted**	**Gender**	
		Male	**Female**
B Tech: Internal Auditing	1	0	1
LLM	1	1	0
ND: Public Management	1	0	1
ND: Safety Management	2	1	1
ND: HRM	1	0	1
ND: Policing	1	0	1
ND: Office Management & Technology	1	0	1
ND: Security Risk Management	2	2	0
TOTAL	**10**	**4**	**6**

The following short courses were approved and granted by the Compensation Fund Training Committee:

Table 36: Approved Short Courses

Quarter 1 Quarter 4			
Field of Study	**Total Granted**	**Gender**	
		Male	**Female**
National Higher Certificate: Accountancy	2	1	1
N4: HRM Program	1	0	1
Program for Management Development	1	0	1
Certificate in Business Communication	1	0	1
Programme in HRM	1	0	1
Program in Purchasing and SCM	1	1	0
Certificate in Safety Management	1	0	1
Certificate in Business Management	1	0	1
Certificate: COIDA in Workplace	1	0	1
Certificate in Management Assistant N4/5	2	1	1
Program in Total Quality Management	3	1	2
Certificate: Project Management	4	2	2
SAMTRAC/OHS Certificate	2	1	1
Program in Risk Management	1	1	0
Advanced Program in Sourcing and SCM	1	1	0
CIS Program	1	0	1
Course for Management Development	1	0	1
TOTAL	**25**	**9**	**16**

Chapter 5: Information and Communication Technology

5.1 Introduction

The Compensation Fund's view is that technology is a key enabler to support the strategic objectives and business processes of the organisation. The ICT environment is therefore an integral component towards automating and enabling business functionality.

In this regard the focus of the Fund was on the development of the Integrated Claims Management System and the new Financial Management System. During this period though, functional enhancements were still continued on the legacy systems, based on priority, additional management control or audit requirement.

5.2 ICT Function

The core functions of the ICT component are:

- Manage the ICT environment
- To provide ICT services to achieve the Fund's strategic objectives
- To provide and automate systems to support the Fund's business functionality
- To manage outsourced IT services

5.3 Public Private Partnership

The Compensation Fund's information technology requirements are provided through a ten year Public Private Partnership (PPP) for IT related services that the Department of Labour has with Siemens IT Solutions and Services which terminates in the 2012/13 financial period.

5.4 Work Plans and Service Level Agreements

The development of the IT work plans for the 2010/2011 financial year ensured that all initiatives were properly managed and supported the strategic objectives of the Fund. Service Level Agreements were implemented and managed to ensure minimum service level adherence, performance and availability of systems\resources, and the inclusion of penalties for non-performance.

5.5 System Enhancements and Additional Functionality

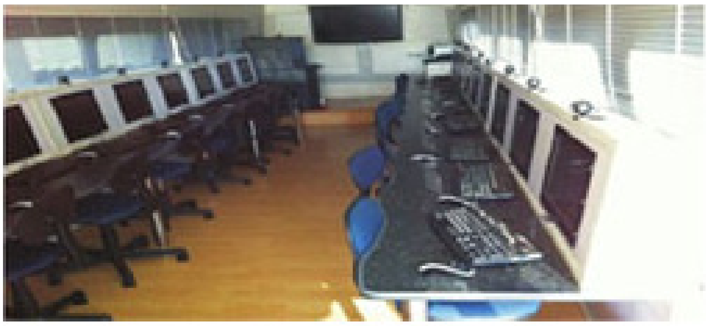
Due to the focus on the development of the Integrated Claims Management (ICM) and Financial Management Systems (SAP FI), the enhancements to legacy systems were scaled down to cater only for essential functionality requirements. All requirements for system enhancements were consolidated and prioritised. Seventeen change requests for additional functionality\enhancements were developed and implemented. These included an audit trail for delegations, e-mail acknowledgement to service providers and development of custom reports.

5.6 Systems Availability

Although the Fund's current systems are geared towards centralised processing, due to the previous business model, the move towards decentralised processing has required systems accessibility at provincial level. This was accomplished with the systems supporting the decentralised processing in Limpopo, Free State, Kwa-Zulu Natal and Eastern Cape.

During the Fund's Educational awareness campaign in Limpopo, Mpumalanga and Eastern Cape, systems availability was provided through a bus equipped with computers and satellite access that allowed processing of claims on site.

Figure 4: Service Delivery Mobile Bus



5.7 Systems Development

The development of the Integrated Claims and Financial Management Systems progressed based on the scope and blueprint provided by business. At the end of March 2011, the systems have been technically completed, however the availability of data for migration to the systems has posed a challenge for business and has delayed the go-live date. The non-availability of the steering committee members, availability of resources, and other factors contributed to some of the challenges on the projects. Insufficient change management is also a key risk, but is being addressed by the relevant management.

An interim solution based on the concept of bulk uploading was also developed to allow bulk claims to be electronically loaded and processed. This reduces the processing of claims and the pilot on this has shown positive results.

5.8 ICT Governance and Risk Management

Strategic and operational risk assessments were conducted and documented and subsequent follow-ups made to review improvements. Point in time risk assessments were also conducted on the systems development and new systems, to ensure governance, controls, risk management etc. Operational and project risk registers were maintained and risks managed or mitigated.

5.9 ICT Orientation and Systems Training

ICT orientation was conducted to new employees on policies, security, risks, governance, systems usage etc. to create awareness on these.

5.10 Call Centre

5.10.1 Operational Overview

In 2010/2011 the call centre set out to achieve 4 key Strategic priorities namely:

- Increase human resources to meet customer call volumes.
- Continuous improvement of operational efficiencies by establishing a multimedia contact centre support.
- Empowerment of Call Centre Agent profile (roles and responsibilities).
- Training & Development (customer service skills, COIDA and basic services training, processes and procedures training).

5.10.2 Staffing and Training

An extensive organisational effectiveness exercise has been completed to identify the resourcing needs of the contact centre, and this was benchmarked with industry practice. The process has been completed and the structure finalised which will ensure sufficient capacity and improved service delivery. The centre has recruited 15 additional agents in the interim to ensure improvement of the service level while the organisational structure was being finalised.

The current staff have all been extensively re-trained and multi-skilled, however additional specialised training on customer service skills, as well as refresher courses is also underway which will be completed end of June 2011.

5.10.3 Technology

The Compensation Fund is also upgrading the technology utilised and has appointed a service provider to provide the Fund with a multimedia contact centre solution, which will also enable other channels such as sms, fax and email to communicate with clients. It is envisaged that this project will go live by 31 July 2011.

Table 37: Call Volumes 2010/2011

Month	Incoming Calls	Incoming E-mails	Walk in Centre Visits
Apr-10	43496	4805	2210
May-10	38386	5431	1106
Jun-10	36724	5003	1288
Jul-10	43896	4551	1145
Aug-10	47424	4090	1657
Sep-10	53585	4787	1746
Oct-10	60010	3022	1228
Nov-10	58016	2753	980
Dec-10	34979	2013	871
Jan-11	49285	2865	1234
Feb-11	53885	3988	1897
Mar-11	69735	4850	2078
Total	**589421**	**48158**	**17440**

Table 38: Calls Answered

Month	Calls Handled	Avg. Calls per employee	# of Employees per month
Apr-10	33281	1009	33
May-10	32124	973	33
Jun-10	31318	949	33
Jul-10	32088	972	33
Aug-10	30850	935	33
Sep-10	33105	1003	33
Oct-10	32271	1008	32
Nov-10	34031	1098	31
Dec-10	20795	671	31
Jan-11	22952	740	31
Feb-11	25488	622	41
Mar-11	39742	1019	39

Chapter 6: Finance

6.1 Introduction

Significant progress was made in improving productivity and efficiency throughout the business in the year 2010/11. This is evidenced by the remedial action that was taken by the Fund on the audit outcomes of prior years in the following areas:

- Bank and Cash
- Claims
- Accounts Payable
- Fixed Assets
- Investment Management

The year ended 31 March 2011 has been a very challenging one, especially around the area of revenue collection and debt management. Although the Debt Collector was appointed in the year under review, the Fund's debt book remains significantly high. Business processes and systems on revenue collection will be improved and debt collection will be intensified in the coming financial year.

6.2 Financial performance

6.2.1 Revenue

The Fund generated revenue of R5,3 billion (R4,9 billion: 2010), an increase of 8%, most of which is from assessments of registered employers and interest and penalties from defaulting employers. This is due to the increase in the number of registered employers and increase in earnings ceiling.

6.2.2 Investment income

The Fund has received investment income of R2,2 million (R2,0 million: 2010), an increase of 10%, this is attributable to the Fund's sound investment strategy.

6.2.3 Claims incurred

Claims incurred for the year amounted to R2,2 billion (R3,0 billion: 2010), a decrease of 27%. This is due to the actuarial valuation that decreased drastically by R273 million in the year under review. The downward evaluation showed that the fund is addressing the backlog and improving service delivery by processing more claims.

6.2.4 Irregular expenditure

The Fund incurred an irregular expenditure to the amount of R20,3 million (R7,7 million: 2010). This was due to payments made out to service providers without fully complying to supply chain management processes. Management has applied for condonement on the irregular expenditure from National Treasury.

6.2.5 Fruitless and wasteful expenditure

The Fund incurred fruitless and wasteful expenditure to the amount of R2,0 million (R7,1 million: 2010). This was due to the interest paid to service providers for late payment of claims. The Accounting Authority has subsequent to year end condoned R6,1 million since this was due to the Court Order.

6.3 Financial position

6.3.1 Assets

Total assets grew from R24,6 billion (2009/10) to R28,2 billion in the current financial year, an increase of 15%. Investments formed 94% of total assets for the year. Other major assets are assessment debtors, cash and deposits with financial institutions.

6.3.2 Liabilities

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

6.3.3 Cash flow

Cash generated from operating activities decreased from R1,7 million (2009/10) to R0,6 million in the current financial year. A decrease of 59%.

6.3.4 Actuarial report

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

- The outstanding compensation claims payable before 31 March 2011: R1,4 billion (R2,0 billion: 2010).
- The outstanding claims payable in subsequent years amount to R2,0 billion (R2,2 billion: 2010) and a further contingent reserve of R1,6 billion (R969 million: 2010).
- The technical liability for pension payouts amount to R10,4 billion (R9,9 billion: 2010).

Three year financial performance

	Restated 2008/09 R million	Restated 2009/10 R million	2010/11 R million
Assessment Revenue	4 514	4 857	5 271
Investment Income	2 078	1 964	2 177
Other Revenue	23	297	86
Medical Expenditure	1 540	1 447	1 909
Compensation for permanent disability	74	100	155
Compensation for temporary disability	91	120	111
Administrative expenses	440	500	673
Provisions and Accruals	3 045	2 336	2 676
Surplus/(Deficit)	1 172	2 309	3 643
Admin expenditure as a % of total expenditure	12%	8.8%	13%
Long – term liability against pensioners	9 604	9 868	10 415
Investments	19 959	23 355	26 517
Accumulated Funds	6 243	8 493	12 137
Total Assets	**21 364**	**24 647**	**28 177**

6.4 The year ahead

The year to 31 March 2012 will present significant challenges given the planned turnaround plan to improve our revenue collections, debt management and claims environment. Nevertheless, it is expected that the Fund will continue to improve productivity throughout the business as it builds capacity to enable it to perform effectively and efficiently and improve service delivery.

Chapter Seven: Financial Statements

INDEX PAGE

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE COMPENSATION FUND

REPORT ON THE FINANCIAL STATEMENTS

1. I have audited the accompanying financial statements of the Compensation Fund, which comprise the statement of the financial position as at 31 March 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year ended and a summary of significant accounting policies and other explanatory information as set out on pages 89 to 141.

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 South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and for such internal control as management determines 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. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with International Standards on Auditing and General Notice *1111 of 2010* issued in Government Gazette *33872 of 15 December 2010.* 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.

5. 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.

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

Basis for qualified opinion

Assessment Revenue and Receivables

7. Compensation Fund does not have an adequate system and process in place to ensure that all employers are correctly assessed and billed. Furthermore there is a backlog in processing return of earnings from employers and revenue input data is inaccurately recorded in the accounting records. Therefore, I was unable to verify completeness and accuracy of revenue contributions for the year of R4,8 billion (2010: R4, 4 billion – restated) as well as completeness and valuation of assessment debtors of R4, 9 billion (2010: R4, 3 billion – restated). No further alternative procedures could be performed.

Interest and Penalties on assessment employers

8. I was unable to verify the accuracy and completeness of interest and penalties for late submissions of return of earning's and late payment of assessment due to interest and penalties incorrectly charged to assessment debtors. The entity's records and system did not permit the application of alternative procedures relating to interest on assessment of employers. Consequently, I did not obtain all the information and explanations I considered necessary to satisfy myself as to the accuracy and completeness of interest and penalties on assessment employers amounting to R404 million.

Medical claims

9. The Fund made a payment in the current year totaling R24 million to a medical claimant's service provider based on a court order. Of the R24 million, invoices totaling R18, 3 million were not processed on the E-claims systems to validate the accuracy of the payment made. Therefore, I was unable to verify accuracy of the medical claims for the year and no alternative procedures could be performed.

Qualified opinion

10. In my opinion, except for the effects of the matters described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Compensation Fund as at 31 March 2011 and its financial performance and cash flows for the year then ended, in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), the requirements of the Public Finance Management Act of South Africa,1999, (Act No. 1 of 1999) (PFMA) and the Compensation For Occupational Injuries and Diseases Act, 1993 (Act No. 130 of 1993) (COIDA).

Emphasis of matter

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

Restatement of corresponding figures

11. Misstatement in the corresponding figures were identified during the current financial year amounting to R28.8 million, as disclosed in note 27 of the financial statement. Management corrected this misstatement by restating the corresponding figures for accumulated funds, property plant and equipment, revenue and receivables and claims.

Irregular expenditure

12. As disclosed in note 29 of the financial statement, the Fund incurred irregular expenditure in the current year worth R20 305 000.

Material losses

13. The Compensation Fund suffered material losses to the estimated total value of R25, 499, 773.4 as a result of criminal conduct by employees and service providers. Only R2, 430, 877.61 was recovered by the Fund as at 31 March 2011. The material losses have been disclosed in the note 24 to the financial statement.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the PAA and in terms of General notice *1111 of 2010*, issued in the Government Gazette *33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages 51 to 63 and material non-compliance with laws and regulations applicable to the Compensation Fund.

Report on predetermined objectives

Presentation of information

14. The reported performance information was deficient in respect of the following criteria:
    - Presentation of information: Performance against predetermined objectives is reported using the National Treasury guideline.

15. The following audit finding relate to the above criteria:

Reasons for major variances between planned and actual reported targets were not provided in the report on predetermined objectives (Presentation)

Adequate explanations for major vacancies between the planned and the actual reported target for the selected objective were not provided, as required in terms of the relevant reporting guidance. In total 33% of the reported targets with major vacancies were not explained.

Usefulness of information

16. The reported performance information was deficient in respect of the following criteria:
    - Measurability: Indicators are well-defined and verifiable, and targets are specific, measurable and time-bound

17. The following audit findings relate to the above criteria:

Planned and reported targets are not specific (Measurability)

For the selected objectives, 25% of the planned and reported targets were not:
- specific in clearly identifying the nature and the required level of performance

Planned and reported targets are not measurable (Measurability)

For the selected objectives between 33% and 50% of the planned and reported targets were not:
- measurable in identifying the required performance

Reported objective not consistent when compared with the planned indicator (Consistency)

The actual achievements with regard to 25% of planned indicator specified in the strategic plan for the under review were not included in the report on predetermined objectives submitted for audit purposes.

Reliability of information

The reported performance information was deficient in respect of the following criteria:
- Reliability of information

  Validity: Actual reported performance has occurred and pertains to the entity

18. The following audit finding relate to the above criteria:

Reported performance against indicator is not valid when compared to source information (Reliability)

For the selected objective, 25% of the reported indicator was not valid based on the source information or evidence provided.

Compliance with laws and regulations

Annual financial statements, performance and annual report

19. The Fund did not comply with section 55 (1) (a) and (b) of the PFMA as it did not keep full and proper records of the financial affairs of the Fund and prepare financial statements in accordance with Generally Recognised Accounting Practices (GRAP). Material misstatements were identified during the audit, certain of these were corrected by management and those that were not corrected are included in the basis for qualified audit opinion.

20. The Accounting Authority of the Fund did not ensure that the Fund has and maintains effective, efficient and transparent system of financial and risk management, and internal controls as required by section 51 (1) (a) (i) of PFMA.

21. Not all measurable indicators as per strategic plan of the Fund were reported in the annual report as required by Treasury Regulation 5.2.3.

Revenue and receivables management

22. Employers were not correctly assessed or provisionally assessed by the Director-General according to a tariff of assessment calculated on the basis of such percentage of the annual earnings of his or its employees as the Director-General as required by section 83 (1) of COIDA.

23. Penalty for late submissions of return of earning and penalty for late payment of assessment were not correctly charged as required by section 83 (6) (b) and section 87 (1) of COIDA.

Claims and payables management

24. Proof of claimants earnings at date of accident not in the file as required by section 49 (1) (a) of the COIDA.

25. Non-compliance with section 22 and 29 of the COIDA as the Fund does not have adequate controls relating to claimants banking details to ensure that claims are paid to valid claimants.

26. Payments to SARS not made within seven days after the end of the month during which the amount was deducted as required by the Fourth Schedule of Income Tax Act (Act 58 of 1962) section 2-11.

Procurement and contract management.

27. The Fund did not monitor the performance of contract with suppliers as required by the Preferential Procurement Regulations, 2001 paragraph 17 (4).

28. For nine months of the financial year, the Fund Supply Chain Management Policy did not provide for procurement for bidding processes as required by Treasury Regulations 16A6.2 (a) to 16A6.2 (e), TR16A6.3 (a) and P/N SCM 1 of 2003 and Supply Chain Management policy was not aligned to the "Supply chain management guide for accounting officers/authorities" as required by the Practice Note 3 of 2004 on Supply Chain Management.

29. Supply Chain Management (SCM) policy and Fraud prevention strategy did not provide measures to prevent non compliance with the SCM system as required by treasury regulations 16A9.1 (c) to 16A9.1 (f), 16A9.2 (a) (i) to 16A9.2 (a) (iii) and 16A8.3 (d).

30. Non-compliance with the section 2 (1) (e) of the Preferential Procurement Policy Framework Act no 5 of 2000, paragraph 7, paragraph 8 (1) and paragraph 17 (1), (2) and (4) of the preferential procurement regulations 2001.

31. Accounting authority for the Fund did not take effective and appropriate steps in place to prevent irregular expenditure, fruitless and wasteful expenditure as required by section 51 (b) (ii) of the PFMA.

Human resource management and compensation

32. The Fund did not adequately manage leave as required by paragraph 28.2.2, of the Public Service and Administration and paragraph 13.2, 14.7 and 28.2 of the Determination on leave of absence regulation.

33. Employees engaged themselves to perform remunerative work outside their employment in the relevant department, without the written permission of the executive authority as required by section 30 (1) of the Public Service Act.

Contingent Liabilities

34. Non compliance with section 30 of COIDA as the Fund did not have supporting evidence of security values for Rand Mutual Assurance and Federated Employers Mutual Assurance.

INTERNAL CONTROL

35. In accordance with the PAA and in terms of General of notice 111 of 2010 issued in Government Gazette 33872 of 15 December 2010, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with the laws and regulations included in this report.

Leadership

36. The accounting authority did not always exercise oversight responsibility over financial reporting, internal control and compliance with the required laws and legislations, which resulted in similar findings as reported in prior years being raised.

37. Management did not develop processes and procedures to ensure that the financial accounting systems produce quality financial reports that support the amounts in the financial statements.

Financial and performance management

38. Management philosophy and operating style is not adequate to promote an effective control over financial reporting and internal controls in relation to the Fund's core operations.

39. The Fund also lacks finance leadership with adequate and relevant knowledge, and appropriate skills to ensure the financial statements comply with the requirements of GRAP.

40. The Fund did not implement a proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial reporting.

Governance

41. The Fund risk management assessment were not adequate to ensure that risks relating to changes in medical claims management, supply chain management policies and fraud prevention strategy were identified and a risk strategy developed, implemented and monitored to address the risks.

OTHER REPORTS

INVESTIGATIONS

Investigations in progress

42. The Fund's risk management unit is in the process of conducting investigations into alleged fraudulent transactions on medical claims. This is a result of tip-offs received by the unit during the year under review.

Investigations completed during the financial year

43. The Fund's risk management unit conducted investigations into alleged fraud through irregular transactions relating to Supply Chain management. Disciplinary hearings relating to the four officials that were alleged to be involve in the fraud were finalised. One of the four officials was suspended pending further investigation into the individual's involvement.

Auditor - General.

Pretoria

31 July 2011

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Approval of Financial Statements

I hereby acknowledge that the annual financial statements of the Department of Labour: Compensation Fund have been submitted to the Auditor-General for auditing in terms of the PFMA.

I acknowledge my responsibility for the accuracy of the accounting records and the fair presentation of the financial statements and confirm, to the best of my knowledge and belief, the following:

1. The financial statements have been prepared in accordance with GRAP as prescribed in the treasury regulation and the PFMA and relevant guidelines specified / issue by the National Treasury.

2. The annual report is complete and accurate.

3. All amounts appearing in the annual report are consistent with the financial statements submitted to the Auditor-General for audit purposes.

4. The annual report is free of any omission.

Nkosinathi Nhleko

Statement of financial position for the year ended 31 March 2011

	Notes	2011 R'000	Restated 2010 R'000
ASSETS			
Non-current assets		**18,487,432**	**17,748,607**
Property, plant and equipment	10	76,817	79,577
Investment Property	11	3,498	-
Investments	12	18,407,117	17,669,030
Current assets		**9,690,008**	**6,898,455**
Investments	12	8,110,366	5,686,061
Trade and other receivables from non-exchange transactions	13	1,409,448	568,391
Trade and other receivables from exchange transactions	13	94,329	63,224
Cash and cash equivalents	21	75,865	580,779
Total assets		**28,177,440**	**24,647,062**
FUNDS AND LIABILITIES			
Accumulated funds and Reserves		**12,136,554**	**8,493,186**
Non-current liabilities		**14,000,872**	**13,068,000**
Provision for outstanding claims	15	3,586,000	3,200,000
Capitalised value of pensions	16	10,414,872	9,868,000
Current liabilities		**2,040,014**	**3,085,876**
Accruals	17	94,506	48,838
Provision for merit rebate	18	-	578,605
Provision for outstanding claims	15	1,397,000	2,046,000
Trade and other payables from exchange transactions	19	548,508	412,433
Total funds and liabilities		**28,177,440**	**24,647,062**

Statement of financial performance for the year ended 31 March 2011

	Notes	2011 R'000	Restated 2010 R'000
Revenue from non-exchange transactions		**5,271,589**	**4,856,964**
Employer Contributions	3	4,865,989	4,491,623
Interest and Penalties	4	405,600	365,341
Revenue from exchange transactions		**2,265,761**	**2,260,615**
Other revenue	5	87,981	296,539
Net investment income	6	2,177,780	1,964,076
Total Income	7	**7,537,350**	**7,117,579**
Benefits paid		**(2,205,311)**	**(2,993,977)**
Claims incurred		(1,876,907)	(2,589,187)
Capitalised value of pensions		(328,404)	(404,790)
Income before administration expenses		**5,332,039**	**4,123,602**
Administration expenses	8	**(672,742)**	**(500,842)**
Surplus from operations		**4,659,301**	**3,622,760**
Increase in allowance for impairment of receivables	14	(214,426)	(872,275)
Actuarial adjustment on pension liability	16	(799,571)	(431,233)
Finance costs		(1,944)	(9,300)
Surplus for the year		**3,643,356**	**2,309,952**

COMPENSATION FUND
Statement of changes in net assets for the year ended 31 March 2011

	Notes	Compensation Reserve R'000	Revaluation reserve R'000	Pension Reserve R'000	Total R'000
Opening balance on 1 April 2009 as stated previously		6,149,735	95,215		6,244,950
Correction of prior year error	27	(24,308)			(24,308)
Opening balance on 1 April 2009 restated		**6,125,427**	**95,215**		**6,220,642**
Decrease of assets revalued			(43,896)	**-**	(43,896)
Unclaimed monies transferred to compensation reserve		6,488			6,488
Capitalised value of Pensions Transferred from Pension Reserve		431,233		(431,233)	-
Investment income transferred to Pension Reserve		(763,001)		763,001	-
Surplus for the year		2,309,952			2,309,952
Closing Balance 31 March 2011		**8,110,099**	**51,319**	**331,768**	**8,493,186**

Opening balance on 1 April 2010		**8,083,084**	**51,319**	**331,768**	**8,466,171**
Correction of prior period error	**27**	28,809			28,809
Change in accounting policy	**28**	(1,797)			(1,797)
Opening balance on 1 April 2010 Restated		**8,110,099**	**51,319**	**331,768**	**8,493,186**
Unclaimed monies transferred to compensation reserve		12			12
Capitalised value of Pensions Transferred from Pension Reserve		799,571		(799,571)	-
Investment income transferred to Pension Reserve		(807,845)		807,845	-
Surplus for the year		3,643,356			3,643,356
Closing balance 31 March 2011		**11,745,193**	**51,319**	**340,042**	**12,136,554**

	Notes	2011 R'000	Restated 2010 R'000
Cash flow from operating activities		**2,660,050**	**3,325,093**
Cash generated by operating activities	**20**	**689,067**	**1,674,195**
Contributions received		4,648,240	4,028,547
Cash payments in respect of claims, employees and other expenditure		(3,959,173)	(2,354,352)
Net Investment income		**1,970,983**	**1,650,898**
Dividends received		35,762	13,057
Interest received		1,949,966	1,653,739
Interest paid		(1,944)	(9,300)
Investment management fees		(12,801)	(6,598)
Cash flow from investing activities		**(3,164,964)**	**(3,399,807)**
Net change in investments		(3,162,394)	(3,395,756)
Purchase of Furniture and Equipment		(2,570)	(4,051)
Decrease in cash and cash equivalents		(504,914)	(74,714)
Cash and cash equivalents at beginning of year		580,779	655,493
Cash and cash equivalents at end of year	**21**	**75,865**	**580,779**

1.1 Significant Accounting Policies

The Compensation Fund (Fund) is a National Public Entity listed in Schedule 3A of the Public Finance Management Act (PFMA), Act No. 1 of 1999 (as amended by Act 29 of 1999). The principle accounting policies applied in the preparation and presentation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

1.1 Basis of Preparation

The Fund's annual financial statements are prepared in accordance with Generally Recognised Accounting Practice (GRAP), as determined by Directive 5 (Determining the GRAP Reporting Framework) issued by the Accounting Standards Board (ASB) in accordance with Section 55 and 89 of the Public Finance Management Act, Act No. 1 of 1999 (as amended by Act 29 of 1999).

These financial statements are prepared in concurrence with the going concern principle and on an accrual basis.

In terms of Notice 991 and 992 in Government Gazette 28095 of December 2005 and Notice 516 in Government Gazette 31021 of 9 May 2008 the Fund must comply with the requirements of GRAP. Directive 5 details the GRAP Reporting Framework comprising the effective standards of GRAP, interpretations of such standards (GRAPs) issued by the ASB, ASB guidelines, ASB directives, and standards and pronouncements of other stand setters, as identified by the ASB on an annual basis. The standard which are effective and relevant to the Fund are listed below:

Title of standard	***Standard***
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 9	Revenue from Exchange Transactions
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 23	Revenue from Non-Exchange Transactions
GRAP 102	Intangible Assets
IPSAS 20	Related Party Disclosures
IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 32	Financial Instruments: Presentation
IAS 39	Financial Instruments: Recognition and Measurement
Directive 02	Transitional provisions for adoption of standards of GRAP by public entities, municipal entities and Constitutional institutions

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, as detailed above, have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 and the hierarchy approved in Directive 5 issued by the AASB.

Standard	Summary and Impact	Effective Date
GRAP 18 – Segment Reporting	This standard establishes principles for reporting financial information by segments. The impact on the financial results and disclosure is considered to be minimal.	Issued by the ASB – March 2005 Effective date - To be determined by the Minister of Finance
GRAP 21 – Impairment of Non-cash-generating Assets	This standard prescribes the procedures that apply to determine whether a non-cash generating asset is impaired and to ensure that impairment losses are recognised. The impact on the financial results and disclosure is considered to be minimal.	Issued by the ASB – March 2009 Effective date - 01 April 2012
GRAP 24 – Presentation of Budget Information in the Financial Statements	This standard requires a comparison of budget and actual amounts and an explanation for material differences. The impact on the financial results is considered to be minimal. However the impact on disclosure is significant.	Issued by the ASB – March 2009 Effective date - 01 April 2012
GRAP 25 – Employee Benefits	The standard prescribes the accounting treatment and disclosure for employee benefits. The impact on the financial results and disclosure is considered to be minimal.	Issued by the ASB – November 2008 Effective date - 01 April 2012
GRAP 26 – Impairment of Cash-generating Assets	This standard prescribes the procedures to determine whether a cash generating asset is impaired and to ensure that impairment losses are recognised. The impact on the financial results and disclosure is considered to be minimal.	Issued by the ASB – March 2009 Effective date - 01 April 2012
GRAP 104 – Financial Instruments	This standard establishes principles for recognising, measuring, presenting and disclosing financial instruments. The impact on the financial results and disclosure is considered to be minimal.	Issued by the ASB – October 2009 Effective date - To be determined by the Minister of Finance
Improvements to the Standards of GRAP	Improvements are proposed to the following standards of GRAP: GRAP 1- 4, 9-14, 16-17, 19 and 100 as part of the ASB's improvement project. The impact on the financial results and disclosure is considered to be minimal.	Proposed effective date is 1 April 2012

1.3 Presentation currency

The Financial Statements are presented in South African Rand (ZAR), which is the functional currency of the Fund.

1.4 Rounding

Unless otherwise stated, all amounts have been rounded to the nearest thousand rand (R'000).

1.5 Use of estimates and judgements

In preparing the annual financial statements management is required to make estimates and assumptions that affect amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

1.5.1 Merit rebates

The COID Act provides that if the accident record of an employer during a particular period is in the opinion of the Director-General more favourable than those of the employers in comparable businesses, the Director-General may give such employer a rebate on any assessment paid or payable by him/her. Rebates are paid out in three year cycles based on the discretion of the Director-General. Rebates are paid to employers with low claims experiences, specifically to recognise and reward health and safety. The amount is based primarily on the employers claim history in respect of that underwriting year. The provision is limited to available resources. Rebates granted to employers is recognised as an expense on the statement of financial performance.

1.5.2 Accrual for assessments not raised

Where assessments have not been raised, the Fund makes an estimate of the assessments revenue due from employers. The estimate is based on the last assessment recognised in the previous four years.

1.5.3 Accrual for accumulated leave and service bonus

The Fund opted to treat its provision for leave and service bonus (13th cheque) as an accrual.

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

1.6 Recognition of Revenue Contributions

1.6.1 Revenue from non-exchange transactions

Revenue from non-exchange refers to transactions where the Fund received revenue from employers without directly giving an approximately equal value for exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no obligation or condition to repay the amount.

Revenue from exchange transactions refers to revenue that accrued to the Fund directly or indirectly in return for the services rendered or/and goods sold, the value of which approximates the consideration received or receivable.

1.7 Claims incurred

Claims incurred comprise the total estimated cost of claims that have occurred in the year and for which the Fund is responsible, whether or not reported by the end of the financial year. Claims and loss adjustment expenses are charged to surplus or deficit as incurred, based on the estimated liability for compensation. The Fund does not discount its liabilities for unpaid claims.

1.8 Provision for outstanding claims

Liabilities for unpaid claims are calculated based on long term trend of annual claim payments. The long term trend is achieved by grouping claims paid in each of the previous ten financial years according to the year of the accident or diagnosis of the disease and the number of years until a payment is made. The Fund makes an allowance for short term factors and future claims inflations to project the likely incidence of future claim payments. Furthermore, a ‘tail factor’ is applied to the results to reflect the fact that the claims data contains claim payments in respect of accidents that occurred ten or more years ago.

The average cost per claim is based on the actual claims paid and awards made, and estimated outstanding costs (based on the latest and most reliable information available), and the number of claims registered.

1.9 Employee benefits

1.9.1 Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

1.9.2 Defined contribution plans

The Fund makes contributions to a defined contribution plan for employees. All employees are part of the defined contribution plan. A defined contribution plan is a post-employment benefit plan under which a Fund pays fixed contributions into a separate Fund and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in surplus or deficit in the periods during which services are rendered by employees.

1.10 Liability adequacy test in respect of claims and benefits

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the insurance liabilities. In performing these tests, current best estimates of future cash flows and administration expenses, as well as investment income, are used. Any deficiency is recognised in the surplus/deficit for the year. This is done based on actuarial valuations.

1.11 Capitalised value of pensions

Pensions are paid to disabled claimants and widows and children of deceased claimants. The capitalised value of pensions (“CVP”) is the present value of future liabilities. The liability is based on assumptions as to future pension increases, mortality, demographics, management expenses and investment income, which are reviewed by management on an annual basis for reasonableness. The present value also allows for contingent liabilities to the spouse and/or children on subsequent death of a pensioner. In addition to this basic liability value, contingency reserves are held to cover the possible impact of adverse variations of the Compensation Fund. This liability is recalculated at each reporting date, using the assumptions above. Independent actuarial valuations of the CVP are carried out annually and adjusted for any changes in the assumptions. Adjustments to the CVP are recognised in the surplus/deficit for the year.

1.12 Operating leases

Leases of assets under which the lessor effectively retains all the risks and benefits of ownership are classified as operating leases. Payments made under operating leases are expensed on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

1.13 Property, plant and equipment

Land and buildings comprise mainly of office buildings. Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation and impairment losses for buildings. Land and buildings were revalued according to the Income Capitalisation approach. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Other items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Where an item of property, plant and equipment (PPE)is acquired at nil or nominal cost the item is recognised initially at its fair value.

When parts 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. Subsequent costs are included in the assets carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Fund and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of financial performance during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to revaluation reserves in the statement of changes in net assets. However, increases shall be recognised in surplus/ deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus /deficit. Decreases that offset previous increases of the same asset are charged against other revaluation reserves directly in statements of changes in net assets. All other decreases are charged to the statement of financial performance. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of financial performance and depreciation based on the asset's original cost is transferred from revaluation reserves to accumulated funds.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Item	Useful life
Land	Indefinite
Buildings	50 Years
Lifts	12-20 Years
Power supply	15-20 Years
Air-conditioning	15-20 Years
Demountable Partitioning	15-20 Years
Vehicles	5 Years
Furniture and Fittings	6-10 Years

1.14 Investment property

Investment Property includes land and buildings which comprise mainly of office buildings that are held to earn rentals. The Fund used the fair value model to account for the investment property. Investment Property is initially recognised at cost. Subsequently investment property is measured at its fair value. The fair value of investment property is based on periodic, annual valuations by external independent valuers, less subsequent fair value adjustments and impairment losses for buildings. Land and buildings were revalued according to the Income Capitalisation approach.

The gains and losses arising from the change in fair value of investment property are included in the surplus or deficit for the year.

Investment Properties are derecognised when either they are disposed of or when the investment property is then used by the Fund in its own capacity.

Item	Useful life
Land	Indefinite
Buildings	50 Years

1.15 Impairment of non-financial assets

The carrying amounts of the Fund's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or CGU).

The Fund's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in surplus or deficit. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the units on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of financial performance.

When revalued assets are sold, the amounts included in revaluation reserves are transferred to accumulated funds.

1.16 Recognition of investment income

Investment income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss. Interest income is recognised on a time proportion basis, by reference to the nominal value and the effective interest rate over the period to maturity. Dividend income is recognised when the shareholders' rights to receive payment have been established. Realised and unrealised gains and losses arising from changes in the fair value of instruments traded in an active market are recognised in the surplus/deficit in the period in which they arise.

1.17 Financial instruments

1.17.1 Financial Assets

The Fund recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Fund becomes a party to the contractual provisions of the instrument.

The Fund derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

1.17.2 Financial assets at fair value through Profit and Loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading. Upon initial recognition attributable transaction costs are recognised in surplus/deficit as incurred. Financial assets at fair value through profit and loss are measured at fair value, and changes therein are recognised in surplus/deficit.

A financial asset is classified as held-for-trading if acquired principally for the purpose of settling in the short term and comprise equity and debt security.

These investments are initially recognised at fair value, and are subsequently carried at fair value. The fair values of quoted equities are based on current bid prices and quoted bonds are based on market value. Unrealised gains and losses arising from changes in the fair value are recognised in the surplus/deficit. When these investments are sold or impaired, the fair value adjustments are included in the surplus/deficit as net realised gains / losses on financial assets.

1.17.3 Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

1.17.4 Impairment of financial assets

The Fund assesses, at each reporting date, whether there is objective evidence that a financial asset not carried at fair value through profit and loss is impaired. Such assets are assessed for impairment, and impairment losses are incurred, only if there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the assets ("loss event") and that loss event/s has a negative impact on the estimated future cash flows of the asset, that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Fund on terms that the Fund would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. The assets may be impaired individually or assessed as a collection of assets.

All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Fund uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in surplus/deficit and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through surplus/deficit. Assessments are written off based on recommendations by inspectors of the Department of Labour or the appointed private debt collector.

1.17.5 Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Financial liabilities consist of trade and other payables from exchange transactions. Such financial liabilities are recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method

1.17.6 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks with original maturities of three months or less.

1.17.7 Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.18 Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the obligation can be made.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

1.19 Unclaimed Monies

If money owing to an employee or his/her dependant has remained unpaid after 12 months because it has not been claimed and the person in question has not been traced, the Compensation Commissioner shall effect a notice to be published annually in the Government Gazette with particulars of every unclaimed amount of more than R100. Any person claiming the amount shall be called upon to submit his/her claim to the Commissioner within one month after the date of the notice.

If at the expiration of the said month, no claim has been submitted, or a claim that has been submitted has been rejected by the Compensation Commissioner, the said amount shall be paid into the reserve fund.

2 Financial Risk Management

In terms of Section 18(2) of the Compensation of Occupational Diseases Act (Act no 130 of 1993 (COIDA), the Public Investment Corporation (PIC) as appointed as the Fund's Investment Manager. The Fund transfer surplus cash to the PIC to invest in terms of the Fund's investment strategy and the investment policy of the PIC. All investments and deposits are registered by the PIC in the Fund's portfolio account. The Fund is exposed to financial risk through its financial assets and liabilities. The main components of financial risk are :

2.1 Credit Risk

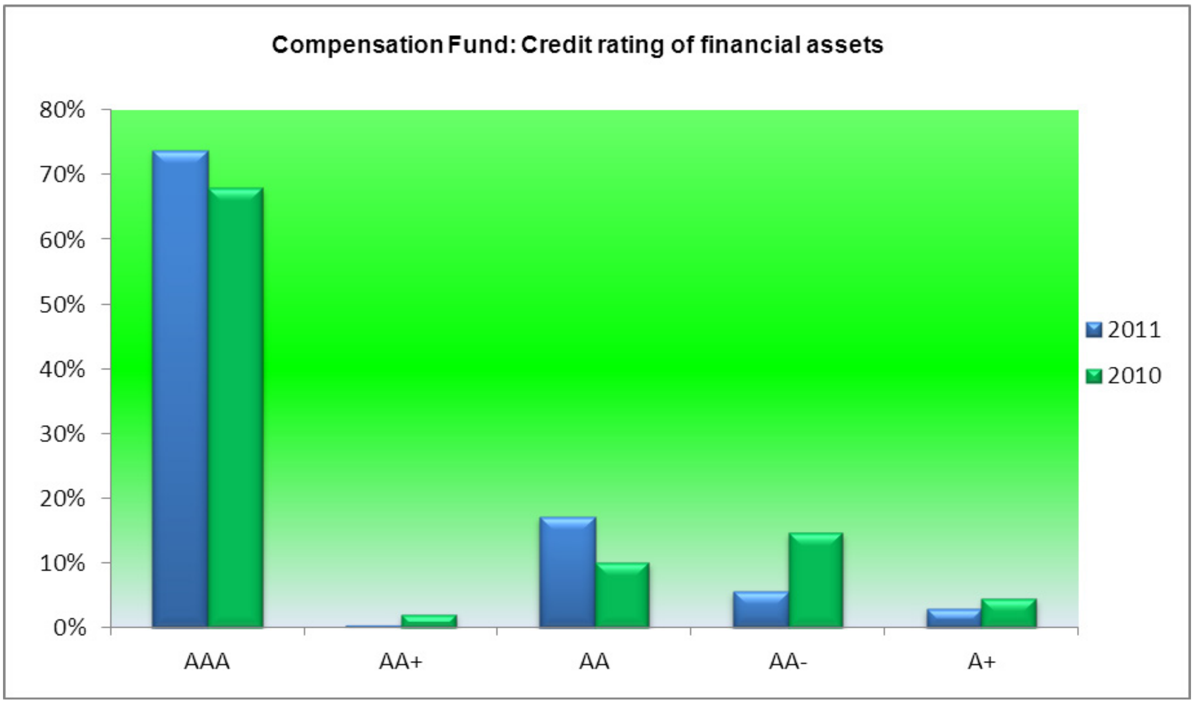
The Fund has exposure to credit risk, which is the risk that a counter party will be unable to pay amounts in full when due. The key areas of exposure are amounts due from employers and investment securities. Assessments due are represented by assessments raised on employers. Assessments raised are distributed nationally across different classes of employers in terms of an industrial classification approved by the Director-General as supported by the Compensation for Occupational Injuries and Diseases Act (Act no. 130 of 1993)).

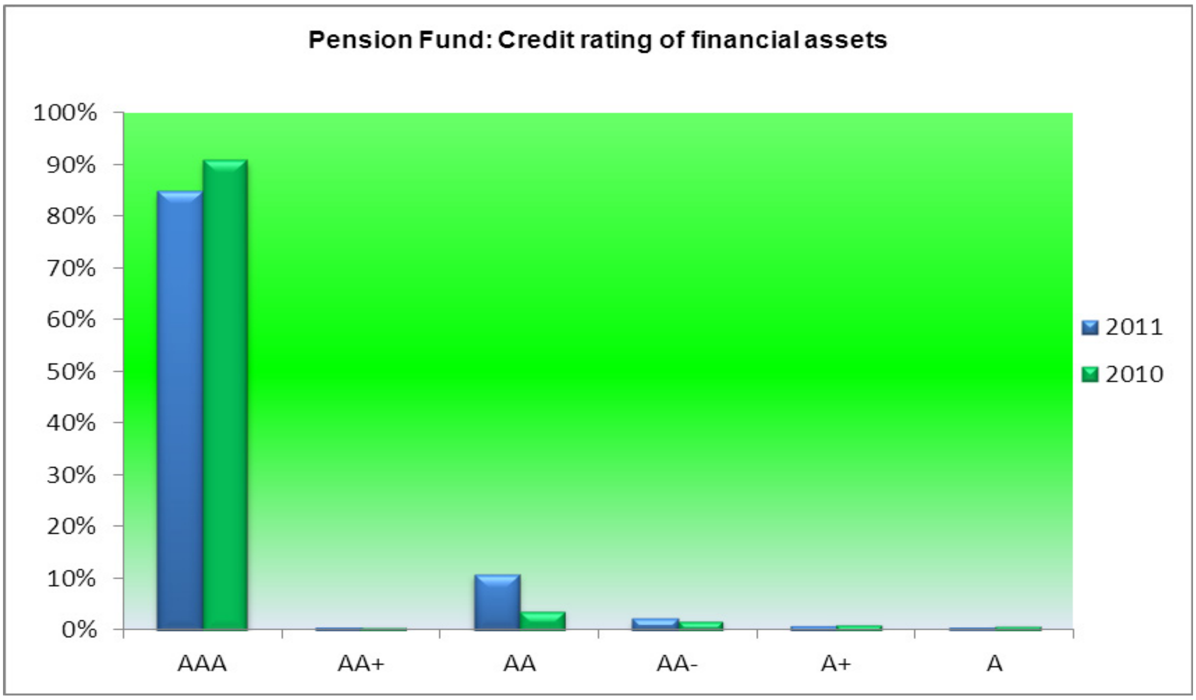
Account receivables are presented net of allowance for impairment, estimated by the Fund's management based on prior experience and the current environment. The credit risk with respect to account receivables is limited due to the large number of employers and their distribution across different industries and geographical areas. However, recoveries of outstanding amounts from liquidated and deceased estates carries a higher risk of non-recovery, due to the nature of accounts.

The Act provides the framework wherein the Fund assess employers and collects the assessments due. The Fund has policies and procedures in place to ensure that assessments are made accurately and followed up timely, including issuing of penalties and interest on late payment.

The Fund has an approved credit risk policy, which has been included in the investment mandate given to the Asset manager. The Fund utilises the policy to manage the credit risk limits and exposures by constraining the magnitude and tenor of exposures to counterparties and issuers.

The Fund also uses the DI900 as a guide on limit setting for the Banking institutions. The Compensation Fund only invests in listed instruments that are at least "A" rated as defined by Fitch IBCA or any recognised credit rating agency. The mandate also permits investment in the following asset classes: cash, money markets, capital markets and domestic equities.

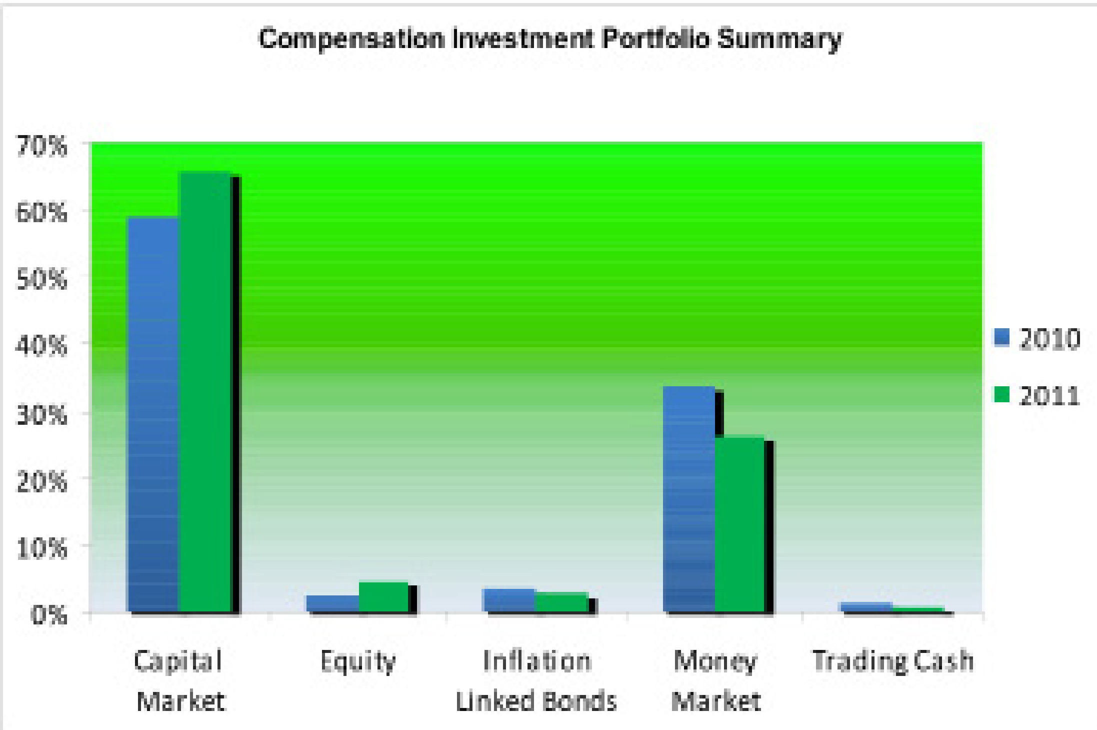

Compensation Fund: Credit rating of financial assets
80%
70%
60%
50%
40%
30%
20%
10%
0%
AAA
AA+
AA
AA-
A+
2011
2010

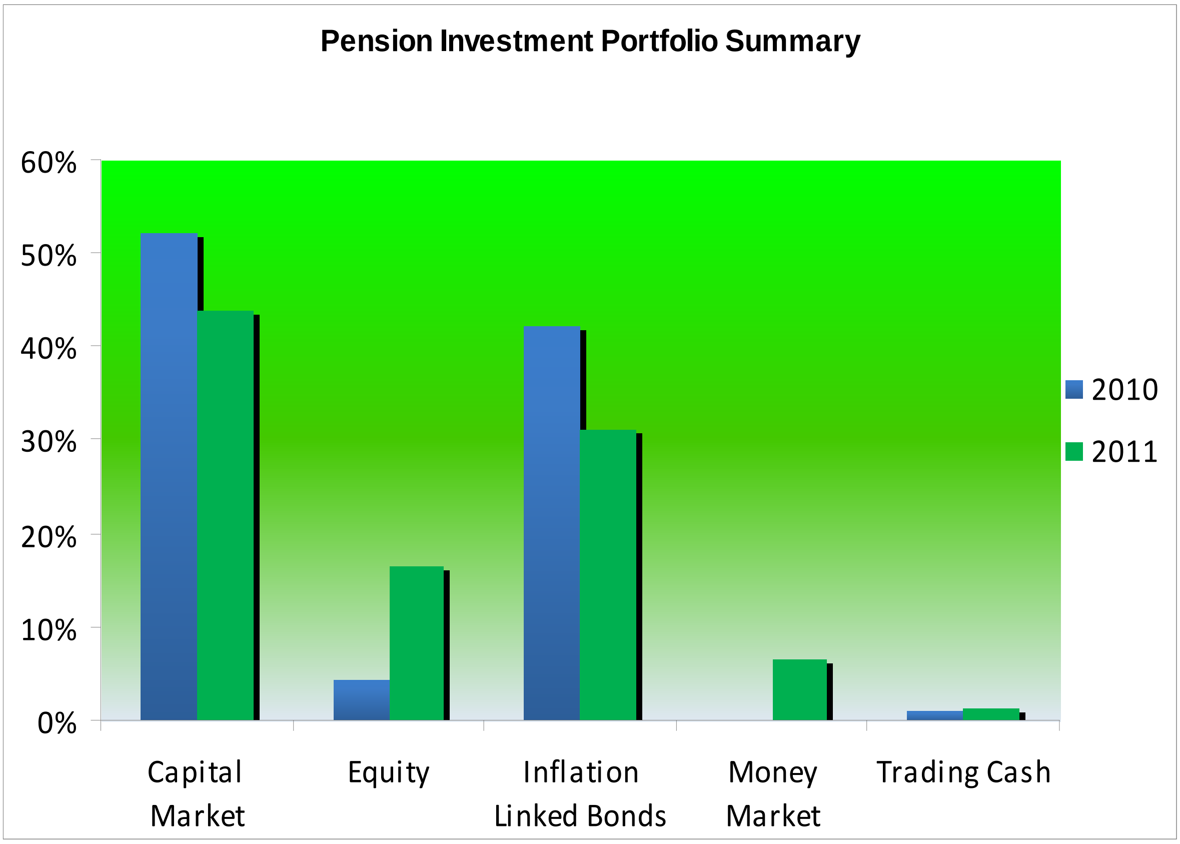

Pension Fund: Credit rating of financial assets
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
AAA
AA+
AA
AA-
A+
A
2011
2010

Concentration of Credit Risk

The carrying amount of financial assets (net of impairment losses) represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was

	Compensation Portfolio		Pension Portfolio		Total	
	2011	2010	2011	2010	2011	2010
Capital Markets	10,163,724	7,879,082	4,844,140	5,229,708	15,007,864	13,108,790
Equity	721,496	311,896	1,843,810	456,839	2,565,306	768,735
Inflation linked Bonds	433,376	458,456	3,447,113	4,243,494	3,880,489	4,701,950
Money Market	4,074,155	4,494,738	735,222	-	4,809,377	4,494,738
Cash and cash equivalents	87,880	182,111	166,568	98,306	254,448	280,417
Trade and other receivables	1,503,777	631,615	-	-	1,503,777	631,615
	16,984,408	**13,957,898**	**11,036,853**	**10,028,347**	**28,021,261**	**23,986,245**





Establishment of Investment limits per issuer for money markets

Money Market and Cash

Money market instruments are spread across the South African Banks with a minimum of credit rating of "A"in order to diversify the counterparties exposure.

The limits are guided by DI900 information from the South African Reserve bank

The limits are as follows:

Instrument	**Maximum limit per Issuer**
ABSA	0% - 40%
FirstRand	0% - 40%
Investec	0% - 40%
Nedbank	0% - 40%
Standard Bank	0% - 40%
Other Issuers	0% - 40%

Establishment of Investment limits per issuer for Capital markets

Capital Markets

Instrument	Maximum limit per Issuer
Government Bonds	0% - 100%
Other Bonds(Corporate, Parastatal, Securitisations etc.)	0% - 20%

Collateral

Licences held in terms of Section 30 of COIDA to carry out the business of the Fund in certain industries have been issued by the Minister of Labour to two mutual associations Rand Mutual Association (RMA) and Federation of Employers Association (FEMA). These mutual associations must deposit securities with the Fund to cover its liabilities. Furthermore national and provincial government departments as well as certain local authorities and have been granted exemption from paying the annual assessments and are liable to pay compensation to their injured employees in the workplace. In terms of section30 of the Act, these exempted employers are required to deposit securities with the Fund. These securities are equivalent to the capitalised pension to their employees.

If mutual associations or exempted employers fail to meet in full its liabilities, in terms of the Act the Fund may apply such securities to pay its liabilities, and the balance of the liabilities and future liabilities of the employer will have to be paid from the Fund's reserves. The securities thus controlled by the Fund amounts to R1 313 million (2010: R768 million)

Past due and impairment analysis

The aging of accounts receivable at the reporting date was:

	Gross	Impairment	Net	Gross	Impairment	Net
	2011			2010		
	R'000			R'000		
Past due and impaired						-
Individually impaired	**932,244**	**(932,244)**	**-**	**803,234**	**(803,234)**	
Assessments raised	736,526	(736,526)	-	664,527	(664,527)	-
Third party claims	161,698	(161,698)	-	138,668	(138,668)	-
Other receivables	34,020	(34,020)	-	39	(39)	-
Creditors with debit balances	3,519	(3,519)	-	-	-	-
Collectively impaired	**3,611,426**	**(3,611,426)**	**-**	**3,491,989**	**(3,491,989)**	-
Assessments raised	3,573,887	(3,573,887)	-	3,462,240	(3,462,240)	-
Third party claims	-	-	-	-	-	-
Other receivables	37,539	(37,539)	-	29,749	(29,749)	-
Past due but not impaired	**58,278**	**-**	**58,278**	**98,591**	**-**	**98,591**
Assessments raised	58,042	-	58,042	97,432	-	97,432
Third party claims	-	-	-	-	-	-
Other receivables	236		236	1,159	-	1,159
Sub total "past due"	**4,601,948**	**(4,543,670)**	**58,278**	**4,393,814**	**(4,295,223)**	**98,591**
Past due comprises:	**4,567,928**	**(4,543,670)**	**24,258**	**4,393,814**	**(4,295,223)**	**98,591**
60 - 90 days	361		361	57,504	-	57,504
90 - 120 days	57,917		57,917	41,086	-	41,086
120 days +	4,509,650	(4,543,670)	(34,020)	4,295,224	(4,295,223)	1
Neither past due nor impaired	**1,445,499**	**-**	**1,445,499**	**533,024**	**-**	**533,024**
Assessments raised	611,173	-	611,173	132,081	-	132,081
Provision for assessments not yet raised	731,707	-	731,707	338,878	-	338,878
Third party claims	8,526	-	8,526	-	-	-
Other receivables	52,514	-	52,514	34,585	-	34,585
Investments	41,579	-	41,579	27,480	-	27,480
	6,047,447	**(4,543,670)**	**1,503,777**	**4,926,838**	**(4,295,223)**	**631,615**

2.2 Liquidity risk

The Fund is exposed to daily calls on its available cash resources, arising mostly from short term claims. Liquidity risk is the risk that cash resources or other financial assets are not available to pay claims when due. The Fund ensures that adequate levels of cash are immediately available without incurring penalties. Cash flow reports are prepared daily to ensure that the Fund has sufficient funds to cover all the operational expenses. The Fund's investment mandate which is guided by the Asset and Liability Modelling(ALM) studies indicates the strategic asset allocation percentage of the total holdings that must comprise of liquid assets. The strategic asset allocation specifies a range of 25% to 35% on Compensation Investment portfolio and 8% to 12% on Pension Investment portfolio must comprise of Cash and Money Market instruments. All the Fund's Equities and Bonds are traded actively in efficient, regulated and liquid markets.

The Fund's asset allocation ranges and attribution analysis on overall performance benchmark as per investment agreement

Compensation Investment portfolio

Category	Asset Allocation Ranges	Attribution analysis on overall performance for the portfolio on overall benchmark
Cash and Money Market	*25% - 35%*	*30%*
Capital Market	*60% - 70%*	*66%*
Domestic Equity	*0% - 5%*	*4%*

Pension Investment portfolio

Category	Asset Allocation Ranges	Attribution analysis on overall performance for the portfolio on overall benchmark
Cash and Money Market	8% -12%	10%
Capital Market	67.5% - 77.5%	72.5%
Domestic Equity	15% - 20%	17.5%

The following are the contractual maturities of financial liabilities, including interest payments.

	Carrying amount	Contractual cash flow	6 months or less
	R'000	R'000	R'000
Debtors with credit balances	85,733	85,733	85,733
Other payables	6,587	6,587	6,587
Compensation/Pension/Medical liabilities	322,543	322,543	322,543
Trade creditors (procurement creditors)	806	806	806
	415,669	**415,669**	**415,669**

2.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Fund's income or the value of its holding of financial instruments.

Interest rate risk

The Fund holds more than 50% of its financial assets in debt securities (Government Bonds and Public Utility Bonds) and substantial investments in cash and cash equivalents and money market instruments. The return on these instruments, and the market value of debts securities are affected by fluctuations in interest rates.

Excluding the movement in the pensions liability and rebates provision, which is discretionary, the Fund currently covers all claims and benefits from operational cash, and therefore is not dependent on investment income to sustain its operations. The pensions liability is actuarially valued on an annual basis, which is impacted by the future anticipated interest return. Changes in interest rates are managed on behalf of the Fund by the PIC.

Interest rate profile

At the reporting date the interest profile of the Fund's interest bearing financial instruments was:

	Compensation Portfolio- Carrying amount		Pension Portfolio - Carrying amount	
	2011	**2010**	**2011**	**2010**
Fixed rate instruments	**R'000**	**R'000**	**R'000**	**R'000**
Capital Markets	9,997,759	7,660,932	4,682,583	5,052,893
Inflation linked Bonds	433,376	458,456	3,447,113	4,243,494
Money Market	4,074,155	4,494,738	735,222	-
Trading cash	-	-	-	-
	14,505,290	**12,614,126**	**8,864,918**	**9,296,387**
Variable rate instruments				
Capital Markets	165,165	218,150	161,557	176815
Inflation linked Bonds	-	-	-	-
Money Market	-	-	-	-
Trading cash	87 880	182 111	166 567	98 306
	253 845	**400 261**	**328 124**	**275 121**
	14 759,135	**13 014 387**	**9 193 042**	**9 571 508**

2.3 Market risk (continued)

Sensitivity analysis

This risk is the potential financial loss as a result of adverse movements in interest rates that affects the value of bonds and money market instruments. Compensation Funds have exposure to interest rate risk through investments in money markets and bonds. The purpose is to reveal any vulnerabilities of the portfolio to changes in the value-drivers. For an equities portfolio the driver of value are the equity prices, while for a fixed income portfolio the interest rates that determine the value of the investments are the value-drivers. This type of analysis is forward-looking in nature in that the current holdings of the portfolio at the point in time are use to assess the impact on the portfolio value due to potential changes in the value-drivers. The limitations of the sensitivity analysis are that there are no probabilities attached to the scenarios created as well as the fact that one is using a limited number of scenarios. The investment portfolio sensitivity is evaluated through stress testing the portfolio using the following methodology:

The portfolio is separated into two equities and fixed income. The stress test is a point in time estimate.

On bonds the yields to maturity is moved by the specified quantum and the bond re-valued(bond pricing formula). The aggregate value of all instruments represents the bond portfolio value and the difference with the base value i.e. the current value represents the gain or loss.

The Equity prices are moved by the specified percentage and the instruments is then re-valued(price multiplied by holdings) at the new price. The aggregate value of all equity instruments represents the equity portfolio value and the difference with the base value i.e. the current value represents the gain or loss.

The sensitivity to interest rate movements is measured by the duration of the fixed interest exposure. Such duration is managed relative to an appropriate benchmark. To manage the duration PIC utilises a combination of instruments to get closer to the benchmark duration.

The fixed income asset class is not as volatile as the equity markets; an assumption of this sensitivity analysis is that the interest rates move by 50 basis points at a time. This analysis assumes that all variables remain constant. The analysis is performed on the same basis for 2010.

The effect of changes in interest rates on the fixed income component of the assets under management, which excludes non performing instruments and over the counter structured products are set out in the following tables:

Compensation Portfolio		
Spread in basis points	Profit and Loss R '000	Market value of Bonds R'000
200	(1,145,606)	13,525,648
150	(877,526)	13,793,728
100	(597,694)	14,073,560
50	(305,429)	14,365,826
-	-	14,671,254
(50)	319,371	14,990,625
(100)	653,520	15,324,774
(150)	1,003,340	15,674,594
(200)	1,369,790	16,041,044

Compensation Portfolio		
Spread in basis points	Profit and Loss R '000	Market value of Bonds R'000
200	(1,081,127)	(7,945,347)
150	(831,703)	(8,194,771)
100	(568,987)	(8,457,487)
50	(292,077)	(8,734,397)
-	-	9,026,474
(50)	308,298	9,334,773
(100)	633,958	9,660,432
(150)	978,213	10,004,687
(200)	1,342,402	10,368,877

Equity price risk

Equity price risk arises from equity securities held for meeting the Fund's compensation and pension obligations. This risk is the potential financial loss as a result of movements in the level or volatility of equity prices, which affect the value of equity and equity derivative instruments. Compensation Funds have exposure to equity price risk as a result of its investments in equity instruments and equity derivatives.

This is the risk that the Fund will not realise the value if its equity securities, which may impact the Fund's ability to meet liabilities The Fund manages this risk by investing in low-risk / no-risk instruments.

Exposure to equity risk

The Fund's exposure to equity price risk was as follows based on fair value of the equity items

	Compensation	Pension		
	2011	2010	2011	2010
	R'000	R'000	R'000	R'000
Listed equities	724,497	312,357	1,843,811	456,839

Sensitivity analysis

The table below demonstrates the profit and loss impact of the respective percentage move across all constituents of the hedged equity portfolios.

Compensation Portfolio		
Spread %	Profit and Loss	Market value of Portfolio
	R '000"	R'000
20	93,557	813,725
15	71,277	791,445
10	48,351	768,519
5	24,587	744,755
-	-	720,168
(5)	(20,906)	699,262
(10)	(33,488)	686,680
(15)	(50,341)	669,827
(20)	(74,703)	645,465

Compensation Portfolio		
Spread %	Profit and loss	"Market value of Portfolio"
	R '000	R'000
20	369,384	2,216,306
15	277,038	2,123,960
10	184,692	2,031,614
5	92,346	1,939,268
-	-	1,846,922
(5)	(92,346)	1,754,575
(10)	(184,692)	1,662,229
(15)	(277,038)	1,569,883
(20)	(369,384)	1,477,537

	2011 R '000	2010 R '000
3. Revenue contributions		
Contributions by employers	4,865,989	4,491,623
4. Interest and penalties	**405,600**	**365,341**
Interest on the late payment of contributions	246,904	229,319
Penalties on the late payment of contributions	158,696	136,023
5. Other revenue	**87,981**	**296,539**
Miscellaneous revenue	2,596	14,379
Reversal of provision for merit rebates	68,906	265,767
Administrative contributions by employers (s 88)	16,479	16,393
6. Net investment income		
Compensation investment portfolio	**1,133,138**	**826,830**
Interest received	1,133,138	826,830
	31,762	**466,449**
Dividend income	12,678	5,302
Fair value gain	2,831	397,266
Interest on bank accounts	16,253	63,881
	1,164,900	**1,293,279**
Pensions investment portfolio	**799,781**	**762,441**
Interest received	799,781	762,441
	213,099	**(91,643)**
Dividend income	23,084	7,755
Fair value gains	189,221	(99,986)
Interest on bank accounts	794	587
	1,012,880	**670,798**
	2,177,780	**1,964,076**
7. Claim incurred	**1,876,907**	**2,589,187**
Compensation for permanent disability	154,982	99,576
Compensation for temporary disability	110,834	119,827
Increase in provision for outstanding claims	(263,000)	973,000
Medical claims	1,909,129	1,446,674
Recoveries from third parties	(35,038)	(49,890)

	2011 R'000	2010 R'000
Pension capitalised during the year	**328,404**	**404,790**
Opening balance	(4,678,864)	(4,274,074)
Closing balance	5,007,268	4,678,864

8. Administrative expenses

	2011 R'000	2010 R'000
Audit fees		
Audit fees statutory	**8,621**	**5,753**
Compensation related expenses	**11,077**	**5,107**
Assessments, penalties and interest written-off	**6,056**	**10,857**
Depreciation	**1,833**	**3,267**
Building	639	2,274
Office Furniture and Equipment	1,093	801
Motor Vehicles	101	192
Fees for professional services	**163,714**	**45,929**
Investments management fees	**12,801**	**6,598**
Compensation	5,531	3,026
Pension	7,270	3,572
Operating lease payments	**16,195**	**18,603**
Buildings	12,107	12,757
Office equipment	4,088	5,846
Repairs and maintenance of property and equipment	**3,328**	**3,317**
Reimbursement to Department of Labour	**108,038**	**97,546**
Staff cost	**184,653**	**152,483**
Remuneration	141,679	124,604
Executive remuneration excluding Director-General	8,712	4,967
Contributions to defined contribution plan	34,262	22,912
Service fee towards public private partnership	**76,924**	**73,825**

8. Administrative expenses (Continued)	2011 R'000	2010 R'000
Travel and subsistence	**13,150**	**9,317**
Stationery	**8,273**	**7,779**
ICT	**17,223**	**12,161**
Other expenses	**40,856**	**48,299**
Other administrative expenses	38,291	46,841
Board member fees (travel and subsistence)	426	99
Subsidies for accident prevention	2,139	1,359
Total administrative expenses	**672,742**	**500,841**

8.1 Executive remuneration

Details	2011						
	Date of appointment	Basic Salary	Bonuses and Related Payments	Allowances	Medical aid	Pension Contribution	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Compensation Commissioner	05/01/2007	588	50	238	-	121	997
Chief Financial Officer	10/01/2009	477	38	190	3	98	806
Director: Medical Services	01/01/2010	393	34	184	-	81	692
Director: Projects	01/01/2010	393	34	184	-	81	692
Director: Financial Reporting	04/01/2009	394	33	179	-	81	687
Director: Financial Control	01/01/2010	395	19	179	-	81	674
Director: Income	03/01/2009	394	-	211	-	81	686
Director: Support Services	11/01/2009	395	33	164	-	81	673
Director: Human Resources	03/01/2009	395	33	164	-	81	673
Director Organisational Effectives	03/01/2009	393	33	178	-	81	685
Director: Compensation	01/01/2011	100	-	66	-	21	187
Director: Internal Audit	04/01/2010	400	33	181	-	81	695
Principal Legal Administration Officer	03/01/2009	393	33	146	1	81	654
Total Paid by the Fund		**5,079**	**339**	**2,321**	**4**	**969**	**8,712**

Details	2010					
	Date of appointment	Basic Salary	Bonuses and Related Payments	Allowances	Medical aid	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Paid by the Fund						
Compensation Commissioner	05/01/2007	588	50	238	-	997
Chief Financial Officer	10/01/2009	228	3	123		354
Director: Medical Services	01/01/2010	92	49	31	-	172
Director: Projects	01/01/2010	373	3	255	-	631
Director: Financial Reporting	04/01/2009	373	34	169	-	579
Director: Financial Control	01/01/2010	65	3	30	-	98
Director: Income	03/01/2009	373	8	200	-	581
Director: Human Resources	03/01/2009	373	54	154	-	581
Director Organisational Effectives	03/01/2009	373	33	169	-	575
Principal Legal Administration Officer	03/01/2009	373	48	143	-	564
Grand Total		**3,181**	**286**	**1,500**	**-**	**4,967**

Remuneration above is actual and reflect the full time equivalent of remuneration for key management personnel

9 Taxation

The fund is exempted from normal income tax in terms of section 21 of the Compensation for Occupational Injuries and Diseases Act. (Act No 130 of 1993)

10 Property, plant and equipment

Cost	Buildings	Land	Motor vehicles	Furniture & equipment	Total
Opening balance as at 1 April 2009	**113,690**	**10,560**	**2,281**	**10,272**	**136,803**
Additions	-	-	-	4,051	4,051
Prior year error (disposals)	-	-	(40)	(5,653)	(5,693)
Change in accounting policy (transfer of assets less than R5000)				(2,249)	(2,249)
Transfer of accumulated depreciation to cost of asset revalued	(4,553)	-	-	-	(4,553)
Revaluation (decrease) / increase of assets	(49,613)	5,717	-	-	(43,896)
Closing balance as at 31 March 2010	**59,524**	**16,277**	**2,241**	**6,421**	**84,463**
Opening balance as at 1 April 2010	59,524	16,277	2,241	6,421	84,463
Additions		-	-	2,570	2,570
Disposals					
Transfer from property, plant and equipment to Investment property at carrying amount	(3,100)	(401)			(3,501)
Closing balance as at 31 March 2011	**56,424**	**15,876**	**2,241**	**8,991**	**83,532**

Depreciation & impairment losses	Buildings	Land	Motor vehicles	Furniture & equipment	Total
Opening balance as at 1 April 2009	(2, 279)	-	(1,172)	(8 413)	11 865
Impairment	-	-	40	5,653	5,693
Depreciation	(2,274)	-	(192)	(801)	(3,267)
Transfer of accumulated depreciation to cost of asset revalued	4,553	-	-	-	4,553
Closing balance as at 31 March 2010	**-**	**-**	**(1,324)**	**(3,561)**	**(4,886)**
Opening balance as at 1 April 2010	-	-	(1,324)	(3,561)	(4,886)
Depreciation	(639)	-	(101)	(1,094)	(1,834)
Closing balance as at 31 March 2011	**(639)**	**-**	**(1,425)**	**(4,655)**	**(6,719)**

Carrying amounts	Buildings	Land	Motor vehicles	Furniture & equipment	Total
As at 1 April 2009	**111,411**	**10,560**	**1,109**	**1,859**	**124,938**
As at 31 March 2010	**59,524**	**16,277**	**917**	**2860**	**79,577**
As at 31 March 2011	**55,789**	**15,876**	**816**	**4,336**	**76,817**

The income capitalisation approach was used to value the land and buildings as at 31 March 2010 by an independent valuer. This approach considers income and expense data relating to the property being valued and estimates a value through a capitalisation process. A capitalisation rate of 11.5% was used for Compensation House and 13% for Bhisho Building. The capitalisation rate is determined by the rate at which similar assets have traded recently. No revaluations were done in this current year.

The carrying amount of the Land and Buildings would have been as follows had they been recognised, after initial recognition, using the cost model.

	2011	2010
Carrying amounts as at 31 March 2011	R'000	R'000
Land	10,159	10,560
Buildings	103,750	109,128
	113,909	**119,688**

11 Investment property

	Buildings	Land
Opening balance as at 1 April 2009	-	-
Additions	-	-
Disposals	-	-
Closing balance as at 31 March 2010	-	-
Opening balance as at 1 April 2010		
Additions	-	-
Transfer from property, plant and equipment	3,100	401
Fair value loss	(3)	
Closing balance as at 31 March 2011	**3,097**	**401**

Details of Investment property

	2011	2010
Erf 252 Bhisho	R'000	R'000
Land and buildings	3,501	-
Add back depreciation	(3)	-
	3,498	**-**

The income capitalisation approach was used to value the land and buildings as at 31 March 2010 by an independent valuer namely JHI Valuers. This approach considers income and expense data relating to the property being valued and estimates a value through a capitalisation process. A capitalisation rate of 13% for Bhisho Building. The capitalisation rate is determined by the rate at which similar assets have traded recently. No revaluations were done in this current year.

12 Investments

	Loans and receivables	Fair value through Profit and loss - held for trading	Designated as at fair value through Profit and loss	Total carrying amount	Fair value
31 March 2011					
Compensation portfolio	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Capital market	-	10,597,099	-	10,597,099	10,597,099
Equity	-	718,950	-	718,950	718,950
Derivative financial instruments	-	2,547	-	2,547	2,547
Bills, promissionary notes and certificate of deposits	-	-	682,031	682,031	682,031
Fixed deposits	3,392,124	-	-	3,392,124	3,392,124
Trading cash	87,880	-	-	87,880	87,880
	3,480,004	**11,318,596**	**682,031**	**15,480,631**	**15,480,631**
Pension portfolio	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Capital market		8,291,253	-	8,291,253	8,291,253
Equity	-	1,843,811	-	1,843,811	1,843,811
Derivative financial instruments	-	-	-	-	-
Bills, promissionary notes and certificate of deposits	-	-	97,252	97,252	97,252
Fixed deposits	637,970		-	637,970	637,970
Trading cash	166,567	-	-	166,567	166,567
	804,537	**10,135,064**	**97,252**	**11,036,853**	**11,036,853**
Total investments 31 March 2011	**4,284,541**	**21,453,660**	**779,283**	**26,517,484**	**26,517,484**
Current portion of investments					8,110,366
Non current portion of investments					18,407,117
Total investments 31 March 2011					**26,517,483**

12 Investments (continued)

	Loans and receivables	Fair value through Profit and loss - held for trading	Designated as at fair value through Profit and loss	Total carrying amount	Fair value
31 March 2010					
Compensation portfolio	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Capital market	-	8,337,538	-	8,337,538	8,337,538
Equity	-	304,766	-	304,766	304,766
Derivative financial instruments	-	7,293	-	7,293	7,293
Bills, promissionary notes and certificate of deposits	-	-	2,831,563	2,831,563	2,831,563
Fixed deposits	1,663,175	-	-	1,663,175	1,663,175
Trading cash	182,409	-	-	182,409	182,409
	1,845,584	**8,649,597**	**2,831,563**	**13,326,744**	**13,326,744**
Pension portfolio	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Capital Market	-	9,473,202	-	9,473,202	9,473,202
Equity	-	449,309	-	449,309	449,309
Derivative financial instruments	-	7,530	-	7,530	7,530
Bills, promissionary notes and certificate of deposits	-	-	-	-	-
Fixed deposits	-	-	-	-	-
Trading cash	98,306	-	-	98,306	98,306
	98,306	**9,930,041**	**-**	**10,028,347**	**10,028,347**
Total investments 31 March 2010	**1,943,890**	**18,579,638**	**2,831,563**	**23,355,091**	**23,355,091**

Non current portion of investments	17,669,030
Current portion of investments	5,686,061
Total investments 31 March 2010	**23,355,091**

12 Investments (continued)

Basis for determining fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above:

Capital Market, equity instruments and derivatives

The fair value of Capital Market and Equity Instruments is determined by reference to their quoted closing price at the reporting date.

Money market instruments

Money market instruments (Bills, Promissionary notes and Certificates of deposits) are valued by the Money Market Curve. The Nominal annual rate of interest compounded continuously is converted to a simple rate for Discount securities, and to a NACA, NACS, NACQ or NACM for Fixed interest instruments depending on the maturity profile.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. prices) or indirectly (i.e. derived from prices)

	Level 1	Level 2	Level 3
31 March 2011	**R'000**	**R'000**	**R'000**
Capital markets	18,888,352	-	-
Equity	2,562,761	-	-
Derivatives	-	-	2,546
Money market	-	4,809,376	
	21,451,113	**4,809,376**	**2,546**

	Level 1	Level 2	Level 3
31 March 2010	**R'000**	**R'000**	**R'000**
Capital markets	17,810,740	-	-
Equity	754,075	-	-
Derivatives	-	-	14,823
Money market	-	4,494,738	-
	18,564,815	**4,494,738**	**14,823**

12 Investments (continued)

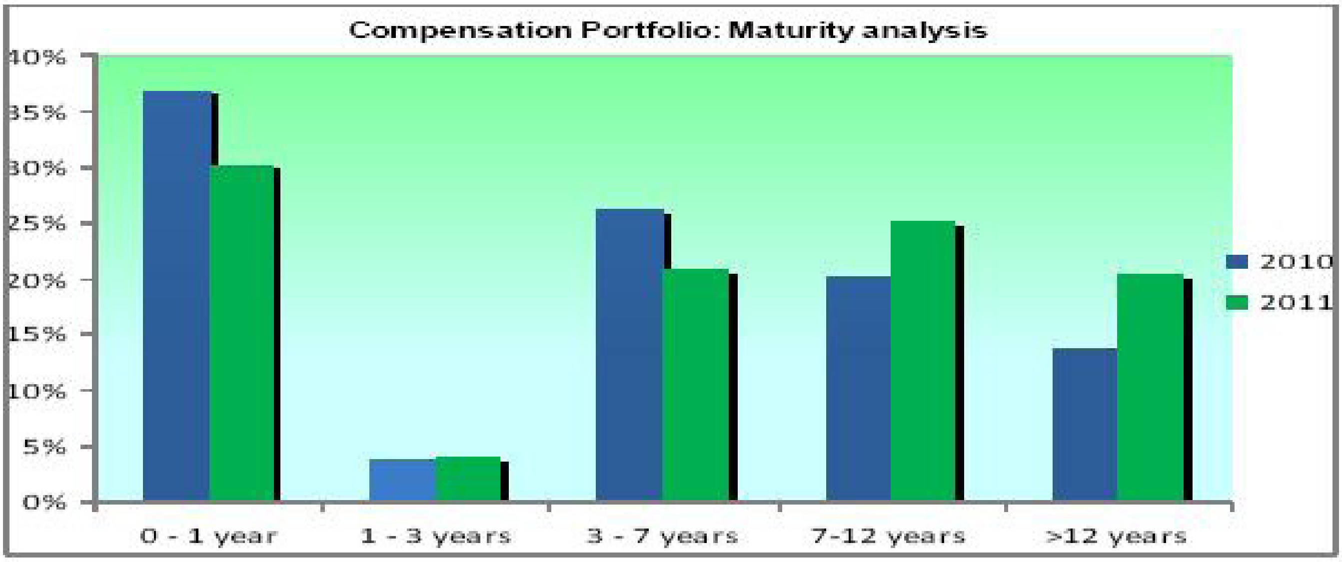
31 March 2011	Money market	Capital market	Derivatives	Equity	Trading cash	Total
Maturity schedule	R'000	R'000	R'000	R'000	R'000	R'000
Compensation portfolio						
0 to 3 months	1,433,158	51,769	3,729	718,950	87,880	2,295,486
3 to 12 months	2,640,997	216,155	(1,183)		-	2,855,969
1 to 3 years	-	586,071	-	-	-	586,071
3 to 7 years	-	3,061,603	-	-	-	3 061 603
7 to 12 years	-	3,691,297	-	-	-	3,691,297
12+ years	-	2,990,205	-			2,990,205
Total	**4,074,155**	**10,597,100**	**2,546**	**718,950**	**87,880**	**15,480,631**

	Money market	Capital market	Derivatives	Equity	Trading cash	Total
Maturity schedule	R'000	R'000	R'000	R'000	R'000	R'000
Pension portfolio		-	-			
0 to 3 months	335,650	-	-	1,843,811	166,568	2,346,029
3 to 12 months	399,571	213,311	-	-	-	612,882
1 to 3 years	-	215,006	-	-	-	215,006
3 to 7 years	-	1,664,062	-	-	-	1,664,062
7 to 12 years	-	2,420,316	-	-	-	2,420,316
12+ years	-	3,778,557	-	-	-	3,778,557
Total	**735,221**	**8,291,252**	**-**	**1,843,811**	**166,568**	**11,036,852**
Total at year-end	**4,809,376**	**18,888,352**	**2,546**	**2,562,761**	**254,448**	**26,517,483**

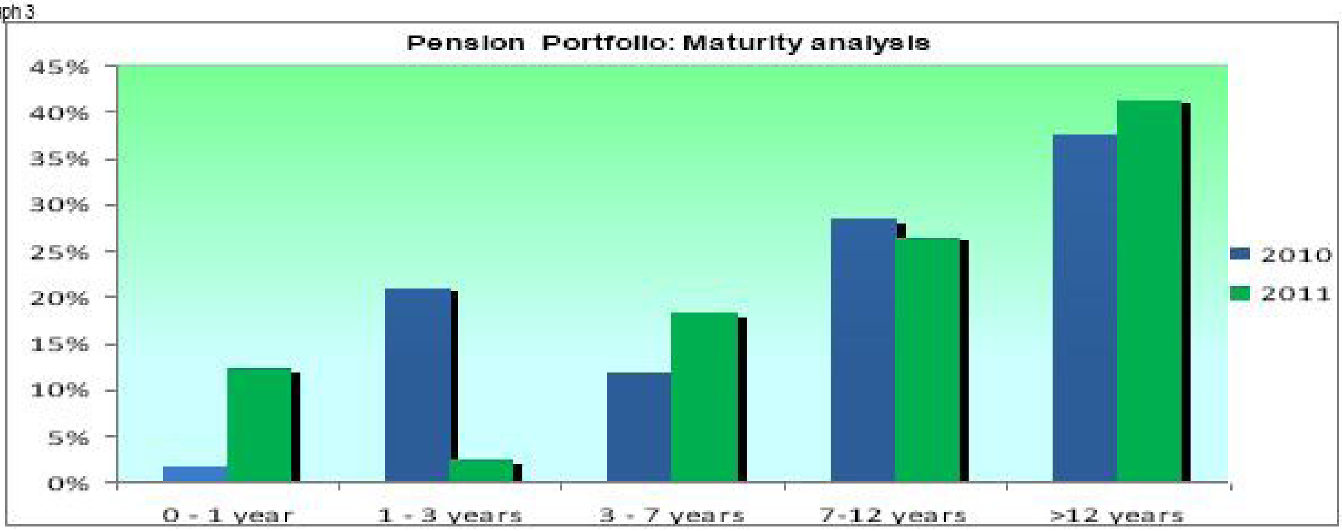
12 Investments (continued)

31 March 2010	Money market	Capital market	Derivatives	Equity	Trading cash	Total
Maturity schedule	R'000	R'000	R'000	R'000	R'000	R'000
Compensation portfolio						
0 to 3 months	1,921,621			304,766	182,409	2,408,796
3 to 12 months	2,573,117	88,516	7,293			2,668,926
1 to 3 years		466,347				466,347
3 to 7 years		3,382,310				3,382,310
7 to 12 years		2,614,370				2,614,370
12+ years		1,785,995				1,785,995
Total	**4,494,738**	**8,337,538**	**7,293**	**304,766**	**182,409**	**13,326,744**

	Money Market	Capital Market	Derivatives	Equity	Trading Cash	Total
Maturity schedule	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Pension Portfolio						
0 to 3 months				449,309	98,306	547,615
3 to 12 Months		53,194	7,530			60,724
1 to 3 years		2,001,555				2,001,555
3 to 7 years		1,103,907				1,103,907
7 to 12 years		2,703,599				2,703,599
12+ years		3,610,947				3,610,947
Total	**-**	**9,473,202**	**7,530**	**449,309**	**98,306**	**10,028,347**
Total at year-end	**4494,738**	**17,810,740**	**14,823**	**754,075**	**280,715**	**23,355,091**


Compensation Portfolio: Maturity analysis
40%
35%
30%
25%
20%
15%
10%
5%
0%
0 - 1 year
1 - 3 years
3 - 7 years
7-12 years
>12 years
2010
2011

Graph 3


Pension Portfolio: Maturity analysis
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
0 - 1 year
1 - 3 years
3 - 7 years
7-12 years
>12 years
2010
2011

13 Trade and other receivables

	2011 R'000	2010 R'000
13.1 Trade and other receivables from non - exchange transaction	**1,409,448**	**568,391**
Assessments raised	**1,400,922**	**568,391**
Outstanding balances	4,979,628	4 356 279
Accrual for assessments not raised	731,707	338,878
Allowance for impairment	(4,310,413)	(4,126,767)
Third party claims	**8 526**	**-**
Outstanding balance	170,224	138,668
Allowance for impairment	(161,698)	(138,668)
13.2 Trade and other receivables from exchange transaction	**94 329**	**63 224**
Advances	335	139
Recoverable medical expenses	20,068	10,426
Disallowances	19,828	16,026
Contributions Exempted Employer	25,470	24,218
Sundry receivables	7,648	3,159
PPP Reinvestment	13,421	11,563
Creditors with debit balances	3,519	-
Allowance for impairment	(37,539)	(29,788)
Investment income receivable	41,579	27,481
Total trade and other receivables	**1,503,777**	**631,615**

14 Allowance for Impairment

	Assessments Debtors R'000	Third party claims R'000	Other receivables R'000	Total R'000
Balance at 1 April 2009	3,303,887	88,821	30,240	3,422,948
Impairment loss recognised	822,880	49,847	(452)	872,275
Balance at 31 March 2010	**4,126,767**	**138,668**	**29,788**	**4,295,223**
Impairment loss recognised	183,646	23,030	7,751	214,427
Balance as 31 March 2011	**4,310,413**	**161,698**	**37,539**	**4,509,650**

Assumptions

The methodology used to calculate the allowance is aged based. The method requires the outstanding accounts receivable to be aged and then the future recoveries to be estimated for each balance. Once an assessment had been paid in full or written off, it is deemed finalised and further payments are then allocated to the next assessment.

When assessing impairment, the Fund evaluates, amongst other factors, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial re-organisation, debtors whose outstanding interest are 'in duplum' and default or delinquency in payments. The Director-General may write-off trade and other receivables if in his opinion they cannot be recovered Section 4(m) of COIDA. No collateral is held by the Fund for the impaired debtors.

15 Provision for outstanding claims	2011	2010
	R'000	R'000
Actuarially calculated opening balance	5,246,000	4,273,000
Increase/(decrease) in provision for outstanding claims	(263,000)	973,000
Actuarially calculated closing balance	4,983,000	5 246 000
Transfer to current liabilities	(1 397,000)	(2 046 000)
Total Provision for outstanding claims	**3,586,000**	**3,200,000**

Actuarial assumptions and methodology

In order to estimate the compensation claims liability, claims processed in each of the previous ten financial years are grouped into a table according to the year of accident or diagnosis of disease (accident year) and the number of years until the claim is processed (development year). So, for example, the entry for accident year 1998 and development year 2 refers to an accident that occurred in 1998 but was only processed in 2000 = 1998 + 2.

Using these processed claims, "development factors" are derived. The development factors are adjusted to allow for backlog claims, as these backlog claims would be expected to be cleared over time and would not be an annual feature of the claims data in future years (assuming the issue is resolved). Hence, when it becomes evident that the backlog has been cleared, we will reassess the need for these development factor adjustments

Future inflation of claims paid was assumed to be 5.5% per annum (previously 6.9%). This assumption has been determined as the best estimate of future inflation at 31 March 2011 of 4.5%, plus an additional 1%. This assumption is consistent with the Alexander Forbes best-estimate of future salary inflation over the next 18 months, as this is assumed to be an appropriate length of time over which claims will be paid. As a measure of sensitivity, a 1% increase in the future claims inflation assumption would result in a change in the base liability of approximately 2.0% or R 29 million.

Specific assumption criteria:
- Future inflation of claims paid was assumed to be 5.5% (6.9%:2010) per annum.
- No discounting was applied to future compensation claims estimates
- The element of contingency reserve has been set equal to 25% of the difference between

The compensation claims liability allowing fully for the longer run-off period observed over the recent financial years (i.e. the liability using unadjusted development factors); and
The calculated compensation claims liability, using the adjusted development factors set above

Medical claims

- Future medical claims inflation was assumed to be 7,5% (8.9% 2010) per annum

- No discounting was applied to future medical claims estimates.

Based on the methodology and assumptions set out in the previous section, we estimate that the Fund should provide for an amount of R 4 983 million as at 31 March 2011 in respect of compensation claims and medical expenses. The provision can be split into the amount expected to be processed in the next financial year and the amount expected to be processed thereafter, as follows:

Results 31 March 2011	**Medical**	**Outstanding Claims**	**Total**
	R'000	**R'000**	**R'000**
Amounts estimated to be processed in the year after 31/03/2011	906,000	491,000	1,397,000
Amounts estimated to be processed in subsequent years	1,132,000	879,000	2,011,000
	2,038,000	**1,370,000**	**3,408,000**
Additional contingency reserves		1,575,000	1,575,000
Total	**2,038,000**	**2,945,000**	**4,983,000**

Results 31 March 2010	**Medical**	**Outstanding Claims**	**Total**
	R'000	**R'000**	**R'000**
Amounts estimated to be processed in the year after 31/03/2010	918,000	763,000	1,681,000
Amounts estimated to be processed in subsequent years	1,171,000	1,425,000	2,596,000
	2,089,000	**2,188,000**	**4,277,000**
Additional contingency reserves	729,000	240,000	969,000
Total	**2,818,000**	**2,428,000**	**5,246,000**

The adjusted factors, together with an allowance for expected future claims inflation, are then used to project the likely occurrence of future claim payments.

16 Capitalised value of pensions	2011 R'000	2010 R'000
Actuarially calculated opening balance	9,868,000	9,604,000
Increase in capitalised value of pensions	(252,698)	(167,233)
Pensions capitalised during the year	328,404	404,790
Payments and adjustments	(581,102)	(572,023)
Actuarial adjustment	799,571	431,233
Closing balance	**10,414,872**	**9,868,000**

Independent actuarial valuations of the capitalised value of pensions (CVP) liability are carried out every year.

Pensions liability assumptions	2011 %	2010 %
Investment return	9.52%	8.96%
Annual pension increases	4.77%	4.44%
Real discount rate	4.54%	4.33%

The effect on the pension liabilities of a change in the main valuation assumptions, compared with the main valuation results can be summarized as follows:

	2011 R'000	2010 R'000
Main valuation liability	7,778	7,413
Contingency for possible adverse experience variations	2,629	2,447
Expense margin	8	8

The mortality of persons in receipt of pensions was assumed to be in accordance with the results of the mortality investigation carried out by COID over the three-year period ending 31 March 2008. A detailed description of this investigation and its results can be found in our report entitled “Report on the Review of the Pension Capitalisation Factors of the Compensation Fund: Discussion Document”.

We assumed that, on average, a husband will be five years older than his wife. It is also assumed that 90% of pensioners are married.

16.1 Capitalised value of pensions

In the case of pensioners, other dependants, and spouses, it was assumed that pensions would be payable for life. In addition, it was assumed that 30% of pensioners would die as a result of qualifying injury or disease resulting in contingent dependants.

The spouse’s reversion has been set at 75%, which is based on an average percentage disability of worker pensioners of 65% and includes an allowance for pensions payable to eligible children.

In the case of children, a date on which the pension is expected to cease is provided. Each child pension is then valued as an annuity certain (i.e. no allowance is made for child mortality) until that date. Furthermore we assume that 15% of the children provided will have their pensions extended for 5 years to age 23.

It is important to note that, other than the mortality assumptions and the change in the spouse’s reversion

. 16.1 Capitalised value of pensions (continued)

	2011 R'000	2010 R'000
Best-estimate liability		
	7,778,000	7,413,000
Plus: Contingency reserves		
Solvency margin	**2,629,000**	**2,447,000**
Investment Reserve	396,000	396,000
Pension increases	1,624,000	1,470,000
Mortality fluctuations	262,000	247,000
Mortality improvements	347,000	334,000
Expense margin	8,000	8,000
	10,415,000	**9,868,000**

As at 31 March 2011 the best estimate of the Fund's liability to current pensioners is R7,778 million. In addition, we recommend that the Fund establish a contingency reserve of R2,637 million (= solvency reserve of R 2 629 million + expense reserve of R 8 million) to cover the possible impact of adverse future experience. Therefore, the total provisional liabilities of the COID pension account were R10,415 million as at 31 March 2011(R9,868 million:2010).

17 Accruals

	2011 R'000	2010 R'000
Accumulated leave	23,029	17,957
Service bonus	3,905	5,688
Procurement Creditors	67,572	25,193
	94,506	**48,838**

18 Provisions for merit rebates

	2011 R'000	2010 R'000
Opening Balance - Current	578,605	844,372
Utilised during the year	(509,828)	(265,767)
Unused during the year unused written-off	(68,777)	
	-	**578,605**

19 Trade and other payables from exchange transactions

	2011 R'000	2010 R'000
Payment in advance by employers	85 733	175,854
Merit rebates creditors Control	131,220	-
Cheque fraud External	4	-
Contributions exempted employers	448	-
Compensation / Medical Disallowance	157	-
Pension Disallowances	346	-
Other payables	6,587	126
Unsettled Investments	664	-
Compensation, Pension & Medical Creditors Control	322,543	234,247
Procurement Creditors Control	806	2,206
	548,508	**412,433**

Included in the balance for pension, compensation and medical creditors control account is unclaimed monies of R22 million which has been outstanding for more than 12 months. This amount has not been published in the Government Gazette as required by the Fund unclaimed monies policy.

20 Reconciliation of cash generated by activities

	2011 R'000	2010 R'000
Surplus for the year	3,643,356	2,309,952
Adjusted for:	**(1,685,265)**	**(403,691)**
Provision for unreported claims	(263,000)	973,000
Investment income	(2,177,780)	(1,964,076)
Interest paid	1,944	9,300
Investment management fees	12,801	6,598
Fair value adjustment on income	192,052	297,280
Transfer to unclaimed monies	12	6,488
Actuarial adjustment	799,571	431,233
Depreciation	1,833	3,719
Increase in the capitalised value for pensions	(252,698)	(167,233)
Operating surplus before working capital changes	**1,958,095**	**1,906,261**
Working capital changes	**(1,269,024)**	**(232,066)**
Increase in receivables	(872,162)	(8,851)
Increase in Accruals	45,668	4,492
Decrease in Provisions	(578,605)	(265 767)
Decrease in payables	136,075	38,060
Cash generated by operating activities	**689 067**	**1 674 195**

21 Cash and equivalents

	2011 R'000	2010 R'000
Current accounts	75,763	32,683
Call accounts	99	298,987
Cash equivalent investments accounts	3	249,109
	75,865	**580,779**

22 Lease commitments

	2011 R'000	2010 R'000
Operating lease commitments		
The future minimum lease payments under non-cancellable operating leases are as follows:		
Not later than 1 year	12,923	12,809
Later than 1 year and not later than 5 years	13,037	4,594
Later than 5 years	4,594	3,173
	30,554	**20,576**

23 Contingent liabilities

Contingent liabilities

Licences in terms of the section 30 of COIDA to carry out the business of the Fund in certain industries have been issued by the Minister of Labour to two mutual associations (RMA and FEMA).These mutual associations must deposit securities with the Fund to cover its liabilities. Furthermore certain local authorities have been granted exemption from paying the annual Assessments and are liable to pay compensation to their injured employees in the workplace. In term of the section 30 of the Act, these exempted employers are required to deposit with the Commissioner securities, which are equivalent top the capitalises pension to their employees

If mutual associations or exempted employer fails to meet in full its liabilities, in terms of the Act the Accounting Authority may apply such securities to pay its liabilities, and the balance of the liabilities and future liabilities of the employer will have to be paid from the reserves. The securities thus controlled by the Fund amounts to R1 313 million (2010: R785 million)

The Fund has approximately 42 notices of motions and summons and as a result thereof is financially exposed to approximately R101,3 million (2010: R28.6 million) excluding legal costs.

24 Material losses through criminal conduct

During the year under review the Fund suffered material losses amounting to R25 499 773.4.as a result of criminal conduct by employees and service providers. The fund is in the process of recovering these from the individuals involved. An amount of R2 430 877, 61 was recovered by the fund as at 31 March 2011.

25 Related parties

Transactions and balances with National Departments of Government and State-controlled entities which occur other than in accordance with the operating parameters established are regarded as related parties transactions in accordance with IPSAS 20; related parties disclosure. The Fund is an entity of the Department of Labour. Salaries of the Commissioner, and the officers and employees are remunerated out of the National Revenue Fund, which is reimbursed out of the Fund for the expenditure concerned in terms of section 2 of COIDA. Expenditure in respect of COIDA related services rendered to the Fund by provincial offices and labour centres of the Department of Labour are also reimbursed to the Department of Labour. The following transactions were recorded relating to transactions with related parties as defined.

	2011 R'000	2010 R'000
Fee towards public private partnership	76,924	73,825
Department of Labour: Reimbursements for shared services	108,038	97,546
Department of Labour: Recovery of medical expenditure	20,068	10,426

The aggregate remuneration of key management personnel are indicated in note 8.1 above

26 World - Cup 2010

From 12 June to 11 July 2010 South Africa hosted the FIFA World Cup. In keeping with the spirit of the World Cup the Fund bought flags and Vuvuzelas for display in the both the premises in Benstra and Compensation House

	2011 R'000	2010 R'000
1000 Vuvuzelas with flags	30	-
37 South African nylon flags	3	-
	33	-

27 Correction of prior year error

The 2011 financial statements have been restated to correct these errors. The effect of this restatement on the financial statements have been summarised below.

		31 March 2010 R'000	1 April 2009 R'000
Opening balance of equity as previously stated	Note	8 466 171	6,244,950
Restatements		28,809	(24,308)
Equipment and furniture	**27.1**	124	178
Motor Vehicles	**27.2**	714	680
Investment debtors Compensation Fund	**27.3**	12,059	3,336
Investment debtors Pension Fund	**27.3**	13,566	5,083
Assessment debtors	**27.4**	(128,405)	(100,755)
Assessment debtors -allowance for impairment	**27.4**	119,188	67,170
PPP Reinvestment	**27.6**	11,563	-
Land	**27.7**	(21,169)	-
Buildings	**27.7**	21,169	-
Equipment and furniture	**27.8**	(5,653)	-
Accumulated Depreciation Furniture and Equipment	**27.8**	5,653	-
Motor Vehicles	**27.8**	(40)	-
Accumulated Depreciation Motor Vehicles	**27.8**	40	-
Closing balance of equity as restated		**8,494,980**	**6,220,642**

		31 March 2010 R'000
Net profit as stated previously		**2,256,834**
		53,118
Depreciation Adjustment Furniture and Equipment	**27.1**	(54)
Depreciation Adjustment Vehicles	**27.2**	34
Investment income Compensation Fund	**27.3**	8,723
Investment income Pension Fund	**27.3**	8,483
Assessment Revenue	**27.4**	(15,120)
Assessment Interest	**27.4**	(10,435)
Assessment penalties	**27.4**	(2,095)
Allowance for impairment of debtors	**27.4**	52,019
Medical claim	**27.5**	(4,843)
Interest for Compsol	**27.5**	4,843
PPP Reinvestment	**27.6**	11,563
Net profit as restated		**2 309 952**

27 Correction of prior year error (Continued)

The 2010 financial results have been restated to correct certain errors. The effect of this restatement on the financial statements have been summarised below.

27.1 Equipment and furniture

A review was performed in respect of the useful life relating to certain categories of assets, based on this review it was determined that these assets would remain in use longer than originally envisaged. This review was done for the first time last year, but certain errors were corrected before the adjustments for this year were done prospectively.

The effect of the error on the individual line items in the financial statements is as follows:

Decrease in accumulated depreciation-Equipment and furniture	124
Increase in opening accumulated surplus 1 April 2009	(178)
Decrease in surplus for the year ending 31 March 2010 (Increase in depreciation charge)	(54)

27.2 Motor vehicles

A review was performed in respect of the useful life relating to certain categories of assets, based on this review it was determined that these assets would remain in use longer than originally envisaged. This review was done for the first time last year, but certain error were corrected before the adjustments for this year were done prospectively.

The effect of the error on the individual line items in the financial statements is as follows:

Increase in surplus for the year ending 31 March 2010 (Increase in depreciation charge)	34
Increase in opening accumulated surplus 1 April 2009	680
Decrease in accumulated depreciation: Motor Vehicles	714

27.3 Investment income and investment debtors

During the year under review an error was discovered in the manner in which outstanding settlements on investments was recorded. Previously, at each period end the relevant outstanding settlement debtor was not raised in the accounting records. This resulted in an understatement of both the Investment income & Investment debtor accounts. The outstanding investment income was only recognised in the year in which it was received in cash.

27.3.1 Compensation investment portfolio

The outstanding settlements at period end (31 March 2010) amounted to R 12 059 044, and the amount outstanding as at 31 March 2009 was R 3 335 578.

The effect of the error on the individual line items in the financial statements is as follows:

Increase in Trade and other receivables (investment debtors)	12,059
Increase in opening Accumulated surplus 1 April 2009	(3,336)
Increase in surplus for the year ending 31 March 2010	8,723

27.3.2 Pension investment portfolio

The outstanding settlements at period end (31 March 2010) amounted to R 13 566 160, and the amount outstanding as at 31 March 2009 was R 5 082 87

The effect of the error on the individual line items in the financial statements is as follows:

Increase in Trade and other receivables (investment debtors)	13,566
Increase in opening Accumulated surplus 1 April 2009	(5,083)
Increase in surplus for the year ending 31 March 2010	8,483

27.4 Assessment debtors

The assessment processing and capturing errors above resulted in the Fund's assessment receivables being overstated in the 2008/09 and 2009/10 AFS.

The effect of the error on the individual line items in the financial statements is as follows:

Decrease in Trade and other receivables (Assessment debtors)	128,405
Decrease in opening Accumulated surplus	100,755
Decrease in Assessment revenue	15,120
Decrease in Interest received	10,435
Decrease in Penalties raised	2,095

27.4 Allowance for impairment of debtors

Accounts receivable balances were overstated by the combined erroneous assessment-, interest- and penalty revenue. This overstatement amounted to R 100 754 768 in the 2008/09 AFS, and R 27 650 393 in the 2009/10 AFS. Due to the allowance for impairment of debtors also being based on the inaccurate accounts receivable balances, the income statement charge for the 2008/09 financial year was overstated by R 67 169 845. The 2009/10 income statement charge for the allowance for impairment of debtors was overstated by R 119 188 363.

The effect of the error on the individual line items in the financial statements is as follows:

Decrease in Impairment Allowance / Increase in Trade and other receivables (Assessment debtors)	119,188
Increase in surplus for the year ending 31 March 2010	(52,018)
Increase in opening Accumulated surplus 1 April 2009	67,170

27.5 Interest for Compsol

During the previous financial year the amount of R4,842,629 paid as per summon number 65772/09A in the prior financial year on the 22 January 2010 was recorded as medical expense in account number 2250 (medical expenses) even though it was a payment for penalty on overdue accounts from COMPSOL. The amount should have been accounted for as finance cost.

The effect of the error on the individual line items in the financial statements is as follows:

Decrease in Medical Claims 1 April 2010	(4,843)
Increase in Finance Costs 1 April 2010	4,843
Effect opening accumulated surplus 1 April 2010	-

27.6 PPP Re-investment

The Department of Labour entered into a Public Private Partnership Agreement ("PPP Agreement") with Siemens Business Services (Proprietary) Limited ("private partner"), on 1 December 2002. The PPP Agreement requires the private partner to provide information technology related infrastructure, services and management support to the Department of Labour, the Unemployment Insurance Fund and the Compensation Fund ("the Funds") for a period of 10 years.

During the year the re-investment amounts were written-off as a debtor to be recognised as disclosure item under contingency assets. The amount is adjusted back as a debtor, based on the fact that reinvestment fund is held as separate bank account for purposes of administering and safekeeping of excess profits, foreign exchange rate savings and service credits. The reinvestment fund may be used during the term of the PPP Agreement to Fund. The Fund had already written the R7.9 million as contingent assets. Based of the new information from DoL the fund now recognises the PPP as a debtor.

	2011 R'000	2010 R'000
Department of Labour	13,300,007	11,147,419
Compensation Fund	13,421,256	11,562,933
Unemployment Insurance Fund	13,332,618	11,478,240
Total	**40,053,881**	**34,188,592**

27.7 Land and building

During the 2009/10 the Fund appointed an independent valuer to perform revaluation of its land and buildings in Pretoria and Bhisho. The valuer made a mistake by allocating the amount of land to the building, and vice versa. The valuer then rectified his mistake after there was a query about what looked like an inflated revaluations on buildings. The error was corrected in the books of the Fund. There was no effect on the reserves. These was due to the change in the accounting policy

The effect of the error on the individual line items in the financial statements is as follows:

Decrease on land	(21,169)
Increase on buildings	21,169
Net effect to the property, plant and equipment	-

27.8 Disposals of property, plant and equipment

27.8.1 Furniture and equipment

After the physical verification on fixed assets that took place in prior year. It was discovered that there were assets that were included in the fixed asset register but there the furniture was not on the floor. The assets were fully impaired

The effect of the error on the individual line items in the financial statements is as follows:

Cost of the furniture and equipment	(5,653)
Accumulated depreciation	5,653
Effect opening accumulated surplus 1 April 2010	-

27.8.2 Motor vehicles

There was a motor vehicle that was stolen but the motor vehicle was not removed from the fixed asset register. The assets were fully impaired

The effect of the error on the individual line items in the financial statements is as follows :

Cost of the Motor Vehicle	(40)
Accumulated depreciation	40
Effect opening accumulated surplus 1 April 2010	-

28 Change in the accounting policy

Office furniture less that R5000

In the year under review the Fund adopted the Treasury guide to expense assets less than R5 000. The correction is for the journal that were purchased in the prior year that where capitalised now written back and expensed. The deprecation is also written back. These was due the change in the accounting policy.The effect of the error on the individual line items in the financial statements is as follows:

Increase in F&O/Eqp<R5000:Office furniture	2,249
Decrease in depreciation	(452)
Effect opening accumulated surplus 1 April 2010	1,797

29 Irregular expenditure

	2011 R'000	2010 R'000
Opening balance	11,373	3,696
Add: irregular expenditure current year	20,305	7,677
Less: Amounts condoned	-	-
Less: Amounts recoverable (not condoned)	-	-
Less: Amounts not recoverable (not condoned)	-	-
	31 678	**11 373**

Analysis of expenditure awaiting condonation per age classification	2011 R'000	2010 R'000
Current year	20,305	7,677
Prior years	11,373	3,696
Total	**31,678**	**11,373**

Details of irregular expenditure	2011 R'000	2010 R'000
Incidents		
Payments made to Computron without any formal contract in place. This is with regards to the Business Processes and Operations (BPO) team. The contact was last signed in 2006. The contact was not signed because Computron did not comply with supply chain management processes. The contract was subsequently finalised between the Fund and the service provider.	7,394	7,463
During the period of 01 April 2010 to 16 April 2010, four officials irregularly authorised the electrical repairs at both Compensation House and Benstra offices. All four members of staff have since being charged with misconduct and HRM are presiding over the case.	439	
Payments made to several service providers without following proper supply chain processes. The fund is currently in the process of investigating these incidents that led to the irregular expenditure.	12 472	214
	20,305	**7,677**

30 Fruitless and wasteful expenditure

	2011 R'000	2010 R'000
Opening balance	7,123	-
Add: Fruitless and wasteful expenditure current year	2,065	7,123
Less: Amounts condoned	-	-
Less: Amounts recoverable (not condoned)	-	-
Less: Amounts not recoverable (not condoned)	-	-
	9,188	**7,123**

Analysis of expenditure awaiting condonation per age classification		
Current year	7,123	-
Prior years	2,065	7,123
	9,188	**7,123**

Details of Fruitless and wasteful expenditure incidents

Interest charged on overdue accounts by suppliers. The fund is currently in the process of investigating these incidents that led to the fruitless and wasteful expenditure.	**2,065**	**7,123**

31 Budget reconciliation

2011
R'000

Reconciliation of budget surplus / deficit with the surplus / deficit in the statement of financial performance

	Budget	Actual
Total Staff Costs	211,143	150,391
Contribution to a defined plan	22,767	34,262
Total compensation of employees	**233,910**	**184,653**
Goods and services		
Permanent disability	9,251	154,982
Temporary disability	150,027	110,834
Medical expenses	1,864,019	1,909,129
Recoveries third party	-	(35,038)
Total benefits incurred	**2,023,297**	**2,139,907**
Compensation Related Costs	7,494	11,077
S&W reimbursement Labour Department	90,058	108,038
Reversal of interest and penalties	329,372	6,056
Audit fees quality	9,000	8,621
P P P	81,400	76,924
Investment management fees	6,960	12,801
Repairs and maintenance	31,160	3,328
Operating lease	31,614	16,195
Expenses Compensation Board	7,420	426
Professional Fees	165,012	163,714
Interest charges	413	1,944
Travel and subsistence	23,915	13,150
Stationery	84,303	8,273
ICT	14,570	17,223
Other administrative expenses	114,151	40,430
Total goods and services	**996,842**	**488,196**
Total expenditure	**1,230,752**	**672,849**
Capital expenditure		
Operating expenditure	**22,341**	**1,382**
Total expenditure budget	**3,276,390**	**2,814,138**

Summary revenue report	Revenue projection	Income received to date
Revenue		-
Revenue contributions	**(3,781,441)**	**(4,865,989)**
Interest late payment section 86(2)	(1,777)	(246,904)
Penalties	(419,199)	(158,696)
Total interest and penalties	**(420,976)**	**(405,600)**
Income PIC Compensation Fund	(902,688)	(1,133,138)
Income PIC Pensions	(846,925)	(799,781)
Total interest received	(172,708)	(17,047)
Dividends	(25)	(35,762)
Total unrealised profit	(63,116)	(192,052)
Total for investment income	**(1,985,462)**	**(2,177,780)**
Total other income	(21,400)	(87,981)
Total revenue	**(6, 209, 279)**	**(7, 537,350)**

Depreciation	1 ,833
Increase in allowance for impairment of receivables	214 ,426
Capitalised value of pensions	328, 404
Increase in provision for outstanding claims	(263, 000)
Actuarial adjustment on pension liability	799, 571
Surplus for the period	**3, 643, 356**