

## Chapter Thirteen Management Support Services

**Table 23**  
**Employment and vacancies by salary band - 31 March 2005**

Salary band	Number of staff members	Number of vacancies	Additional to the establishment
Salary level 1-2	22	1	0
Salary level 3-5	321	31	0
Salary level 6-8	245	21	0
Salary level 9-12	21	6	0
Salary level 13-14	3	0	0
<b>TOTAL</b>	<b>612</b>	<b>59</b>	<b>0</b>

**Table 24**  
**Employment and vacancies by critical occupation - 31 March 2005**

Critical occupations	Number of staff members	Vacancy rate
Medical officers	4	None
Legal officers	3	None



### **W. Stulting**

Manager: Management Support Services

#### **Objectives**

- To manage and provide a range of corporate services aimed at strengthening the internal capacity of the organisation
- To promote sound Labour relations and ensure timeous processing of service benefits and human resource provisioning
- To provide management advice on strategic management, organisational development as well as the provisioning of professional, efficient and client orientated human resource services that promote skills development.

#### **Provisioning Administration**

Supply chain management was implemented in March 2005.

In preparation for this, the procurement staff attended the following training courses provided by the South African Management Development Institute:

- Introduction to Supply Chain Management
- Demand Management
- Acquisition Management
- Appointment of consultants

A Supply Chain Management Unit was established and provision was made for the following sub-units:

- Demand Management
- Acquisition Management
- Logistics Management
- Asset Management
- Performance Management

Following advertisements in the media, a list of prospective suppliers was compiled.

#### **Courses Prioritised for 2005/2006**

- Medical Terminology
- Supply Chain Management
- Adjudication Skills
- Advocacy Skills
- Project Management
- Medical Tariffs
- Call Centre Training
- Business Writing Skills
- Occupational Health and Safety
- FYI / eClaims systems training
- Risk Management
- Accounting Skills
- Computer Skills

## Chapter Fourteen Risk Management

Standardised Bidding Documents were implemented and bids are evaluated in line with the Preference Points System to adhere to the Preferential Procurement Policy Framework Act.

Bid Specification, Bid Evaluation and Bid Adjudication Committees were established. These committees are fully operational. They will function in accordance with the new delegations for the Compensation Fund, as soon as it is approved.

### *Production bonus incentive scheme*

The Director-General instructed that the scheme be phased out over a two year period effective from 1 April 2004, on condition that a full Work Study investigation be conducted to determine work procedures and methods, job profiles, workload and staff establishment, to ensure efficient functioning of the office after phasing out of the bonus incentive scheme.



According to the two year phase out conditions, ceilings had to be implemented on the bonus percentages. A ceiling of 50% was applied for the six months ending on 30 September 2004. A ceiling of 33,33% was implemented on 1 October 2004.

The envisaged Business Process Re-engineering (BPR) process and a revision of the staff establishment will determine the staff establishment requirements of the office.

### *Rehabilitation of Compensation House*

**Our headquarters, Compensation House, is undergoing renovations**

The Compensation House was constructed between 1976 - 1977.

Due to the age and condition of the building a detailed inspection and survey of damage to the building was done during 2002. The inspection revealed specific problems and it was recommended that the building be rehabilitated.

Approval for the rehabilitation project was obtained in December 2004 and arrangements were made for the contractors to begin with the first phase of the project, which is currently in progress.

Site meetings are attended by the project management consortium, representatives of the main contractor and management of the office.

The Compensation Fund's Occupational Health and Safety Committee will be involved throughout the project in ensuring that acceptable occupational health and safety standards are maintained. This is essential as some parts of the building that are not yet under reconstruction are still occupied.

During the project necessary renovations will be done to the whole building, heavy brick walls inside the building will be replaced by light weight walls; sufficient offices for management and board rooms will be provided on the 4th floor; an open office space will be created on the 2nd Floor; the core areas on all floors of the building will be upgraded; the entrance of the building will be upgraded and a multi functional outside facility will be built.



**Twana Makubela**  
Manager: Risk Management

### *Objectives*

- To protect assets and people within the Compensation Fund's environment.
- To decrease, and if possible, eliminate fraud and corruption by discouraging and punishing offenders within the Compensation Fund
- To legitimise the investigation and imposing of sanctions for corrupt and fraudulent actions

### *Corporate Governance and Risk Management Code*

A corporate governance strategy was developed for the Department, including the Compensation Fund. This refers to a Values and Ethics Code of the Department which in turn relates to Performance and Conformance. All employees of the Compensation Fund are expected to perform in accordance with the set of values of the Department and should conform in accordance with the Code of Ethics and Conduct.

Management of the Fund ensures transparency and openness in dealing with the risk facing the Fund. Union representatives form part of the Committee which is chaired by the CFO.

Risk Management is responsible for ensuring that the code of conduct is enforced and accepted and that new employees are inducted on the risk they might face before they commence with their relevant duties.

A pro-active approach is taken to risk and risk awareness training was conducted for staff during Directorate workshops.

### *Risk Assessment*

Risk is continuously reviewed by every manager and internal controls are implemented based on weaknesses on the system. Management understands appetite risk and key drivers of performance were identified. The risk register was reviewed and it was discovered that there was no change from the previous risks identified.

### ***Risk management committee***

The Risk management committee of the Compensation Fund, which consists of the Internal Auditors, the Chief Financial Officer, and Executive Manager: Claims and other managers within the office was established to monitor compliance with management controls. This committee ensures that auditor's findings are followed up and appropriately implemented. The key policies and procedures in place to manage operating risk involve segregation of duties, transaction authorisation supervision, monitoring, job rotation and financial and management reporting.

### ***Audit committee***

The Audit Committee comprising of the Auditor-General, internal auditors, Risk Management, the CFO, the Commissioner and non-executive directors is chaired by an external person. This committee looks at various risks faced by the Compensation Fund and ensures that such risks are mitigated / reduced to an acceptable level.

The Committee meets every quarter.

- ***Profiling newly registered employers***

Only 4 ghost employers were detected compared to the previous year and the employers were deregistered and monitored by Risk Management investigation officers for any possible fraudulent claims. Fraudsters register such companies with the intention of defrauding the Fund.

- ***Fictitious and duplicate claims***

There are various duplicate claims paid to medical service providers due to duplicate claims submitted. The office is in the process of recovering such monies from the medical service providers concerned.

There is a great improvement in monitoring fictitious claims and only two false claims were detected and stopped during this financial year.

- ***Investigations leading to arrests***

In cases of fraud, although there is an internal disciplinary procedure, the cases are also referred to the Specialised Commercial Crime Unit of the SA Police Services and this has resulted in arrests and criminal charges. The risk of collusion is increasing as more and more cases are found where clients of the Fund have persuaded staff to process their claims ahead of others, and offered financial incentives for this. Officials of the Fund that have been found to collude with external service providers in defrauding the Fund, have been dismissed and their pensions confiscated to pay off their debt to the Compensation Fund.

- ***Tracing employers and the claimants***

The investigators of the Compensation Fund have traced several employees who, due to various reasons, had their pensions stopped and never came forward to renew. Reasons for this include that employees cannot access our services easily, while others do not worry as they get social grants.

### ***Establish relationships with external authorities***

A continuous strong relationship with the Specialised Commercial Crime Unit and the National Prosecuting Authority and other institutions is maintained with the intention of rooting out fraud and corruption.

## Chapter Fifteen Assessments and Rates



**S.J. Tshivhase**  
Manager: Assessments and Rates

### **Revenue Generation**

Revenue generation is the primary objective of this sub-directorate. This involves the registration and classification of employers, the allocation of rates to various industrial sectors, adjustment of rates annually, and the assessment of employers.

Other functions include the determination of capitalised value of pensions, the rendering of a statistical service and finalisation of assessment aspects of estate cases.

### **Registered Employers**

The number of registered employers increased by more than 5% from 271 237 in 2003/2004 to 285 668 2004/2005.

Efforts to trace unregistered employers are continuous and those who have been traced are now registered with the Fund.

### **Classification of Employers and Assessment Rates**

Employers are divided into 23 classes and 102 sub-classes. They are classified according to the industry in which they operate.

A rate is fixed annually for each sub-class based on the claims record of the sub class. The rates of nine sub-classes were increased while 93 sub-classes remained unchanged.

The average rate for the 2003/2004 assessment year was R1,3896 per R100 of earnings. The average rate for the 2004/2005 assessment year was R1,3942 per R100 earnings. The percentage increase is 0,33%.

### **Merit Rebates**

Every three years individual employers rather than sub-class are considered for a Merit Rebate. The Merit Rebate for the 1998 - 2000 cycle, amounting to R160 million, was paid during the 2004/2005 financial year.

### **Assessments Raised**

The number of assessments raised decreased from the previous year by more than 5% from 286 969 in 2003/2004 to 270 258 in 2004/2005. All registered employers must be assessed every year based on the nature of their business, the average number of workers covered and the rate allocated to the particular industry sub-class.

### **Return of Earnings Advertising Campaign**

A return of earnings advertising campaign ran from 9 March 2005 to 31 March 2005.

The campaign was to sensitise employers on the deadline for the submission of the return of earnings forms. It also formed part of the Revenue Generation and Debt Collection strategy of the Compensation Fund. Another aim was to communicate to our stakeholders and unregistered employers.

Television, radio, street poles, billboards and newspapers were the communication platforms used to raise awareness about the campaign. The campaign was successful as it generated a lot of public interest in our work and many employers were registered during the campaign and afterwards.

# Chapter Sixteen

## Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2005.

Audit Committee members and attendance:

The Audit Committee consists of the members listed hereunder and meets four times per annum as per its approved terms of reference. During the current year three meetings were held.

<i>Name of Member</i>	<i>Number of Meetings Attended</i>
C Saville (Chairperson until end of May 2004).	1
R Rhoda (Chairperson)	2
S Sooklal (Contract ended November 2004)	1
T Pugh (Appointed 19 August 2004)	1
SW Magojo	2
GJ Dreyer	3
N Kahn (Acting Compensation Commissioner)	1

### ***Audit Committee Responsibility***

The Audit Committee reports that it has complied with its responsibilities arising from section 51(1)(a)(ii) of the PFMA and Treasury Regulation 27.1.10. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter; has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### ***The effectiveness of internal control***

Except for the control issues relating to the Claims and Claims payment, Assessment of Income processes and the Accounts Receivable process, the systems of internal control are effective, as the various reports of the Internal Auditors have not reported any other significant or material non compliance with prescribed policies and procedures. However recommendations on improvements to financial and operational controls were noted, and actions planned to correct these specified control weaknesses.

### ***The quality of in year management and monthly/ quarterly reports submitted in terms of the Act and the Division of Revenue Act***

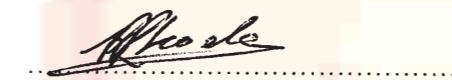
The Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer and the Department during the year under review. Management information needs to be improved.

### ***Evaluation of Financial Statements***

The Audit Committee has

- Reviewed and discussed with the Chief Financial Officer and the Accounting Officer the audited annual financial statements to be included in the annual report;
- Reviewed the Auditor-General's management letter and management response;
- Reviewed changes in accounting policies and practices;
- Reviewed significant adjustments resulting from the audit.

The Audit Committee notes the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the audited annual financial statements be accepted.



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**Chairperson of the Audit Committee**

**Date: 22/07/2005**