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Labour  
REPUBLIC OF SOUTH AFRICA  
COMPENSATION FUND

# Compensation Fund

**PRESENTATION TO THE PORTFOLIO  
COMMITTEE ON LABOUR**

**3 NOVEMBER 2006**

*① 06/11/03 pe/labour*



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# AREAS COVERED

- **Annual Report 2005/06**
  - **Strategic Outputs**
  - **Financial Performance**
  - **Achievements**
  - **Audit Report and Corrective Actions**
  - **Challenges**
  
- **Performance for April to September 2006**
  
- **Management Reforms and Restructuring**



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# STRATEGIC OUTPUTS

## 2005/06

- Improved and equitable compensation benefits
- Improved revenue generation and debt collections
- Effective cash and investments management
- Management reforms and restructuring of the Fund are effected
- Enhance quality and access to COIDA services



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# Financial Performance 2005/06

	<b>2005/06</b> <b>R'000</b>	<b>2004/05</b> <b>R'000</b>		<b>Variance</b> <b>%</b>
Contributions revenue	2 930 690	2 567 200	↑	14.2
Investment income	1 196 817	1 165 768	↑	2.7
Other income	29 928	20 916	↑	43.1
Benefits paid	2 082 710	1 783 851	↑	16.8
Admin	702 096	407 199	↑	72.4
Provisions	782 001	723 068	↑	8.2
Surplus	414 815	442 590	↓	6.3
Investments	13 533 683	12 216 321	↑	10.8





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## **SUMMARY OF ACHIEVEMENTS FOR THE 2005/6 FINANCIAL YEAR**

### **CLAIMS MANAGEMENT**

- **585 722 claims finalised**
  - 267 147 reported in 2004/5**
  - 267 147 reported until 2003**
- **All 198 000 temporary (files) claims reviewed to give permanent claim status**



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## **SUMMARY OF ACHIEVEMENTS FOR THE 2005/6 FINANCIAL YEAR**

### **INCREASED ACCESS TO SERVICES BY CLIENTS**

- **CALL CENTRE LAUNCHED IN MARCH 2006**

An average of 10 732 calls are handled per week

- **USE OF LABOUR CENTRES AS POINT OF CONTACT WITH CLIENTS**

Beneficiaries encouraged to use labour centres in lodging claims - 42 609 claims lodged



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## AUDIT REPORT - QUALIFICATIONS

### 1. **Completeness and accuracy of revenue contributions:**

- A lack of capacity has resulted in the Fund experiencing a backlog in the raising of assessments. The extent of the backlog cannot be reliably determined and quantified. Except for the impact of the actuarially calculated provision for the outstanding claims, the impact on the completeness of revenue contributions cannot be determined.



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# AUDIT REPORT

## QUALIFICATIONS

### 2. Completeness and accuracy of revenue contributions (continue)

- A lack of monitoring controls to verify the accuracy of information submitted by employers and their assessments raised has resulted in various materially incorrect assessments being recorded. The large volume of assessments recorded does not allow the performance of sufficient alternative auditing procedures to confirm the accuracy of revenue contributions.
  
- Consequently, I am unable to express an opinion on the completeness and accuracy of revenue contributions totaling R2,0 billion.





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## **CORRECTIVE ACTIONS**

- Appointment of 32 contract workers with delegations
- Critical management positions identified to be filled in the 3<sup>rd</sup> quarter
- Review estimations policy and controls
- Review procedures for the provision for assessments not raised
- Review and update current documented processes and controls.



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## **CORRECTIVE ACTIONS contd.**

- Register of outstanding assessments categorized and followed up monthly
- Exception reports for possible duplicate assessments followed-up regularly
- Enhancements and upgrade of financial system to be affected
- Turn-around strategy developed. Automated revenue generation and collection system to be implemented



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## **CORRECTIVE ACTIONS contd.**

- Corrective actions as indicated for the 1<sup>st</sup> qualification will also correct this qualification