



**Road  
Accident  
Fund**

• COMPASSION • ACCOUNTABILITY • INTEGRITY

• RESPECT

• EXCELLENCE

ANNUAL REPORT  
**2019-2020**

*I care*

# I care

## INTEGRITY



We will conduct ourselves in a manner that is fair, transparent and ethical, honouring our commitments and communicating honesty.

## COMPASSION



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

## ACCOUNTABILITY



We will account for our activities/actions; accept responsibility for them; and disclose in a transparent manner.

## RESPECT



We will treat our stakeholders impartially and with respect, recognising our responsibility to them.

## EXCELLENCE



In the performance of our duties, we will consistently apply our knowledge, experience and best effort to deliver a professional service of an exceptional standard.



**Road  
Accident  
Fund**

**ANNUAL REPORT  
2019-2020**

# CONTENTS

## THE YEAR 2019 - 2020 AT A GLANCE

04



### *General Information*

PG. 07

1. General Information	07
2. Abbreviations/Acronyms	08
3. Scope of the Report	10
4. Foreword by the Chairperson	12
5. Chief Executive Officer's Overview	16
6. Statement of Responsibility and Confirmation of Accuracy for the Annual Report	21
7. Strategic Overview	22
8. Legislative and Other Mandates	23
9. Organisational Structure	25

PG. 27

### *Performance Information*

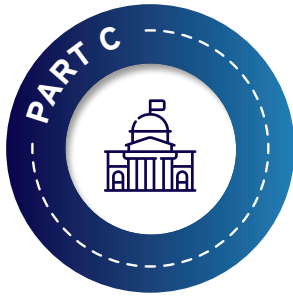
1. Auditor-General's Report: Predetermined Objectives	28
2. Situational Analysis	28
3. Statement of Financial Position	40
4. Statement of Financial Performance	41
5. Cash Flow Statement	42
6. Financial Ratios	42
7. Financial Position	44
8. Financial Health	45
9. Key Policy Developments and Legislative Changes	55
10. Strategic Outcome-Oriented Goals	57
11. Performance Information by Objective	60
12. Capital Investment	79
13. Revenue Collection	81



### *Governance*

PG. 85

1. Introduction	86
2. Portfolio Committee	86
3. Executive Authority	87
4. Accounting Authority / The Board	88
5. Risk Management	112
6. Internal Audit	115
7. Compliance with Laws and Regulations	116
8. Fraud and Corruption	117
9. Ethics	119



## *Governance - continued*

PG. 85

10. Company Secretary	120
11. Health, Safety and Environmental Issues	120
12. Support Functions	121

PG. 143

## *Human Capital Management*



1. Human Capital Priorities and Outcomes	144
2. Other Notable Achievements	146
3. Organisational Development	146
4. Performance Management	147
5. Maintaining a Skilled and Capable Workforce	147
6. Change Management	149
7. Organisational Design	149
8. Learning and Development	149
9. Centre of Excellence	152
10. Regulation and Compliance	154
11. Employee Wellness Services	154
12. Benefits Administration	156
13. Human Capital Systems Automation	157
14. Talent Sourcing	157
15. Priorities and Future Plans	158
16. Human Capital Oversight Statistics	158
17. Employee Relations	162



## *Annual Financial Information*

PG. 165

Report of the Auditor-General to Parliament on the Road Accident Fund	166
Report of the Audit Committee	170
Statement of Responsibility by the Board	174
Report of the Board	175
Company Secretary's Certification	182
Statement of Financial Position	183
Statement of Financial Performance	184
Statement of Changes in Net Assets	185
Cash Flow Statement	186
Statement of Comparison of Budget and Actual Amounts	187
Accounting Policies	188
Notes to the Financial Statements	208

APPENDIX A - *Contact Information*

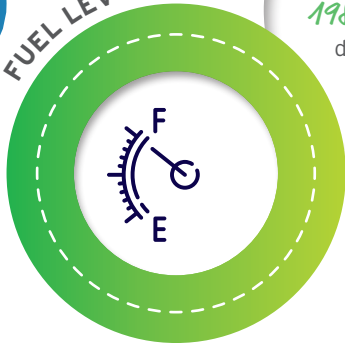
252

# THE YEAR 2019 - 2020 AT A GLANCE

Number of permanent employees increased from  
2,776 to  
**2,789**



FUEL LEVY



During the 2019/20 financial year, the RAF Fuel Levy was set at **198 c/l** from **193 c/l** during the 2018/19 financial year.



MORE THAN

**433,000 calls**

were responded to by the **CALL CENTRE** compared to 421,602 in the previous financial year.



Despite an increase of 5c/l in the RAF Fuel Levy, the

**TOTAL REVENUE DECREASED BY --** (2019/20 financial year)

**5%**

from R43.24 billion to  
**R41.24 billion**

mainly due to an increase in the diesel refund from **R3.48 billion** to **R4.82 billion**.



THE RAF REGISTERED

**303,695 new claims**

and finalised 258,382 claims in 2019/20

**TOTAL CLAIMS PAID INCREASED BY --**

(incl. net effect of Requested Not Yet Paid)

**3%**

from R42 billion to  
**R43.2 billion**

during the previous financial year.

**AVERAGE VALUE PER CLAIM INCREASED BY --**

**21%**

from R114,008 to  
**R138,010**

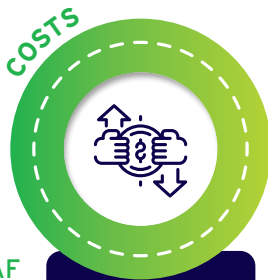
**CLAIMS LIABILITIES INCREASED BY --**

(incl. net effect of Requested Not Yet Paid)

**21.6%**

from R272 billion to  
**R331 billion**

in the previous financial year.



Average RAF legal and other costs per claim increased by **0.2%**



**AVERAGE CLAIMANT LEGAL AND OTHER COSTS PER CLAIM INCREASED BY**



**AVERAGE LOSS-OF-SUPPORT INCREASED BY**



**AVERAGE FUNERAL COSTS INCREASED BY**



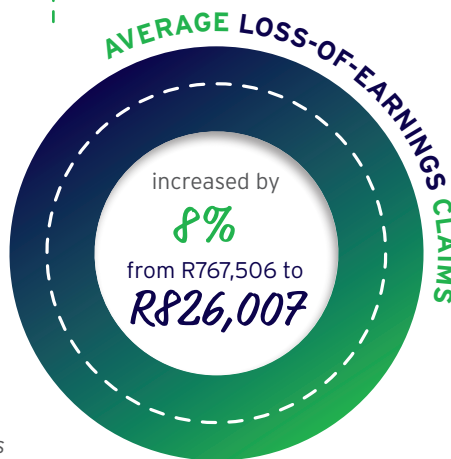
**FINALISED CLAIMS**  
(2018/19 - 2019/20)



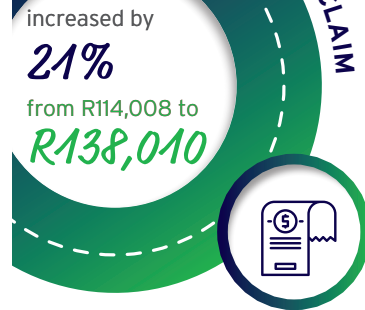
**SUPPLIER CLAIMS FINALISED**  
(2018/19 - 2019/20)



**PERSONAL CLAIMS FINALISED**  
(2018/19 - 2019/20)



**AVERAGE VALUE PER CLAIM**



during the financial year.

**AVERAGE GENERAL DAMAGES INCREASED BY**



**COST-TO-INCOME RATIO**



**AVERAGE MEDICAL CLAIMS INCREASED BY 20%**

from R15,392 to **R18,568**

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



COMPASSION • ACCOUNTABILITY • RESPECT • EXCELLENCE

INTEGRITY





*I care*

## **PART A** *General Information*

---

Registered name	<b>Road Accident Fund</b>
Physical address	<b>Eco Glades Office Park 2 420 Witch-hazel Avenue Centurion 0046</b>
Postal address	<b>Private Bag X178 Centurion 0046</b>
Telephone number	<b>0860 235 523 (Customer Care Share Call Number)</b>
Website	<b><a href="http://www.raf.co.za">www.raf.co.za</a></b>
External auditors	<b>Auditor-General of South Africa</b>
Bankers	<b>Absa Bank</b>
Company Secretary	<b>Ms JR Cornelius</b>

## 2 ABBREVIATIONS/ACRONYMS

<b>ACEO</b>	Acting Chief Executive Officer	<b>DAM</b>	Database Activity Monitoring
<b>ACFO</b>	Acting Chief Financial Officer	<b>DG</b>	Director-General
<b>ADP</b>	Accelerated Directorship Programme	<b>DHA</b>	Department of Home Affairs
<b>AGSA</b>	Auditor-General of South Africa	<b>DMP</b>	Demand Management Plan
<b>Amendment Act</b>	RAF Amendment Act, 2005 (Act No. 10 of 2005)	<b>DoE</b>	Department of Education
<b>APP</b>	Annual Performance Plan	<b>DoH</b>	Department of Health
<b>APs</b>	Assurance Providers	<b>DoJ</b>	Department of Justice
<b>ASB</b>	Accounting Standards Board	<b>DoT</b>	Department of Transport
<b>AVE</b>	Advertising Value Equivalency	<b>DR</b>	Disaster Recovery
<b>BAC</b>	Bid Adjudication Committee	<b>EA</b>	Enterprise Architecture
<b>B-BBEE</b>	Broad-based Black Economic Empowerment	<b>EAP</b>	Employee Assistance Programme
<b>BEE</b>	Black Economic Empowerment	<b>EBSCO</b>	Elton B Stephens Co Information Systems International
<b>BoT</b>	Pension Fund Board of Trustees	<b>ECM</b>	Enterprise Content Management
<b>CAE</b>	Chief Audit Executive	<b>EE</b>	Employment Equity
<b>CBO</b>	Community-based Organisation	<b>EPA</b>	Ethics Programme of Action
<b>CBRTA</b>	Cross-Border Road Traffic Agency	<b>ERA</b>	Ethics Risk Assessment
<b>CEF</b>	Central Energy Fund	<b>ES</b>	Executive Summary
<b>CEO</b>	Chief Executive Officer	<b>EWS</b>	Employee Wellness Services
<b>CFO</b>	Chief Financial Officer	<b>EXCO</b>	Executive Management Committee
<b>CGICTPF</b>	Corporate Governance of ICT Policy Framework	<b>FAR</b>	Fixed Asset Register
<b>CHCO</b>	Chief Human Capital Officer	<b>FID</b>	Forensic Investigation Department
<b>CIA</b>	Change Impact Assessment	<b>GM</b>	General Manager
<b>CIME</b>	Certified Independent Medical Examiners	<b>GRAP</b>	Generally Recognised Accounting Practice
<b>CIO</b>	Chief Information Officer	<b>HC</b>	Human Capital
<b>CIPC</b>	Companies and Intellectual Property Commission	<b>HIV</b>	Human Immunodeficiency Virus
<b>CMO</b>	Chief Marketing Officer	<b>HPCSA</b>	Health Professions Council of South Africa
<b>COO</b>	Chief Operations Officer	<b>HR</b>	Human Resources
<b>CPI</b>	Consumer Price Index	<b>HRA</b>	Health Risk Assessment
<b>CRMP</b>	Compliance Risk Management Plan	<b>HSC</b>	Hospital Service Centre
<b>CS</b>	Company Secretary	<b>IAM</b>	Identity and Access Management
<b>CSC</b>	Customer Service Centre	<b>IBNR</b>	Liability for Claims Incurred But Not Yet Reported
<b>CSO</b>	Chief Strategy Officer	<b>ICA</b>	Information Collection Agent
<b>CSR</b>	Corporate Social Responsibility	<b>ICAS</b>	Independent Counselling and Advisory Services
<b>CVS</b>	Crash Verification System		

<b>ICMS</b>	Integrated Claims Management System	<b>RAF</b>	Road Accident Fund
<b>ICT</b>	Information and Communication Technology	<b>RAF Act</b>	Road Accident Fund Act, 1996 (Act No. 56 of 1996)
<b>IESBA</b>	International Ethics Standards Board for Accountants	<b>RGAC</b>	Risk Governance and Actuarial Committee
<b>IFRS</b>	International Financial Reporting Standards	<b>REMCO</b>	Remuneration and Human Resources Committee
<b>ISA</b>	International Standards of Auditing	<b>RMC</b>	Risk Management Committee
<b>ISPPIA</b>	International Standards for the Professional Practice of Internal Auditing	<b>RNYP</b>	Requested but Not Yet Paid (Claims)
<b>IT</b>	Information Technology	<b>RTMC</b>	Road Traffic Management Corporation
<b>King IV</b>	King Code on Corporate Governance IV	<b>SABC</b>	South African Broadcasting Corporation
<b>LMS</b>	Litigation Management System	<b>SADC</b>	Southern African Development Community
<b>MAP</b>	Management Advanced Programme	<b>SALGA</b>	South African Local Government Association
<b>MBA</b>	Master of Business Administration	<b>SANTACO</b>	South African National Taxi Association
<b>MDP</b>	Management Development Programme	<b>SAOPA</b>	South African Orthotic and Prosthetic Association
<b>MoU</b>	Memorandum of Understanding	<b>SAPO</b>	South African Post Office
<b>MVA</b>	Motor Vehicle Accident	<b>SAPS</b>	South African Police Service
<b>NA</b>	National Assembly	<b>SARS</b>	South African Revenue Service
<b>NCRF</b>	National Community Radio Forum	<b>SASSA</b>	South African Social Security Agency
<b>NDOH</b>	National Department of Health	<b>SCM</b>	Supply Chain Management
<b>NDP</b>	National Development Plan	<b>SCOPA</b>	Standing Committee on Public Accounts
<b>NEAP</b>	National Economically Active Population	<b>SDM</b>	Sensitive Data Masking
<b>NGO</b>	Non-Governmental Organisation	<b>SDM</b>	Social and Digital Media
<b>NIAP</b>	Nurse-based Initiation Project	<b>SED</b>	Socio-economic Development
<b>NMDP</b>	New Management Development Programme	<b>SM</b>	Senior Manager
<b>NSD</b>	National Skills Development	<b>SMDP</b>	Senior Management Development Programme
<b>NT</b>	National Treasury	<b>SMRs</b>	Statutory Medical Reports
<b>OCR</b>	Liability for Outstanding Claims Reported	<b>SOE</b>	State-Owned Entity
<b>OHS</b>	Occupational Health and Safety	<b>SONA</b>	State of the Nation Address
<b>OPSIT</b>	Operations, Information Technology Committee	<b>SOP</b>	Standard Operating Procedure
<b>PA</b>	Prudential Authority	<b>SRM</b>	Stakeholder Relations Management
<b>PAIA</b>	Promotion of Access to Information Act, 2000 (Act No. 2 of 2000)	<b>TEC</b>	Total Employment Cost
<b>PCoT</b>	Portfolio Committee on Transport	<b>Transitional Act</b>	RAF (Transitional Provisions) Act, 2012 (Act No. 15 of 2012)
<b>PEEC</b>	Provincial Efficiency Enhancement Committee	<b>TSTF</b>	Transport Sector Transformation Forum
<b>PFMA</b>	Public Finance Management Act, 1999 (Act No. 1 of 1999)	<b>UDM</b>	Unstructured Data Management
<b>PMO</b>	Programme Management Office	<b>UIF</b>	Unemployment Insurance Fund
<b>POPI Act</b>	Protection of Personal Information Act, 2013 (Act No. 3 of 2013)	<b>UN</b>	United Nations
<b>QA</b>	Quality Assurance	<b>Unisa</b>	University of South Africa
<b>RABS</b>	Road Accident Benefit Scheme	<b>WICs</b>	Walk-in Service Centres
<b>RABSA</b>	Road Accident Benefit Scheme Administrator	<b>WHO</b>	World Health Organisation
		<b>YDDP</b>	Youth Driver Development Programme

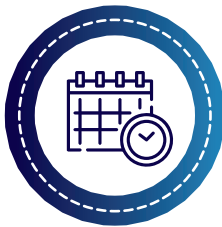
# 3 SCOPE OF THE REPORT

## 3.1 INTRODUCTION



The Road Accident Fund (RAF) welcomes the opportunity to present its Annual Report for the year ending 31 March 2020 in line with the National Treasury Annual Report Guide for Public Entities, the King Code on Corporate Governance for South Africa 2016 (King IV), and the Protocol on Corporate Governance in the Public Sector (2002). In terms of the protocol, corporate governance “embodies processes and systems by which corporate enterprises are directed, controlled and held to account.”<sup>1</sup> According to the National Treasury (NT), oversight entails “reviewing, monitoring and overseeing the affairs, practices, activities, behaviour and conduct of an administrative authority to ensure that it meets its objectives.”<sup>2</sup>

## 3.2 REPORTING CYCLE



The objective of this annual report is to provide stakeholders with an integrated view of the RAF’s organisational, operational and financial performance for the financial year 1 April 2019 to 31 March 2020. The report demonstrates the RAF’s commitment to integrity, transparency and accountability and provides a complete and balanced view of its performance, including the successes and challenges during the 2019/20 financial year, as well as those likely to form part of its future.

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

## 3.3 REPORTING BOUNDARY



This Annual Report covers organisational, operational and financial performance, including the audited financial results for the period 1 April 2019 to 31 March 2020 in terms of section 55(1) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). The narrative of the report is structured around the NT Annual Report Guide for Public Entities. In addition, the report covers the social, environmental and broader economic impacts of the organisation’s activities in Part C: Social Responsibility. The RAF acknowledges that its sustainability platform represents the beginning of a journey towards the maturation of its sustainability management and is inextricably linked to its business objectives.

<sup>1</sup> Department of Public Enterprises. 2002. *Protocol on Corporate Governance in the Public Sector*, p.3.

<sup>2</sup> National Treasury. 2005. *Governance Oversight Role Over State-Owned Entities*, pp. 5-6.

### 3.4 REPORTING PRINCIPLES



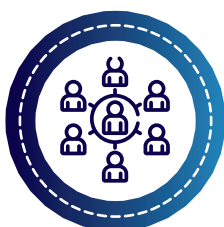
The reporting principles applied are in line with the PFMA and South African Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board, NT Guidelines, and King IV (to the extent possible).

### 3.5 SUPPORTING DOCUMENTS



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

### 3.6 AUDIENCE



The stakeholders addressed by this report include, among others, the Parliament of the Republic of South Africa, the Executive Authority, national, provincial and local government, industry-related organisations, trade unions, employees, suppliers, existing and prospective claimants (local and foreign), the media, and the public.

4

*Foreword by*  
**THE CHAIRPERSON**

MS THEMBELIHLE MSIBI



**4.1 INTRODUCTION**

On behalf of the Board of the Road Accident Fund (RAF), it is my privilege to present the organisation's Annual Report and the Annual Financial Statements for the financial year ending 31 March 2020.

This report is prepared and presented in line with the Annual Report guidelines issued by the South African National Treasury (NT). The report has also been prepared in accordance with the King Report on Corporate Governance for South Africa 2016 (King IV), which states that a report is, "a concise communication about how an organisation's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term."

The RAF's Annual Report for 2019/20 provides a holistic summary of the Fund's performance in terms of its operations, finances, governance and sustainability, as well as its role as one of the country's vital public entities.

The financial year under review brought about some significant changes in the leadership of the RAF.

The Minister of Transport seconded Mr Collins Letsoalo from the Department of Transport (DoT) as the Acting Chief Executive Officer (ACEO) with effect from 09 September 2019. Mr Letsoalo has subsequently been appointed for a five-year term as the CEO of the RAF with effect from 06 August 2020. This was followed by the appointment of the permanent Board of the RAF by the Minister of Transport, comprising 11 members, five of whom were members of the previous

Board to ensure continuity. The new Board assumed office on 04 December 2019.

Upon appointment, the new Board was tasked with providing ethical and effective leadership in addressing some of the challenges identified by the Minister. On introducing the new Board, the Minister outlined the following priorities, among others, which the Board was and is required to deal with:

- **Financial Position**  
At the time of the Board's appointment the outstanding claims liability was R272 billion. The RAF owed R11.2 billion on claims that were finalised (Requested but Not Yet Paid) (RNYP), but which could not be paid timeously due to cash constraints.
- **Reduction in Legal Costs**  
On an annual basis, data reflects that thousands of cases are referred to court and are allocated a trial date. During the 2018/19 financial year, for instance, 22,366 cases were set down for trial, but only 86 of these matters proceeded to trial. In other words, 99.6% of all matters set down for trial were settled out of court by the RAF. In addition to the settlements, the institution also had to pay the legal costs of the plaintiffs, which amounted to R6.3 billion. On average, the RAF spends R10 billion a year on legal fees. This is an area the Board has prioritised.

Consideration will also be given to building internal capacity for the RAF. We believe this course of action could save the entity approximately R2.9 billion per annum.

Upon assumption of office, the Board was also required to finalise and submit the five-year 2020-2025 Strategic Plan and the 2020/21 Annual Performance Plan (APP) to the Minister. It was clear from the outset that the new five-year Strategic Plan had to place the RAF on a new trajectory, as the Minister's priorities (as mentioned above) had to find a practical expression in the said plan. This required a concerted effort from all Board members in charting a sustainable path as per the Minister's keynote address.

Emanating from the strategic planning sessions, the RAF identified key focus areas to be included in the 2020-2025 Strategy, as follows:

- Improving efficiency in terms of the current RAF Operating Model by proposing RAF Act Amendments, including Regulations to enhance efficiency. The objective is to address inefficiencies within the claims environment and to ultimately settle claims within 120 days. This will assist the Fund in reducing litigation costs significantly and ensuring that claimants will be paid timeously, thereby enhancing the reputation of the Fund amongst its stakeholders.
- A new Integrated Claims Management System. The claims processing system is still by and large a manual one, which contributes to operational inefficiencies. The new, automated Integrated Claims Management System will improve claims processing efficiency and ensure a quicker service delivery to claimants. Claimants will receive regular updates at different stages of the processing of their claims until finalisation. It is envisaged that a control element will be introduced to aid detection and prevention of fraud and corruption.
- The organisational structure of the RAF will be reviewed to ensure that it is fit for purpose. This will also include measures to ensure that Supply Chain Management (SCM) structures and processes are improved.
- Revision of the current funding model. This will contribute to the financial sustainability of the Fund by tapping into other revenue streams. The DoT and the NT will be engaged in this regard.
- Debt restructuring (securing a finance facility for short-term liability).

As the Board and Management were gaining momentum in ensuring implementation of the new strategy and were in the process of preparing a report on the 2019/20 financial year performance, the COVID-19 pandemic affected South Africa in the same manner it affected the rest of the world.

President Cyril Ramaphosa officially declared a state of disaster on 15 March 2020, subsequently followed by lockdown measures, which had far-reaching effects for South African society in general and the economy. The RAF was severely affected by the COVID-19 lockdown due to a decrease in fuel levy contributions. The fuel levy allocation from the South African Revenue Service (SARS) was significantly lower than what was projected, despite an increase from 198.0 c/l to 207.0 c/l. The increase in the fuel levy came into effect on 1 April 2020.

*The RAF's Annual Report for 2019/20 provides...*

... a holistic summary of the Fund's performance in terms of its operations, finances, governance and sustainability, as well as its role as one of the country's vital public entities.

## GENERAL INFORMATION

The lockdown affected the reporting timelines and to a lesser degree the attainment of some of the 2019/20 RAF set targets.

With effect from 1 June 2020, the Chairperson of the RAF Board, Advocate Galetlane Rasethaba, resigned due to her appointment by the President as Deputy National Director of Public Prosecutions.

### 4.2 OVERVIEW AND PERFORMANCE

During the year under review, the challenges within the legislative and financial environments remained significant; however, we are also making substantial progress in transforming the Fund.

As the Board, we are responsible for the four ethical values that underpin good corporate governance within the Fund, namely responsibility, accountability, fairness and transparency. King IV describes this as "...ethical values applied to decision-making, conduct, and the relationship between the organisation, its stakeholders and broader society."

Key to the RAF's mandate is the task to mitigate the adverse impact of road crashes on both victims and their families within the broader South African economy. The Fund is called upon to receive, process and pay claims to the bereaved and injured, and to indemnify the wrongdoers in crashes on the country's roads.

Despite the persistent challenges with regard to the financing of the Fund and the changing legislative environment, the organisation made steady progress in meeting its strategic targets outlined in the 2019/20 APP. Management is required to analyse the root causes of the inability to achieve certain targets and to develop interventions to ensure improvements during the 2020/21 financial year.

### 4.3 KEY CHALLENGES

The RAF continues to operate under conditions characterised by difficult financial circumstances and business constraints. In addition, claims are received and administered in a highly litigious environment and many cases take considerable time to be finalised and settled.

The legislative environment in which it operates determines the underlying business model of the Fund. At present, claims

against the Fund for injuries and personal loss arising from accidents are based on common law rules of delict and liability insurance principles. Inherent in this fault-based system are numerous difficulties, including long delays in accessing compensation and high delivery costs.

Despite the increase in the RAF Fuel Levy, the income required by the RAF for the sustained settlement of claims (taking into account annual adjustments for inflation) is a challenge. The Board is confident that although it will be difficult to resolve the organisation's financial predicament, which has now stretched over decades, the new strategic direction of the RAF will create a sustainable organisation.

The RAF has consistently been successful in securing support from government. Equally, during the 2020/21 Budget Speech in February 2020, the Minister of Finance announced an additional 9 c/l for the RAF Fuel Levy effective from 1 April 2020. This increased the RAF Fuel Levy to 207 c/l and was estimated to add an additional R2 billion to the Fund's income in the 2020/21 financial year, had it not been for the advent of COVID-19.

The Board welcomes the financial assistance provided for in the national budget given the tough economic climate and competing priorities for government's resources.

### 4.4 RISK CULTURE

Risk management is an integral part of good corporate governance at the RAF. One of the priorities of our business strategy is to identify and manage risks that have an impact on business performance and the achievement of our objectives.

Risks are viewed holistically. The interim Board identified eight strategic risks which could threaten the achievement of the RAF's strategic goals and performance targets in the financial years ahead. These are as follows:

- Financial sustainability
- Fraud and corruption
- Governance/leadership
- Service delivery
- Information communication technology (ICT)
- Reputational risk
- Regulatory framework
- People management



Although risk management at the Fund has matured, the strategic risk profile has not improved significantly in recent years. Concerns remain with regard to risks relating to financial sustainability, fraud and corruption, service delivery and ICT.

#### 4.5 LEGISLATIVE AMENDMENTS

Over the years, the RAF Act has seen a number of amendments. Some of the amendments resulted in unintended consequences. As part of the transformation of the Fund in the new proposed strategy, certain aspects of the Act will be reviewed and the RAF will draft proposals for amendments. These proposed amendments will focus on areas that contribute largely to the financial sustainability and easing of the administration of the Fund.

#### 4.6 STRATEGIC DIRECTION

The RAF is a critical organ of state that has to carry out its mandate to all users of South African roads. We will continue to promote road safety in support of the country's global commitments towards the United Nation's Decade of Action for Road Safety.

The Board will ensure that the RAF achieves a high-performance level and will review targets and objectives on an ongoing basis with the aim to improve on them and achieve increased levels of service delivery.

#### 4.7 ACKNOWLEDGEMENTS

I wish to thank the members of the RAF Board for their outstanding contributions to the business of the Fund despite trying conditions. I trust that these efforts will serve as encouragement to all staff members and stakeholders to hold each other accountable and serve the best interests of our citizens. I also wish to thank Advocate Rasethaba for the leadership she provided to us as the new members of the Board and the organisation as a whole.

A special word of appreciation goes to the Minister of Transport, Mr Fikile Mbalula, and Deputy Minister, Ms Dikeledi Magadzi, for their commitment to the RAF's cause. In addition, we wish to thank the key role players in the DoT, in particular the Director-General, Mr Alec Moemi, for their leadership and strategic guidance, as well as the Parliamentary Committee on Transport (PCoT), other government departments, state-owned entities (SOEs), as well as provinces and local government who have hosted many of the RAF's activities.

Our sincere appreciation also goes to the Executives, Management and employees of the RAF, both at head office and in the regions, for their dedication towards the implementation of the RAF's mandate.

#### 4.8 CONCLUSION

The Board is committed to promoting and implementing a viable third party compensation system that will cater for the core needs of victims of road crashes. We are equally committed to aligning the RAF's strategy to the objectives of the National Development Plan (NDP) 2030, which serves as the primary policy framework for government's strategies and initiatives.

The NDP 2030 provides a clear picture of the challenges the country is facing, as well as the strategic choices that have to be made to create a better life for all South Africans.

The RAF is committed to contributing to the creation of an effective and capable state that instils confidence in leadership and governance structures, acts decisively against fraud and corruption, as well as fruitless and wasteful expenditure.



**MS THEMBELIHLE MSIBI**

*Acting Chairperson of the Board*

*Date: 28 October 2020*

5

*Chief Executive*  
**OFFICER'S OVERVIEW**

MR COLLINS LETSOALO



**5.1 INTRODUCTION**

The Road Accident Fund (RAF) continues to play a vital role in broader society by paying compensation to road accident victims.

As an organisation, we are committed to the objectives defined in the NDP 2030 to create a country "...where everybody feels free yet bounded to each other. The welfare of each of us is the welfare of all."

Our core business is to assist road accident victims by receiving, processing and paying claims effectively in terms of section 4(i) (b) of the Road Accident Fund Act, as amended.

The RAF's Annual Report for the 2019/20 financial year provides context to the manner in which the Fund has impacted on the socio-economic wellbeing of all users of South African roads. As a Schedule 3A national public entity, this annual report is presented in accordance with the provisions of the Public Finance Management Act, 1999 (PFMA) and Generally Recognised Accounting Practice (GRAP) Standards.

This annual report reflects on the progress made during the past financial year to deliver on the set objectives and the overall improvement in audit outcomes compared to the previous year of stagnation.

**5.2 SERVICE DELIVERY**

The Fund concluded the financial year having achieved 57.14% of the targets contained in the APP, as set out by the Board and

approved by Parliament. This was lower than the 77% achieved in 2018/19, but must be viewed against the background of the Fund's determination to set stretched targets in terms of its 2015-2020 Strategic Plan, limited funding to fund claims liability, and the ineffective RAF business model that has not improved the personal claims average age of five years.

The RAF remains determined to pursue excellence and continuously seek ways to fulfil its mandate and ensure that strategic objectives are achieved.

There is a growing awareness among all stakeholders that the RAF exists to render support to victims of car crashes and their families by aiding them financially and medically, and by indemnifying wrongdoers and in so doing curbing financial ruin.

The RAF is embarking on a transformation journey that will see it becoming a more sustainable organisation. Our recently adopted I CARE values and change management have now been elevated to priorities within the organisation, leading to improved organisational performance and an enhanced performance culture within the Fund.

During the year under review, the RAF interacted with more than 85,000 claimants during its 'RAF on the Road' (ROTR)

community outreach campaigns and other roadshows. Our Call Centre responded to more than 433,000 telephone calls and more than 395,000 people are currently following our social media platforms. They are eager to receive information about what the RAF is doing, where and when.

Our impact on the lives of South African citizens has been visible during tragic incidents where we provided assistance and support to the families of mass accidents. Through our efforts in compensating road accident victims, we have contributed to the broader national efforts to create a caring and responsive public sector.

The RAF will also be adopting a new model that is based on simplicity and accessibility. This will see the entity changing its current business model and improving its processes for greater accessibility and delivery of our core mandate based on our newly adopted product approach. We aim to make our customer journey more pleasant and customer-centric. At the centre of this new model will be our core values of integrity, compassion, accountability, respect and excellence (I CARE).

### 5.3 OPERATIONAL TRENDS

The year saw an overall decrease in new claims registered at 303,695 which is, 24,478 less than in the previous financial year. The registration of new personal claims decreased by 1%, and supplier claims by 10%.

A total of 258,382 claims were finalised based on 22 working days per month, which represents an increase of 13% compared to the number of finalised claims in the previous financial year.

The Fund paid an amount of R40 billion in claims, which is almost the same as the preceding year. An amount of R14.9 billion in claims was finalised, but could not be paid out due to cash constraints. However, these payments will be honoured in the next financial year through the monthly income received via the RAF Fuel Levy.

During the year, the RAF finalised an average of 979 claims each working day. The average loss-of-earnings claims increased in value by 8% to R826,007, while the average in general damages claims increased by 4% to R482,291.

The RAF spent R13.4 billion on legal and other administrative costs (employee costs: R1.75 billion; administrative costs: R848 million; RAF legal and other expenses: R4.5 billion; claimant, legal and other expenses: R6.3 billion). This amounts to 30% (employee and administrative costs: 6%; RAF legal and other expenses: 11%; claimant and other expenses: 13%), whilst only 70% of income received was paid to claimants. As Management, we remain concerned about this composition, and we intend to amend this during the next financial year by implementing a New Operating Model.

Outstanding claims increased by 16% to 359,190 at the close of the financial year. This was due to financial constraints, which in turn resulted in an increase in RNYP claims.

*Our recently adopted I CARE values and change management...*

... have now been elevated to a priority within the organisation, leading to improved organisational performance and an enhanced performance culture within the Fund.

### 5.4 OPERATIONAL PRIORITIES

In the context of the current financial constraints, the RAF remains committed to:

- Finding new solutions and funding, based on a proper asset and liability matching strategy;
- Utilising all available money to honour payments that are due;
- Ensuring that all categories of payees receive regular payments;
- Ensuring that no category of payment is neglected; and
- Introducing a new, equitable, affordable and sustainable scheme.

### 5.5 FINANCIAL TRENDS

The net deficit of the RAF continued to escalate sharply during the 2019/20 financial year. Despite an increase of 5 c/l in the RAF Fuel Levy, the income received by the RAF for sustained settlement of claims is clearly not sufficient.

Total assets were lower, mainly because of receivables from non-exchange transactions through the RAF Fuel Levy. The higher total liabilities can be attributed to a combination of the increase in the liability for Outstanding Claims Reported (OCR), and Incurred But Not Yet Reported (IBNR), as well as an increase in RNYP claims. Overall, the net deficit increased substantially compared to the previous reporting period.

The operational deficit stood at R4.5 billion prior to consideration of the net increase in the liability for OCR and IBNR. This can mostly be attributed to:

- Total revenue of R41.2 billion owing to a R1.96 billion decrease in the RAF's revenue from fuel levies. The Fund's income from the fuel levy is impacted by fuel volumes consumed during the financial year. An increase of 0.3% in fuel volumes was reported. The RAF's income is further affected by diesel refund recoupments from gross fuel levies, which increased in terms of a percentage of gross fuel levies by 3% during the financial year.
- Total operational expenditure of R45.8 billion was driven by a 0.6% decrease in claims paid, as well as a net increase of 32% in the RNYP component of claims expenditure. This can be attributed to lower fuel levy

income and consistent productivity in the claims operational environment. Claims expenditure now comprises 94% of total expenditure, with employee costs 4% and administrative expenditure 2%.

Cost-saving throughout the organisation remains a daily priority. Further real savings were achieved through delayed spending, underspending, cancellation of projects, and delays in the Supply Chain Management (SCM) processes. There are ongoing initiatives to reduce costs, or to ensure a more efficient approach to the processing of claims. Any funding not utilised for general expenditure was channelled to our core business of settling claims.

### 5.6 STAFF COMPLEMENT

Our team has grown in line with the RAF's budget approved by the DoT, NT and Parliament.

Experts in specialised fields were brought in to assist with the improvement of service delivery in both core and supporting business units. Insourcing is expected in core business areas, such as claims management, legal and acuteness services.

At the end of March 2020, the RAF had a staff complement of 2,789 permanent employees, with a vacancy rate of 4.11%. In seeking to improve the RAF's organisational performance, the organisational structure will be realigned to the New Operating Model in order to deliver on our objectives and to transform the culture of the entity to that of excellence and effectiveness.

### 5.7 ETHICS, FRAUD AND CORRUPTION

The RAF follows strict policies and procedures to combat corruption and illegal practices. When such cases occur against the Fund, they are vigorously pursued.

Our dedicated Fraud and Investigation Department (FID) is responsible for the implementation of measures to prevent, detect and investigate fraud, corruption and other illegal activities.

Through our robust and pro-active steps, a number of attorneys have been struck off the roll, doctors and our officials arrested, and several touts sentenced for fraud-related matters.

2,852 fraudulent claims to the value of R635,695,681 were identified before payments were made and seven people were arrested for fraud against the RAF.

An Ethics Office is in place within the RAF to raise ethical standards within the organisation. Our Ethics Management Framework is informed by the principles set out in the Constitution, the PFMA, King IV and international best practices.

Our ability to effectively protect money meant for victims of road accidents, and deal with corruption, can be attributed to the continued support we receive from government and the public.

## 5.8 FINANCIAL REVIEW

The RAF continued to operate under trying financial circumstances. On average, the Fund was R15 billion in arrears per month with finalised claims that could not be paid due to cash constraints.

The Fund managed the financial challenges that occurred, including attachment of RAF bank accounts by the Sheriff. These attachments adversely affected the Cash Management Plan and resulted in interruptions to our business operations and reputational damage.

Internal measures to optimise cash flow management and time periods were maintained and improved, but the core reality remains that the current RAF dispensation remains inequitable, unaffordable and unsustainable.

Trends observed in the claims environment saw a substantial increase in claims liabilities. The Statement of Financial Position reflects the extent to which the Fund remains under-capitalised. A net deficit of R322 billion was recorded for 2019/20.

Attachments, threats of attachment and removal of movable property remain day-to-day operational challenges, and attachments of the RAF bank accounts have been equally disruptive.

Despite these challenges and limitations, the RAF continued to receive, assess and finalise claims, render services to claimants, and record successes. The goal is to drive the

evolution of the business into a new dispensation which addresses the weaknesses of the present model, but which will also benefit considerably more road crash victims for decades to come in an affordable way.

The RAF Fuel Levy, with effect from 1 April 2019, saw a total revenue decrease of almost 5% to R41.2 billion. Net fuel levies accounted for 99.9% of total revenue. The decrease was mainly influenced by a higher percentage of diesel refunds recouped from gross fuel levies. This percentage increased from 7% to 10% totalling R4.82 billion compared to R3.48 billion in the previous financial year.

The Fund recorded a deficit of R59.6 billion in the year under review compared to a deficit of R55.8 billion in the previous year. The deficit is directly related to the net increase in the liability for OCR and IBNR, which increased by R55 billion to R316 billion in the current financial year. The liability is an actuarial estimation of what it would cost to fund claims that are on hand and being attended to, as well as those which will still be registered in future for past periods.

During the reporting period, 93% of the RAF Fuel Levy income was utilised to pay claims, compared to 95% in the 2018/19 financial year. A total of 304,962 payments were made in the year under review.

Total expenditure for the year (excluding the net increase in the liability for OCR and IBNR) increased by R1.2 billion to R45.77 billion as a result of increased productivity in claims settlements, increased earnings, and support claims average values.

It is noteworthy that improved communication regarding the RAF's cash constraints and acceptance of the strict payment measures implemented through the Cash Flow Management Strategy and Plan by a large number of RAF creditors and claimants have resulted in a significant decrease in the amount of interest paid during the year. Interest paid decreased by 19% to R237 million from R291 million in the previous year.

## 5.9 AUDIT OUTCOMES

The RAF received unqualified audit opinions with material findings over the past three financial years. The 2019/20 financial year saw the audit outcomes improve to an unqualified opinion with no material findings. I am confident

## GENERAL INFORMATION

that we will maintain the clean audit in the current financial year and that we will continue to improve controls on our financial statements, performance information and compliance management.

### 5.10 MANAGEMENT INTERVENTIONS

Dedicated steps to improve the payment of claims and efficient business processes continued during the financial year.

At a broader level, the inequitable allocation of economic resources, as a result of the legislative framework, continues under the current compensation arrangement from R44.0 billion claims settlements in the 2019/20 financial year:

- R3.4 billion towards medical costs;
- R160 million towards funeral costs;
- R10.8 billion towards legal and other expert costs;
- R9.4 billion towards general damages - primarily to persons not seriously injured;and
- R20.2 billion towards loss of earnings and support for those who qualified.

The Cash Flow Management Strategy and Plan were maintained during the financial year to ensure that regular and scheduled payments were still received by RAF creditors and claimants.

The number of outstanding claims, where no payments were made, increased from 234,244 in the previous financial year to 297,130 in 2019/20.

As at 31 March 2020, current liabilities of the RAF exceeded current assets by R51 billion (2018/19: R31 billion).

Liquidity is managed closely on a daily basis in line with available cash reserves in accordance with the approved Cash Management Strategy. A 100% compliance rate has been achieved and communicated to stakeholders. NT has granted the RAF multi-year approval for the retention of cash and cash equivalents at financial year-end for the purpose of payment of claims.

### 5.11 ACKNOWLEDGEMENTS

I wish to express a sincere word of appreciation to the Minister of Transport, Mr Fikile Mbalula, and Deputy Minister, Ms Dikeledi Magadzi, for their unwavering support to the RAF. Our interactions with the PCoT have been highly productive and we thank the Chairperson and members for their guidance and inputs during the year.

My appreciation also goes to the RAF Board, Management and staff for their continued diligence and loyalty towards the organisation. I want to recognise a team that has made extensive progress in meeting our targets within a very difficult and constrained environment. We will continue with the process to transform the organisation and deliver tangible results.

Our appreciation is also extended to the thousands of claimants, lawyers, healthcare providers, caregivers, corporate suppliers and creditors who patiently joined hands with the Fund.

We especially recognise those who have lost their lives, been injured, or lost loved ones in motor vehicle accidents during the course of the year. The RAF remains focused on our primary responsibility to alleviate the suffering of those affected by negligence on our roads.

### 5.12 CONCLUSION

Despite the difficult operating environment, we remain convinced that the RAF is a critical organisation in a country where income inequalities and social disparities are still part of our society. In this situation, the Fund provides a much-needed safety net for road users and their families who have been affected by crashes on our roads.

I am fully aware of the fact that the RAF has been technically insolvent since 1981, and has been a subject of nine commissions of enquiry dating back to the 1940s. However, I am confident that we have now initiated a process to finally put the RAF on a financially sustainable path.



**MR COLLINS LETSOALO**

*Chief Executive Officer*

*Date: 28 October 2020*

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

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

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

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

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

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

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

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

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

In our opinion, this Annual Report fairly reflects the Review of Operations, the Performance Information, the Human Resources Information and the financial affairs of the RAF for the financial year ended 31 March 2020.

Yours faithfully



**MR COLLINS LETSOALO**  
Chief Executive Officer  
Date: 28 October 2020



**MS. THEMBELIHLE MSIBI**  
Acting Chairperson of the Board  
Date: 28 October 2020



**MS. BOITUMELO MABUSELA**  
Acting Chief Financial Officer  
Date: 28 October 2020

# 7 STRATEGIC OVERVIEW

## 7.1 VISION, MISSION AND VALUES OF THE RAF



### *Vision*

An equitable and sustainable compensation system for motor vehicle accident victims.



### *Mission*

To provide appropriate benefits to all qualifying road users within the borders of South Africa and to support the safe use of our roads.

### *Core Values*

The following value statements represent the heart of the desired corporate culture to which all in the RAF family owe allegiance to and will measure how well the organisation executes its mandate as leadership, staff and service providers (who act on behalf of the RAF):

### *I care*





## 8 LEGISLATIVE AND OTHER MANDATES

### 8.1 SCHEDULE IN TERMS OF THE PFMA

The RAF is a juristic person established by an Act of Parliament, namely the RAF Act. Section 3 of the RAF Act stipulates that “the object of the Fund shall be the payment of compensation in accordance with this Act for loss or damage wrongfully caused by the driving of motor vehicles.” The RAF is a national public entity according to Schedule 3A of the PFMA.

### 8.2 POLICY FRAMEWORKS GOVERNING THE RAF

The following are, among others, relevant and applicable legislation and documents to the RAF:

- Apportionment of Damages Act, 1956 (Act No. 34 of 1956);
- Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997);
- Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003);
- Compensation for Occupational Injuries and Diseases Act, 1993 (Act No. 130 of 1993);
- Constitution of the Republic of South Africa, (Act No. 108 of 1996);
- Contingency Fees Act, 1977 (Act No. 66 of 1977);
- Control of Access to Public Premises and Vehicle Act, 1985 (Act No. 53 of 1985);
- Corporate Governance of Information Communication Technology Policy Framework (CGICTPF), 2012;
- Customs and Excise Act, 1964 (Act No. 91 of 1964);
- Disaster Management Act, 2002 (Act No. 57 of 2002);
- Electronic Communications and Transaction Act, 2002 (Act No. 25 of 2002);
- Employment Equity Act, 1998 (Act No. 55 of 1998);
- Income Tax Act, 1962 (Act No. 58 of 1962);
- King Report on Corporate Governance for South Africa, 2016 (King IV 2016);
- Labour Relations Act, 1995 (Act No. 66 of 1995);
- Magistrate Court Act, 1944 (Act No. 32 of 1944);
- Minimum Information Security Standards, 1996;
- National Archives and Records Service of South Africa Act, 1996 (Act No. 43 of 1996);
- National Environmental Management Waste Act, 2008 (Act No. 59 of 2008);
- Occupational Health and Safety Act, 1993 (Act No. 85 of 1993);
- Pension Funds Act, 1956 (Act No. 24 of 1956);
- Public Finance Management Act, 1999 (Act No. 1 of 1999);
- Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);
- Prescribed Rate of Interest Act, 1975 (Act No. 55 of 1975);
- Prescription Act, 1969 (Act No. 68 of 1969);
- Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004);
- Promotion of Access to Information Act, 2000 (Act No. 2 of 2000);
- Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000);
- Promotion of Equality and Prevention of Unfair Discrimination Act, 2000 (Act No. 4 of 2000);
- Protected Disclosures Act, 2000 (Act No. 26 of 2000);
- Protection of Personal Information Act, 2013 (Act No. 4 of 2013);
- Public Audit Act, 2004 (Act No. 25 of 2004);
- Road Accident Fund Act, 1996 (Act No. 56 of 1996);
- Road Accident Fund (Transitional Provisions) Act, 2012 (Act No. 15 of 2012);
- Road Accident Fund Amendment Act, 2005 (Act No. 19 of 2005);
- Skills Development Act, 1998 (Act No. 97 of 1998);
- Supreme Court Act, 1959 (Act No. 59 of 1959); and
- Use of Official Languages Act, 2012 (Act No. 12 of 2012).

### 8.3 MANDATE OF THE RAF

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

## GENERAL INFORMATION

The RAF provides compulsory social insurance cover to all users of South African roads; rehabilitates and compensates people injured as a result of the negligent driving of motor vehicles in a timely and active manner; and actively promotes the safe use of our nation's roads.

According to the Act, the object of the Fund is the payment of compensation in accordance with the Act for loss or damage wrongfully caused by the driving of a motor vehicle.

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

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

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

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

The nine primary challenges as outlined in the NDP are:

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

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

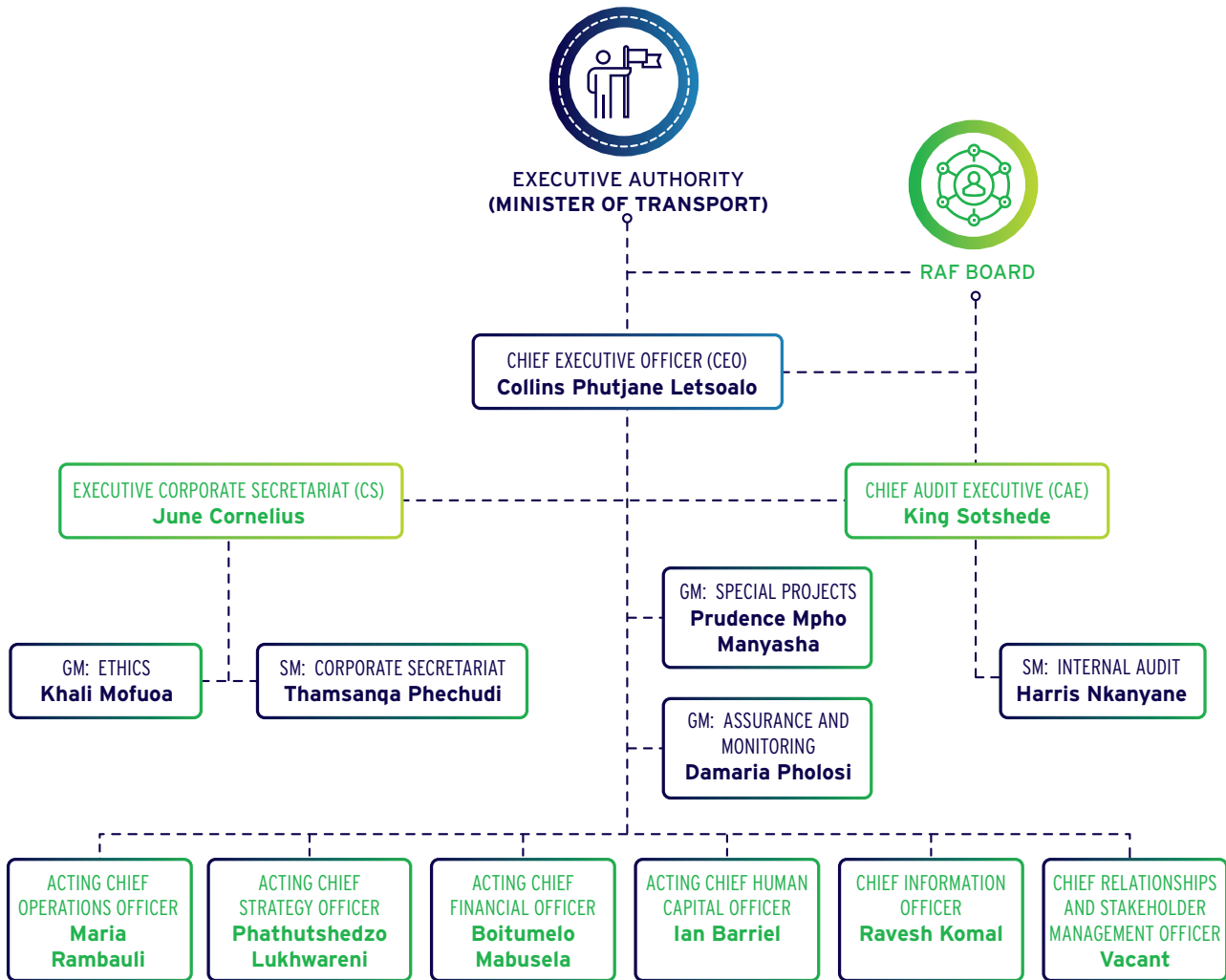
- Improving the quality of public healthcare;
- Lowering the costs of private healthcare;
- A long-term vision for the implementation of a comprehensive social security system;
- Social security reforms aimed at providing balance and broadening coverage;
- Alignment and rationalisation of social security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

### 8.4 THE ROLE OF THE RAF IN THE WIDER GOVERNMENT AND NATIONAL AGENDA

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

- The RAF Business Operating Model: Key to the successful implementation of the 2020-2025 Strategy is re-designing the current Business Operating Model.
- The review process is aimed at ensuring that claims are processed within the mandated 120 days' turnaround time, and slowly reducing the number of claims litigated.
- Settle all new claims within 120 days to avoid summons, in case settlement fails.
- Explore short- and medium-term measures to improve the Fund's liquidity and implement initiatives aimed at curbing the annual +25% growth of the net deficit.
- The RAF Amendment Act will form part of the transformation of the Fund in the new strategy, and certain aspects of the Act will be reviewed.
- Reduction of medical costs: The RAF will prioritise regulations to improve serious injuries' assessments. Furthermore, the Fund will also introduce regulations for the implementation of medical tariffs, medical treatment protocols and a Pre-Authorisation Model. The current undertaking arrangement will also be reviewed.

# 9 ORGANISATIONAL STRUCTURE







I care

**PART B**

*Performance Information*

---

# 1 AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General of South Africa (AGSA) currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the Performance against Predetermined Objectives is included in the Report to Parliament, with material findings being reported under the Report of the Audit of the Annual Performance Report section of the Auditor-General's Report.

Refer to pages 166 to 169 to view the Auditor-General's Report to Parliament on the Road Accident Fund, published in Part E: Annual Financial Information.

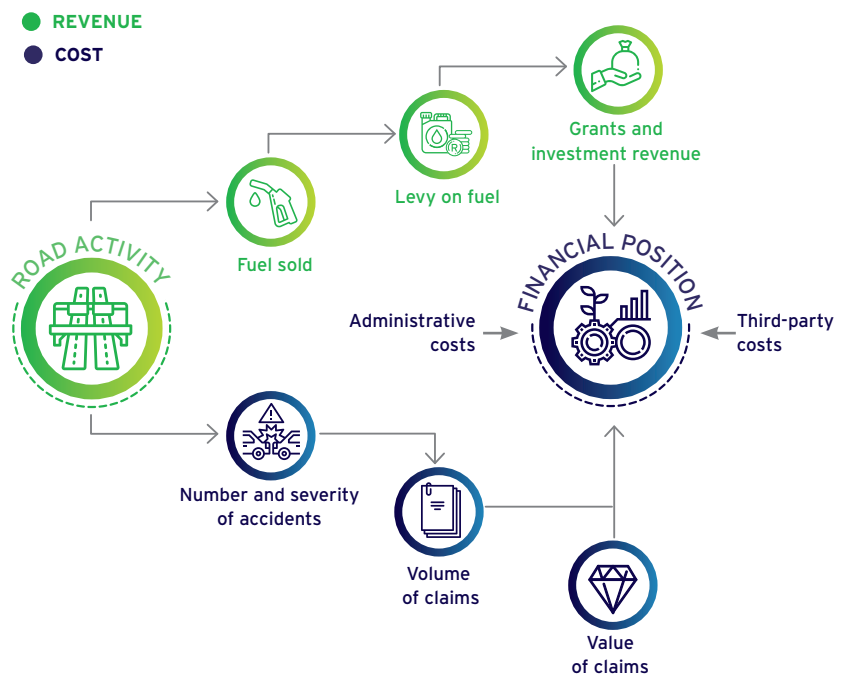
# 2 SITUATIONAL ANALYSIS

## 2.1 SERVICE DELIVERY ENVIRONMENT

The ability of the RAF to operate efficiently and effectively is influenced by general economic conditions and environmental factors, and by the extent to which it manages its costs effectively. The major influencers are illustrated in Figure 1.

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

FIGURE 1: Factors influencing the RAF's financial position



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

The full extent of the RAF Fuel Levy requested is seldom granted, because the NT has historically set the levy based on a pay-as-you go principle, rather than with the purpose of establishing a fully-funded position for the RAF. During the 2019/20 financial year, the RAF Fuel Levy was set at 198 c/l from 193 c/l during the 2018/19 financial year.

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

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

The costs that the RAF incurs are as a result of road accidents. The volume and severity of accidents influence the volume and average value of claims made against the RAF.

In addition, the RAF's costs consist of third-party costs (e.g. attorney costs, medical and/or legal expert costs) and administration costs.

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

**FIGURE 2: Key value drivers**



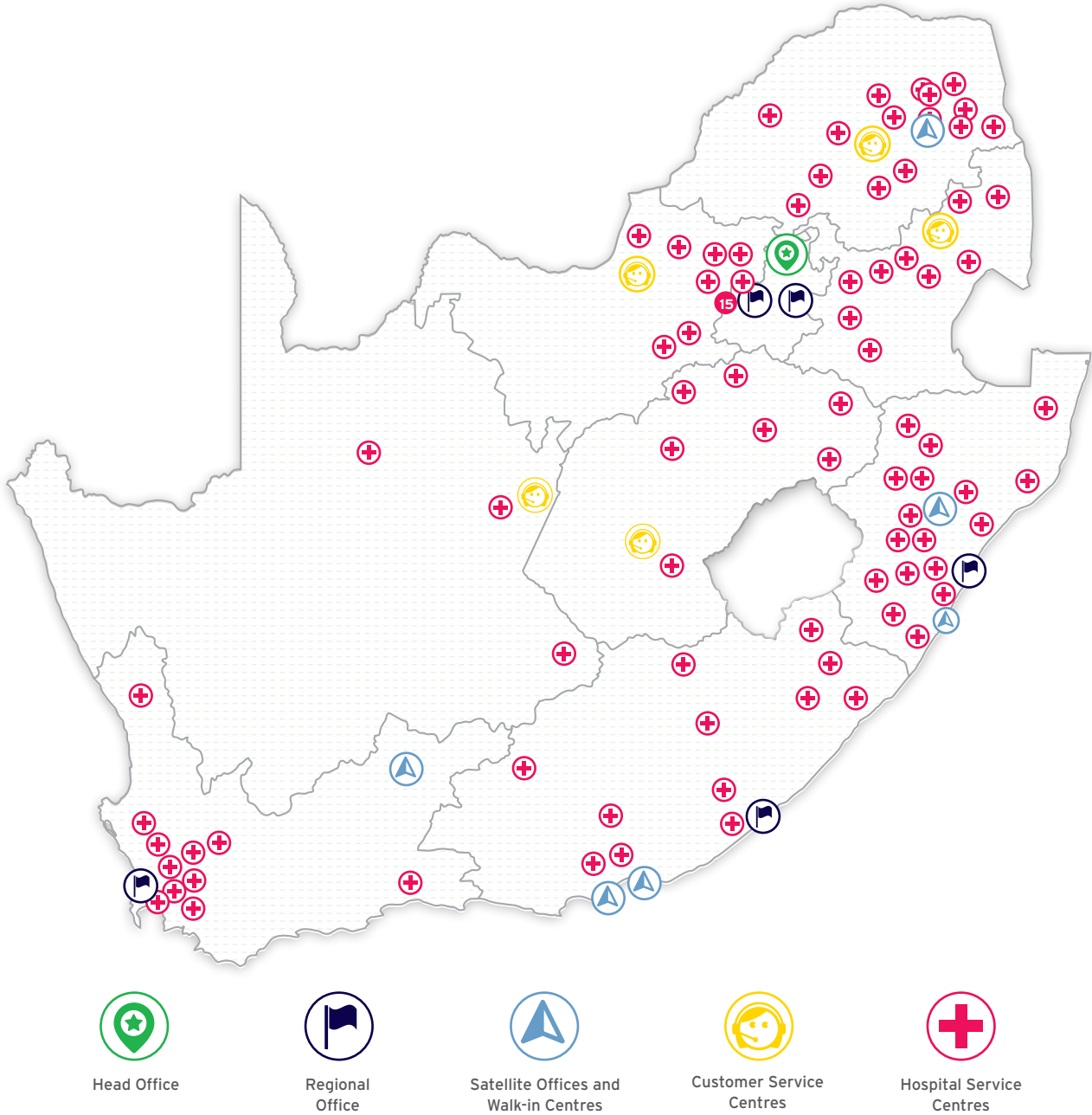
Whilst the value drivers presented may appear conceptually simple, they are driven by multiple other factors. Claims expenditure is influenced, for example, by whether a claimant chooses to claim directly or be represented by an attorney; the awards made by courts that determine precedent; the number of expert witnesses called; and the time taken from date of accident to date of finalisation of the claim. Because of these revenue and cost drivers, the gap between the RAF's deficit and its income, which has grown over the last three decades, has increased exponentially in recent years.

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

## 2.2 ORGANISATIONAL ENVIRONMENT

During the year under review, the RAF's national service footprint consisted of 97 HCSs, five CSCs, five WICs and five regional offices across the country, details of which are available on the RAF website, [www.raf.co.za](http://www.raf.co.za). Segregated functional areas yielded an improvement in operations, as is reflected in claim numbers. The RAF is now present in most of the larger hospitals where claims can be originated immediately on admission of motor vehicle accident victims.

FIGURE 3: RAF Footprint





## 2.3 BUSINESS MODEL

The RAF’s business model is fault-based. This means that claimants (drivers, pedestrians, cyclists, etc.) who are solely at fault for causing the accident are excluded from qualifying for any compensation, whilst the claims of claimants whose partial fault contributed to the accident, result in their compensation being reduced proportionately. Therefore, prior to the RAF conceding liability for a claim, it must first investigate and determine fault. As a result, many injured persons are unable to access medical care in a timely manner, and many dependants of persons killed in road accidents are left to fend for themselves. In addition, claims are received and administered in a highly litigious and dispute-ridden environment, and countless cases take years to be finalised and paid. This prolongs hardship and severely impacts on the poor and vulnerable.

The fault-based business model is challenging to the Fund as, from a health and economic perspective, it contradicts the Fund’s socio-economic role of re-integrating victims of road accidents into society. The Fund’s underlying business model is determined by its founding legislation, the common law of delict, and the litigious environment in which it operates. At

present, claims against the Fund for bodily injury and personal loss arising from road accidents are based on common law rules of delict and liability insurance principles. Inherent in the fault-based system are numerous difficulties, including long delays in accessing compensation and high delivery costs.

## 2.4 OPERATING ENVIRONMENT

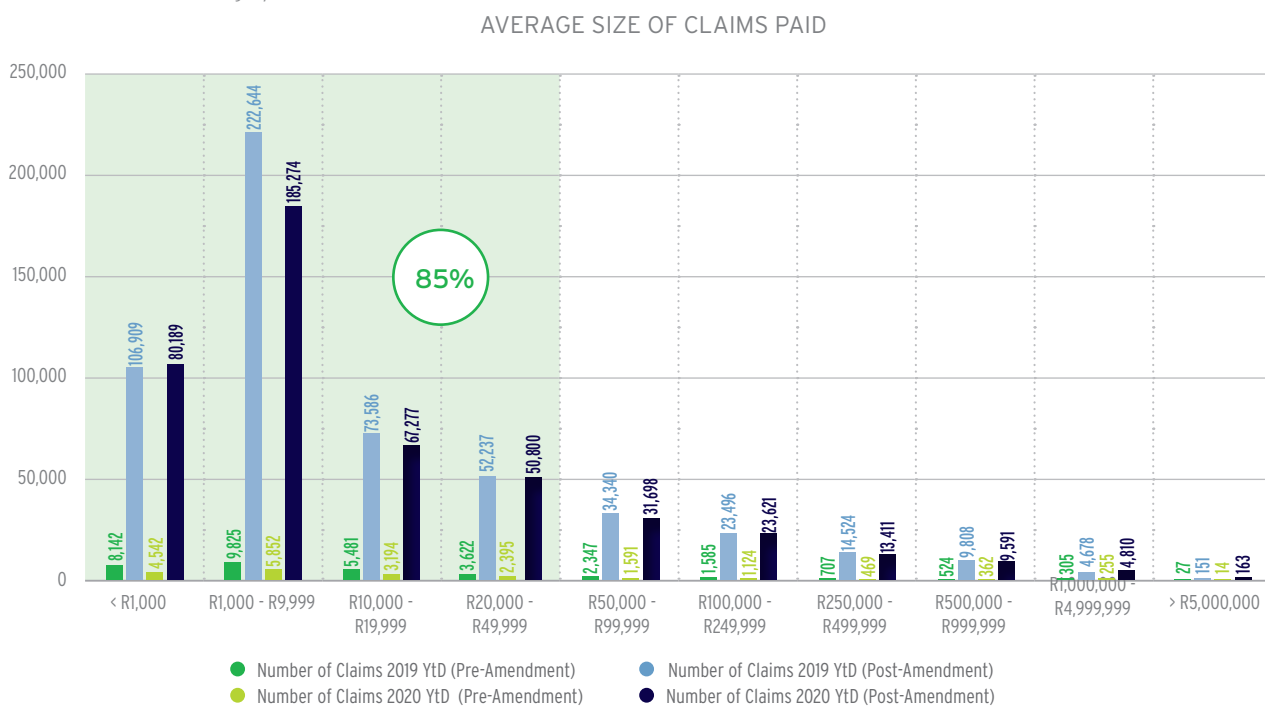
Operations and Finance are the core business functions of the RAF. Below follows a comprehensive overview of both historical and current trends in these areas.

### Claims Analysis

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

**GRAPH 1: Average size of claims paid**

Number of claims and category



# PERFORMANCE INFORMATION

During the financial year, the RAF continued to receive and settle high volumes of small claims, with an average of 85% (pre- and post-Amendment Act claims) being for settlement values below R50,000.

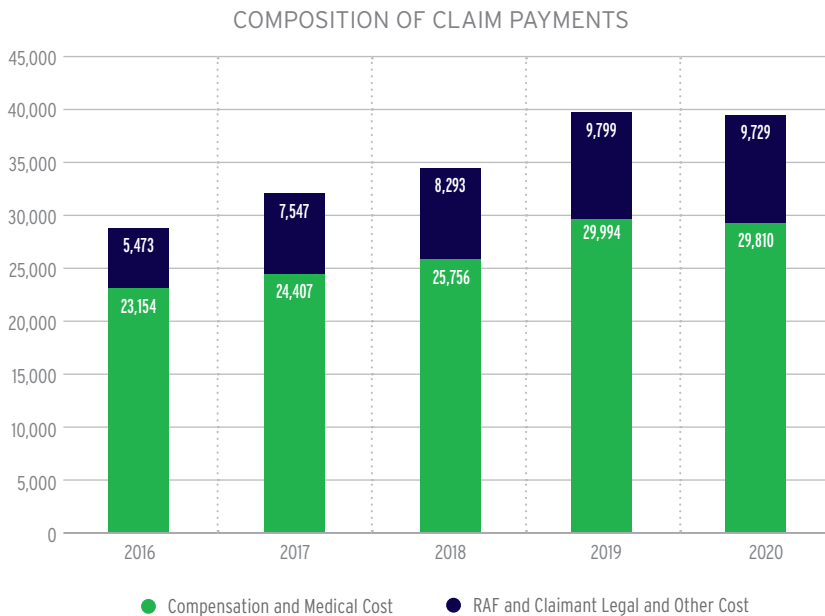
## Claims Values

The composition of claim payments continues to reflect the insufficiency of the existing fault-based, common law system of compensation. Of the R39.5 billion (2018/19: R39.8 billion) paid out in respect of claims for the 2019/20 financial year, R29.81 billion (i.e. 75.4%) (2018/19: R29.99 billion (i.e. 75.4%)) represented compensation payout.

The balance of 24.6% (2018/19: 24.6%) comprised legal and other expert fees. Alternatively, when claims requested that could not be paid (RNYP) due to cash constraints are added to the above scenario, the variance in the composition reflects compensation at 81.1% and legal and other expert fees at 18.9% respectively (Graph 2). The year under review, therefore, again reflects an increase in legal and other expert fees when compared to total claims expenditure.

**GRAPH 2: Composition of claim payments**

R'million and financial year



## Definitions



### NEW CLAIMS REGISTERED

Claims received and registered during the financial year.



### CLAIMS FINALISED

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



### CLAIMS OUTSTANDING

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

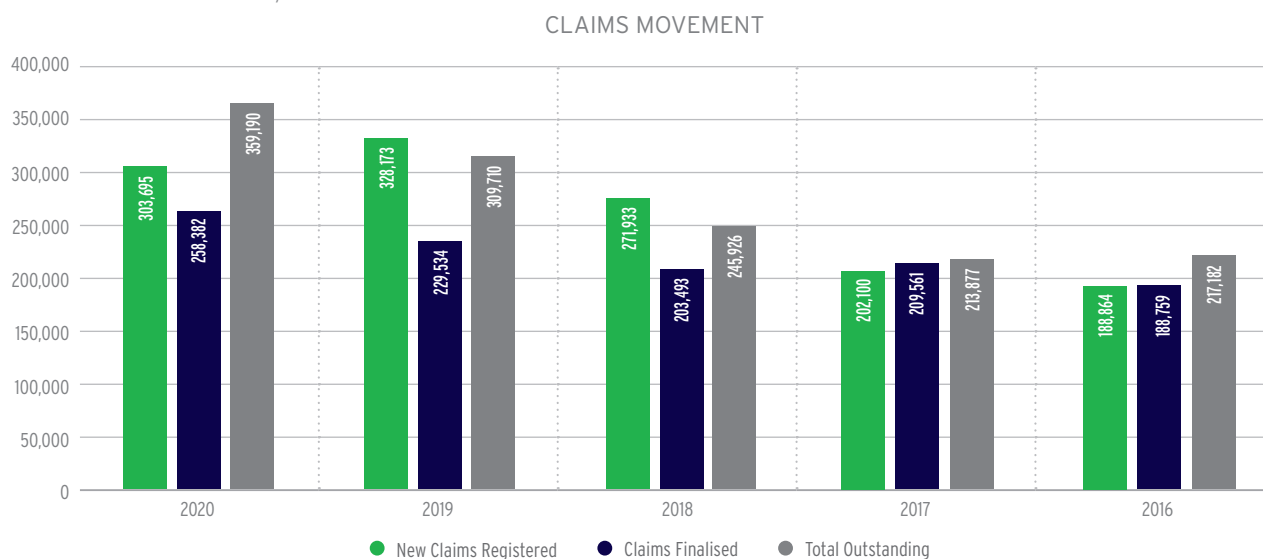
## Claim Statistics

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

	Reference	Units	31 March 2020	31 March 2019	31 March 2018	31 March 2017	31 March 2016
<b>New claims registered</b>	<b>1.</b>	<b>No.</b>	<b>303,695</b>	<b>328,173</b>	<b>271,933</b>	<b>202,100</b>	<b>188,864</b>
Personal claims		No.	102,086	103,423	92,101	73,860	71,664
Supplier claims		No.	201,609	224,750	179,832	128,240	117,200
Total: Increase/(decrease)		%	(7)	21	35	7	9
Personal claims: Increase/(decrease)		%	(1)	12	25	3	15
Supplier claims: Increase/(decrease)		%	(10)	25	40	9	5
<b>Claims finalised</b>	<b>2.</b>	<b>No.</b>	<b>258,382</b>	<b>229,534</b>	<b>203,493</b>	<b>209,561</b>	<b>188,759</b>
Personal claims		No.	80,370	29,230	42,078	73,538	72,848
Suppliers		No.	178,012	200,304	161,415	136,023	116,275
Total: Increase/(decrease)		%	13	13	(3)	11	3
Personal claims: Increase/(decrease)		%	175	(31)	(43)	1	11
Supplier claims: Increase/(decrease)		%	(11)	24	19	17	(2)

### GRAPH 3: Claims registered/finalised/outstanding

Number of claims and financial year



From the table on the previous page and Graph 3, a decrease can be observed in new claims registered. 24,478 less claims were registered during the 2019/20 financial year compared to the previous financial year (personal claims: 1,337 less and supplier claims: 23,141 less, respectively). Despite registering 7% less claims during the financial year, it is noteworthy that the number of new personal claims registered decreased by 1% (from 103,423 during the 2018/19 financial year to 102,086 as at 31 March 2020). Supplier claims decreased significantly by 10% (from 224,750 at the end of the 2018/19 financial year to 201,609 as at 31 March 2020).

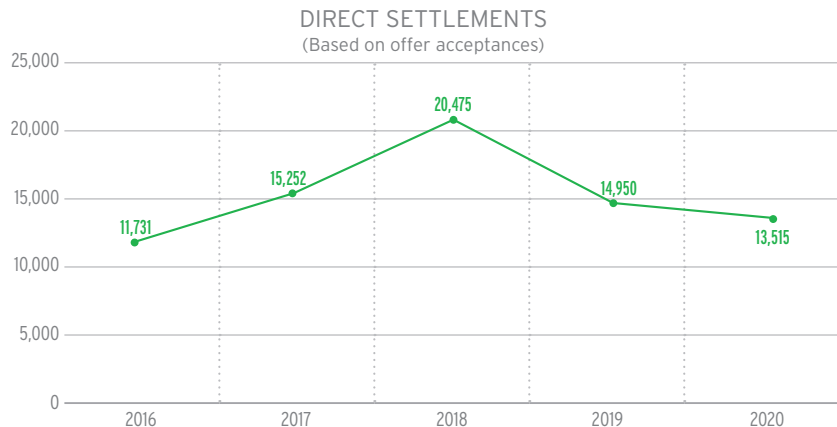
A year-on-year increase of 13% in total finalised claims was experienced during the financial year. Of the total of 258,382 finalised claims, 80,370 were personal claims and 178,012 were supplier claims compared to 29,230 personal claims and 200,304 supplier claims during the 2018/19 financial year. The increase in finalised claims was mainly influenced by an 11% decrease in supplier claims, but an increase of 175% in personal claims that comprised direct personal claims and represented personal claims. The increase in the finalisation of personal claims can be ascribed to cash constraints faced by the RAF, as evidenced in the increase in RNYP claims, together with improved processes to ensure that all claims are diligently finalised.

The basis for determining when a claim is finalised was amended during the 2017/18 financial year and applied in the 2018/19 financial year. Only claims with payments made during a financial

year were regarded as finalised for performance measurement purposes. Prior to the 2017/18 financial year and in 2019/20, all claims that moved from open status to finalised status were regarded as “finalised”.

**GRAPH 4: Claims - Direct settlements**

Number of claims and financial year



Direct claim settlements have been erratic. Although an upward trend in direct settlements was experienced, with a peak in 2017/18, it declined during the 2018/19 and 2019/20 financial years due to issues experienced with the appointment of the panel of medical experts, which caused delays in referring claimants for medical assessments.

From the Outstanding Claims Analysis table on the next page, it can be deduced that a total number of 359,190 claims were still outstanding as at 31 March 2020 (Graph 3) (personal claims: 326,878 and supplier claims: 32,312).

Outstanding claims increased by almost 16% from 309,710 at the end of the previous financial year, despite a decreased number of registrations along with claims finalised that have increased.

This was consequently influenced by an increase of 27% in the number of open and reopened claims totalling 297,130 (2018/19: 234,244) where compensation had not been paid. In addition, legal cost claims totalling 62,060 (2018/19: 75,466) were still outstanding at the end of the financial year. This also speaks to the increased number of compensation payments that were made.

Reopened claims at the end of the current financial year stood at 2,416 (2018/19: 2,420). Claims are therefore not being classified as “finalised” prematurely.

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

Outstanding Claims	No Compensation			Compensation Paid Legal Costs Awaited	Total Awaiting Compensation or Legal Cost Payment
	Open	Reopened	Sub-total		
<b>Outstanding claims as at 31 March 2019</b>					
<b>Personal claims</b>	<b>230,092</b>	<b>2,401</b>	<b>232,493</b>	<b>55,271</b>	<b>287,764</b>
Direct claims	66,024	148	66,172	10,797	76,969
Represented claims	164,068	2,253	166,321	44,474	210,795
Pre-Amendment Act	4,097	1,259	5,356	8,455	13,811
Post-Amendment Act	225,995	1,142	227,137	46,816	273,953
<b>Supplier claims</b>	<b>1,732</b>	<b>19</b>	<b>1,751</b>	<b>20,195</b>	<b>21,946</b>
Direct claims	1,318	3	1,321	11,747	13,068
Represented claims	414	16	430	8,448	8,878
Pre-Amendment Act	4	18	22	62	84
Post-Amendment Act	1,728	1	1,729	20,133	21,862
<b>Total</b>	<b>231,824</b>	<b>2,420</b>	<b>234,244</b>	<b>75,466</b>	<b>309,710</b>
<b>Movement during the year</b>					
<b>Personal claims</b>	<b>47,925</b>	<b>3</b>	<b>47,928</b>	<b>(8,814)</b>	<b>39,114</b>
Direct claims	16,991	0	16,991	(2,300)	14,691
Represented claims	30,934	3	30,937	(6,514)	24,423
Pre-Amendment Act	(209)	(196)	(405)	(2,406)	(2,811)
Post-Amendment Act	48,134	199	48,333	(6,408)	41,925
<b>Supplier claims</b>	<b>14,965</b>	<b>(7)</b>	<b>14,958</b>	<b>(4,592)</b>	<b>10,366</b>
Direct claims	10,386	(1)	10,385	54	10,439
Represented claims	4,579	(6)	4,573	(4,646)	(73)
Pre-Amendment Act	6	(9)	(3)	(17)	(20)
Post-Amendment Act	14,959	2	14,961	(4,575)	10,386
<b>Total</b>	<b>62,890</b>	<b>(4)</b>	<b>62,886</b>	<b>(13,406)</b>	<b>49,480</b>
<b>Outstanding claims as at 31 March 2020</b>					
<b>Personal claims</b>	<b>278,017</b>	<b>2,404</b>	<b>280,421</b>	<b>46,457</b>	<b>326,878</b>
Direct claims	83,015	148	83,163	8,497	91,660
Represented claims	195,002	2,256	197,258	37,960	235,218
Pre-Amendment Act	3,888	1,063	4,951	6,049	11,000
Post-Amendment Act	274,129	1,341	275,470	40,408	315,878
<b>Supplier claims</b>	<b>16,697</b>	<b>12</b>	<b>16,709</b>	<b>15,603</b>	<b>32,312</b>
Direct claims	11,704	2	11,706	11,801	23,507
Represented claims	4,993	10	5,003	3,802	8,805
Pre-Amendment Act	10	9	19	45	64
Post-Amendment Act	16,687	3	16,690	15,558	32,248
<b>Total</b>	<b>294,714</b>	<b>2,416</b>	<b>297,130</b>	<b>62,060</b>	<b>359,190</b>

## PERFORMANCE INFORMATION

### REPUDIATED CLAIMS

Repudiated claims decreased from 99,622 in 2018/19 to 85,851 in the year under review.

The decrease in repudiated claims as at 31 March 2020 was mainly influenced by the following:

- Substantial compliance: Lodgement of claims that do not comply with the requirements of the Act and/or Regulations;
- Prescription: Claims lodged outside of the regulated time period, or where the attorney issues no summons to interrupt prescription within the regulated time period;
- Death: Claims where the claimant dies before finalisation of the claim;
- Fault: The claimant was solely at fault for causing the road crash;
- Minor injuries: If the injuries sustained are so minor that no claim for damages arises;
- Nexus: The injuries were not sustained in the road crash;
- Fraud: Claims that were lodged fraudulently or identified as such by the internal FID;
- Duplicate claims: The claim has already been lodged;
- Locus standi: The person who lodged the claim is not lawfully authorised to represent the injured, or claimant; and
- Indigence: The claimant could not prove that they were reliant on the deceased in terms of loss of support.

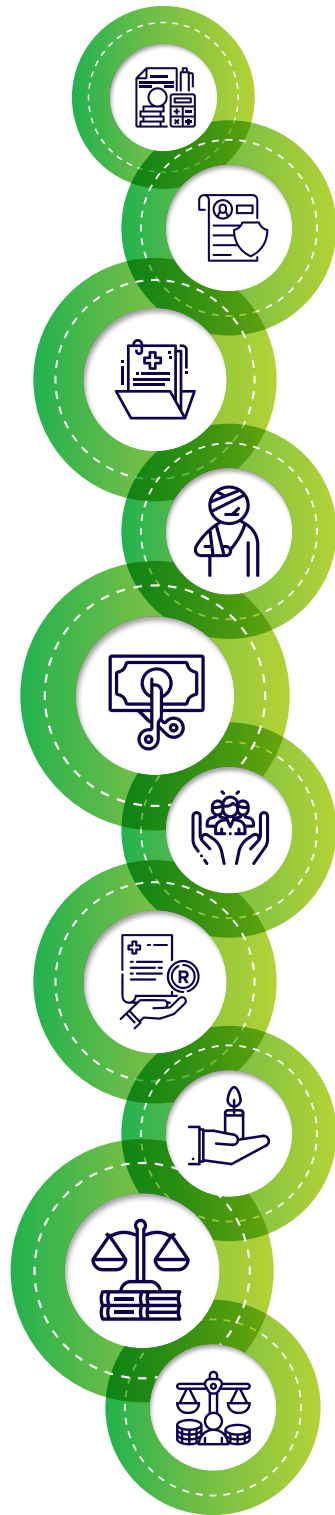
### CLAIMS CATEGORIES AND AVERAGES

Individual claims requested for payments/settlements per claims category:

Claim-/pay-/settlements	Ref	Units (Rounded)	31 March 2020	31 March 2019	31 March 2018	31 March 2017	31 March 2016
<b>All claims</b>	<b>1.</b>	<b>R'million</b>	<b>44,000</b>	<b>42,600</b>	<b>34,600</b>	<b>31,000</b>	<b>33,000</b>
Average value per claim		Rand	138,010	114,008	111,072	117,059	143,127
Total individual claim pay-/settlements		Number	318,576	374,036	311,004	261,843	230,936
<b>Personal claims</b>	<b>2.</b>	<b>R'million</b>	<b>42,100</b>	<b>40,400</b>	<b>33,200</b>	<b>30,000</b>	<b>32,300</b>
Average value per claim		Rand	279,950	266,762	235,716	219,047	271,793
Total individual claim pay-/settlements		Number	150,370	151,580	140,694	135,331	119,068
<b>Supplier claims</b>	<b>3.</b>	<b>R'million</b>	<b>1,900</b>	<b>2,200</b>	<b>1,400</b>	<b>1,000</b>	<b>700</b>
Average value per claim		Rand	11,120	9,922	8,103	7,962	6,179
Total individual claim pay-/settlements		Number	168,206	222,456	170,310	126,512	111,868

Claim-/pay-/settlements	Ref	Units (Rounded)	31 March 2020	31 March 2019	31 March 2018	31 March 2017	31 March 2016
<b>Claim-/pay-/settlements per heads of damage</b>							
<b>General damages</b>	4.	R'million	9,400	9,200	8,500	7,600	8,700
Average value per claim		Rand	482,291	462,130	429,486	390,005	385,673
Total individual claim pay-/settlements		Number	19,588	19,947	19,705	19,541	22,494
<b>Loss of earnings</b>	5.	R'million	17,200	15,900	12,300	10,800	13,300
Average value per claim		Rand	826,007	767,506	691,459	645,832	739,214
Total individual claim pay-/settlements		Number	20,791	20,702	17,787	16,663	17,926
<b>Loss of support</b>	6.	R'million	3,000	3,500	3,000	2,700	3,100
Average value per claim		Rand	450,307	412,464	417,281	368,165	379,702
Total individual claim pay-/settlements		Number	6,698	8,415	7,235	7,367	8,077
<b>Medical compensation</b>	7.	R'million	3,400	3,600	1,900	2,100	1,200
Average value per claim		Rand	18,568	15,392	10,621	15,030	10,447
Total individual claim pay-/settlements		Number	180,443	234,146	174,106	137,740	116,380
<b>Funeral costs</b>	8.	R'million	160	160	140	130	120
Average value per claim		Rand	18,521	18,117	16,374	15,264	13,732
Total individual claim pay-/settlements		Number	8,495	8,945	8,635	8,795	8,626
<b>RAF's legal and other costs</b>	9.	R'million	4,500	4,600	3,800	3,500	2,700
Average value per claim		Rand	38,048	37,974	32,613	30,995	28,476
Total individual claim pay-/settlements		Number	119,178	120,615	117,028	113,688	96,294
<b>Claimant's legal and other costs</b>	10.	R'million	6,300	5,700	5,000	4,400	3,900
Average value per claim		Rand	176,463	154,774	139,282	133,313	120,385
Total individual claim pay-/settlements		Number	35,630	36,950	35,579	32,647	33,084

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



## Definitions

### 1. All claim payments

All claims settled, requested and paid by the RAF.

### 2. Personal claims

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

### 3. Supplier claims

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

### 4. General damages

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

### 5. Loss of earnings

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

### 6. Loss of support

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

### 7. Medical compensation

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

### 8. Funeral costs

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

### 9. RAF’s legal and other costs

The RAF’s legal and other costs are expenses paid to experts and the panel of attorneys who represent the RAF in legal cases against the organisation.

### 10. Claimants’ legal and other costs

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

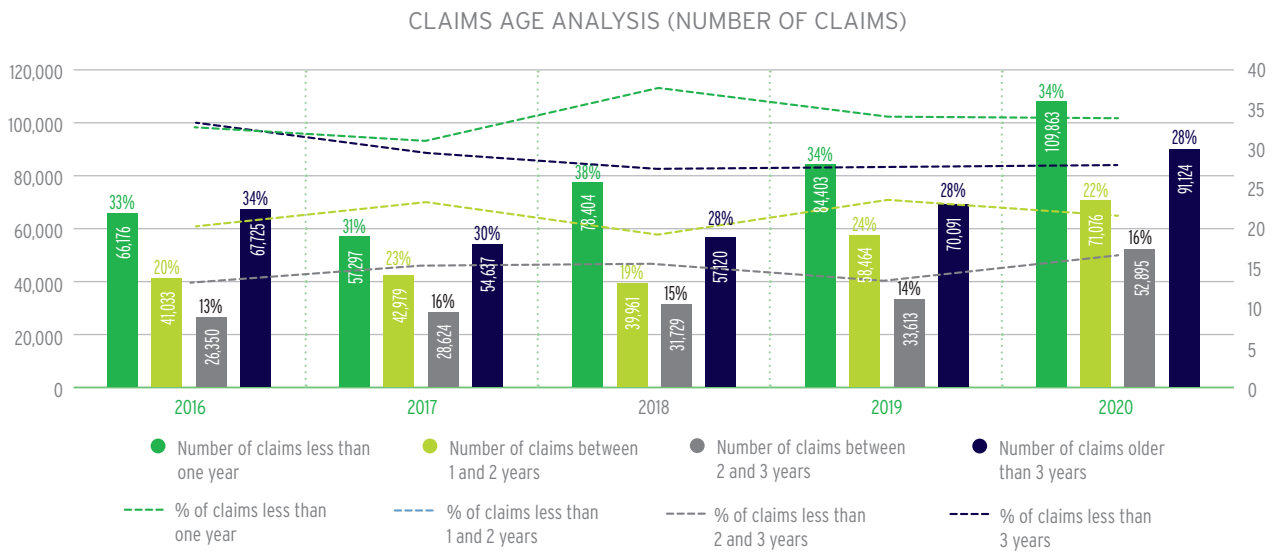


### Age analysis of claims

Claims aged less than one year stabilised at 34% in 2020 compared to the previous financial year. The age analysis of older claims can be ascribed to remaining cash constraints, together with complications faced when claims that require extensive expert opinion and time in court are litigated (Graph 5).

**GRAPH 5: Age analysis of claims in number and percentage**

Number of total outstanding claims and financial year



### 3 STATEMENT OF FINANCIAL POSITION

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

	31 March 2020	31 March 2019	31 March 2018	31 March 2017	31 March 2016
	R'million	R'million	R'million	R'million	R'million
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	1,351	908	1,567	1,652	2,044
Receivables from non-exchange transactions	8,852	9,851	7,824	7,156	7,362
Receivables from exchange transactions	3	6	6	7	10
Other financial assets	198	176	160	161	147
Consumable stock	5	6	6	6	6
	<b>10,409</b>	<b>10,947</b>	<b>9,563</b>	<b>8,982</b>	<b>9,569</b>
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	189	206	192	178	201
Intangible assets	59	66	51	38	26
	<b>248</b>	<b>272</b>	<b>243</b>	<b>216</b>	<b>227</b>
<b>TOTAL ASSETS</b>	<b>10,657</b>	<b>11,219</b>	<b>9,806</b>	<b>9,198</b>	<b>9,796</b>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Payables from exchange transactions	117	210	250	229	194
Other financial liabilities	31	52	208	41	47
Claims liabilities	59,585	40,624	38,268	34,180	46,506
Other provision	1,548	1,092	314	849	739
Operating lease liability	1	2	5	-	-
	<b>61,282</b>	<b>41,980</b>	<b>39,045</b>	<b>35,299</b>	<b>47,486</b>
<b>NON-CURRENT LIABILITIES</b>					
Claims liabilities	271,055	231,290	177,034	153,826	107,501
Employee benefit obligation	53	63	66	58	54
Operating lease liability	2	1	2	8	7
	<b>271,110</b>	<b>231,354</b>	<b>177,102</b>	<b>153,892</b>	<b>107,562</b>
<b>TOTAL LIABILITIES</b>	<b>332,391</b>	<b>273,334</b>	<b>216,147</b>	<b>189,191</b>	<b>155,048</b>
<b>NET LIABILITIES</b>	<b>(321,735)</b>	<b>(262,115)</b>	<b>(206,341)</b>	<b>(179,993)</b>	<b>(145,252)</b>
<b>Reserves</b>					
Revaluation reserve	98	93	88	84	83
Accumulated deficit	(321,833)	(262,208)	(206,429)	(180,077)	(145,335)
<b>TOTAL NET LIABILITIES</b>	<b>(321,735)</b>	<b>(262,115)</b>	<b>(206,341)</b>	<b>(179,993)</b>	<b>(145,252)</b>

## 4 STATEMENT OF FINANCIAL PERFORMANCE

	31 March 2020	31 March 2019	31 March 2018	31 March 2017	31 March 2016
	R'million	R'million	R'million	R'million	R'million
<b>REVENUE</b>					
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>					
- Investment revenue and other income	63	100	90	112	93
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>					
- Net fuel levies	41,178	43,139	37,251	33,230	33,113
<b>TOTAL REVENUE</b>	<b>41,241</b>	<b>43,239</b>	<b>37,341</b>	<b>33,342</b>	<b>33,206</b>
<b>EXPENDITURE:</b>					
- Claims expenditure (excluding net increase in the liability for Outstanding Claims Reported (OCR) and Incurred but Not Reported (IBNR))	(43,165)	(41,963)	(34,595)	(29,836)	(32,324)
- Depreciation and amortisation	(52)	(51)	(41)	(43)	(47)
- Employee costs	(1,753)	(1,735)	(1,605)	(1,435)	(1,280)
- Finance costs	(237)	(291)	(224)	(209)	(151)
- Reinsurance premiums	(24)	(22)	(21)	(22)	(22)
- Loss on disposal of assets and liabilities	(1)	(1)	(1)	-	-
- General expenses	(534)	(515)	(454)	(420)	(398)
<b>TOTAL EXPENDITURE</b>	<b>(45,766)</b>	<b>(44,578)</b>	<b>(36,941)</b>	<b>(31,965)</b>	<b>(34,222)</b>
<b>(DEFICIT)/SURPLUS BEFORE NET INCREASE IN THE LIABILITY FOR OCR AND IBNR</b>	<b>(4,525)</b>	<b>(1,338)</b>	<b>400</b>	<b>1,377</b>	<b>(1,016)</b>
Net increase in the liability for OCR and IBNR	(55,099)	(54,442)	(26,751)	(36,119)	(33,942)
<b>DEFICIT FOR THE YEAR</b>	<b>(59,624)</b>	<b>(55,780)</b>	<b>(26,351)</b>	<b>(34,742)</b>	<b>(34,958)</b>

## 5 CASH FLOW STATEMENT

	31 March 2020	31 March 2019	31 March 2018	31 March 2017	31 March 2016
	R'million	R'million	R'million	R'million	R'million
Net cash flows from operating activities	467	(585)	(19)	(362)	1,034
Cash flows from investing activities	(24)	(75)	(66)	(30)	(38)
Increase/(decrease) in cash and cash equivalents	443	(659)	(85)	(392)	996
Cash and cash equivalents at the beginning of the year	908	1,567	1,652	2,044	1,048
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>1,351</b>	<b>908</b>	<b>1,567</b>	<b>1,652</b>	<b>2,044</b>

## 6 FINANCIAL RATIOS

	Ref	Units	31 March 2020	31 March 2019	31 March 2018	31 March 2017	31 March 2016
<b>PROFITABILITY</b>							
(Deficit)/surplus to revenue	1	%	(145%)	(129%)	(71%)	(104%)	(105%)
Operating (deficit)/surplus to revenue	2	%	(11%)	(3%)	1%	(4%)	(3%)
Return on average equity	3	%	(20%)	(24%)	(14%)	(21%)	(27%)
Return on average total assets	4	%	(545%)	(531%)	(277%)	(366%)	(407%)
Cost-to-income ratio	5	%	30%	29%	28%	29%	23%
<b>LIQUIDITY</b>							
Cash-to-claims-cover ratio	6	Months	0.38	0.26	0.54	0.66	0.76
Current ratio	7	Ratio	0.17	0.26	0.24	0.25	0.20
Net working capital	8	R'm	(50,873)	(31,033)	(29,482)	(26,316)	(37,917)
Net working capital, (excluding net increase in the liability for OCR and IBNR)	9	R'm	8,712	9,591	8,786	7,864	8,589
<b>SOLVENCY</b>							
Total assets to total liabilities	10	%	3%	4%	5%	5%	6%

## Definitions

### 1. (Deficit)/surplus to revenue

Total deficit or surplus as a percentage of revenue.

### 2. Operating (deficit)/surplus to revenue

Total deficit or surplus before liability for outstanding claims as a percentage of revenue.

### 3. Return on average equity

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

### 4. Return on average total assets

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

### 5. Cost-to-income ratio

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

### 6. Cash-to-claims-cover ratio

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

### 7. Current ratio

Total current assets divided by total current liabilities.

### 8. Net working capital

Current assets minus current liabilities.

### 9. Net working capital (excluding current portion of claims liability)

Current assets minus current liabilities (excluding current portion of claims liability).

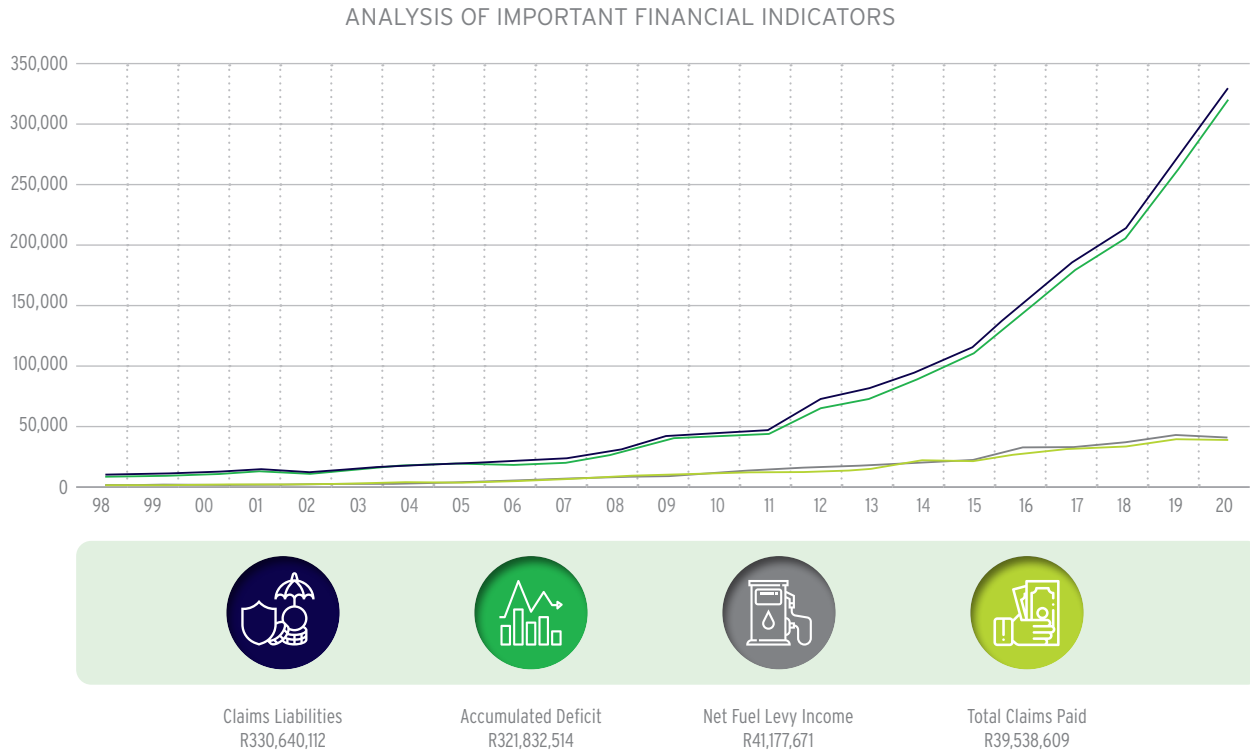
### 10. Total assets to total liabilities

Total assets as a percentage of total liabilities.

# 7 FINANCIAL POSITION

**GRAPH 6: The widening gap between income and deficit**

R'million and indicators



## 8 FINANCIAL HEALTH

### 8.1 PROFITABILITY

The RAF recorded a deficit of R59.62 billion for the 2019/20 financial year (2018/19: R55.78 billion) (Graph 7). This was largely due to the net increase in the liability for OCR and IBNR of R55.09 billion (2018/19: R54.44 billion).

Higher claims expenditure (paid portion) as a result of continuous efforts to reduce the number of outstanding claims, together with an increase in the accrual for claims RNYP at the time of reporting because of cash constraints, far exceeded the revenue received from fuel levies of R41.18 billion (2018/19: R43.14 billion).

Cash and cash equivalents at 31 March 2020 were R1.35 billion (31 March 2019: R908 million). The higher amount of cash and cash equivalents at 31 March 2020 was due to a shorter payment period in March 2020 as a result of the COVID-19 lockdown. High volumes of claims payouts were processed towards the financial year-end, considering that the actual fuel levy is received approximately one week before the end of the month.

### 8.2 SOLVENCY AND CAPITALISATION

The RAF remains severely under-capitalised, with liabilities exceeding assets by R321.7 billion (2018/19: R262.1 billion) (Graph 8). The solvency ratio of the RAF is 0.03:1 (current ratio: 0.17:1). This provides a clear perspective of how unsustainable the current compensation system is in that the RAF has only 3 cents (current ratio: 17 cents) worth of assets for every R1 of its liabilities.

Hence, the RAF does not have sufficient cash or near-cash assets to cover its short-term liabilities. Similar organisations to the RAF elsewhere in the world have, as part of their major assets, investments that cover more than 100% of their full outstanding liability.

The RAF Fuel Levy increased by 5 c/l to 198 cents per litre in the 2019/20 financial year and stood at 193 c/l during the 2018/19 financial year. In view of a fuel levy that is totally disproportionate compared to its liabilities, the RAF implemented measures to address cash demands through the execution of a well-founded Cash Management Strategy, which is aimed at sustaining payments to all its creditors. Similarly, as during the previous financial years, claims creditors had to wait for payments in accordance with payment schedules strictly enforced and adhered to by the RAF.

Efforts to secure additional funding for the RAF are ongoing. The RAF's liquidity challenges are known and discussed at high level between the RAF and all relevant stakeholders, i.e. the PCoT, the DoT, the NT, SARS, the Department of Health (DoH), the Department of Justice (DoJ), the Prudential Authority (PA) and the AGSA. Other stakeholders were informed of the RAF's financial position through meetings, communication, media releases and the Call Centre.

The current compensation system, with a R331 billion unfunded claims liability, is completely unsustainable.

Regardless of increases in the RAF Fuel Levy of 5 c/l (3%) in 2019/20 and 30 c/l (18%) during 2018/19, the income required by the RAF for sustained settlement of claims and the RAF Fuel Levy determined by the NT, inclusive of annual inflationary adjustments, are clearly not feasible.

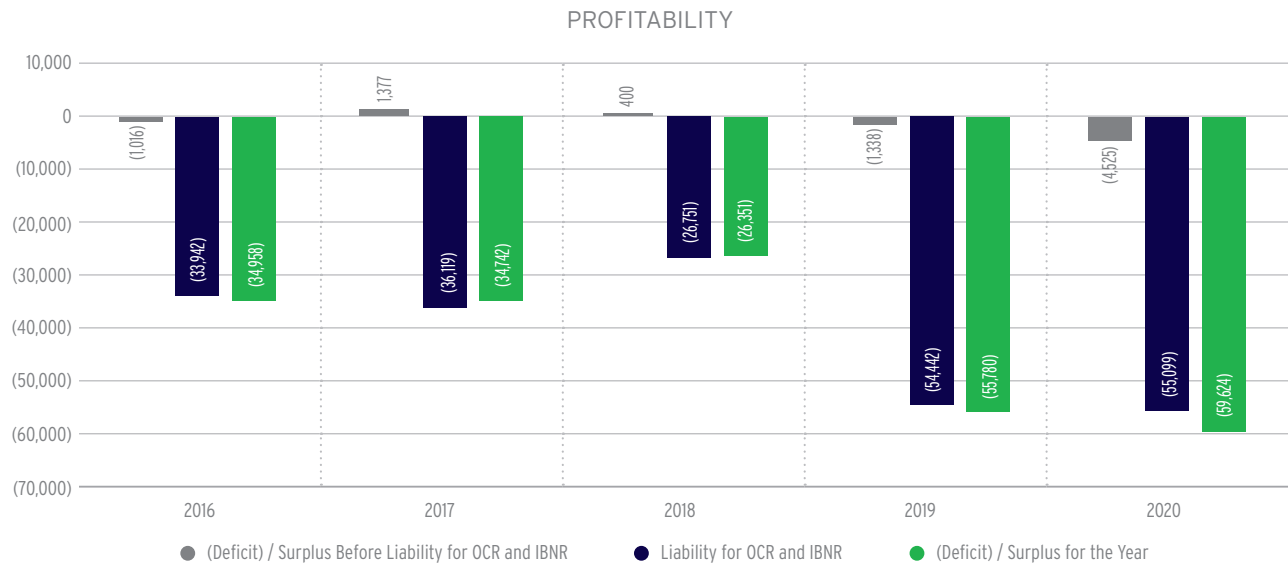
Total assets are higher, mainly because of receivables from non-exchange transactions (RAF Fuel Levy). Total liabilities were higher, attributable to a combination of the increase in the claims liability and an increase in claims RNYP.

Overall, the net deficit has increased substantially compared to the previous reporting period. The RAF had an operational deficit of R4.5 billion for 2019/20 (2018/19: R1.3 billion deficit) prior to the net increase in the liability for OCR and IBNR being considered.

# PERFORMANCE INFORMATION

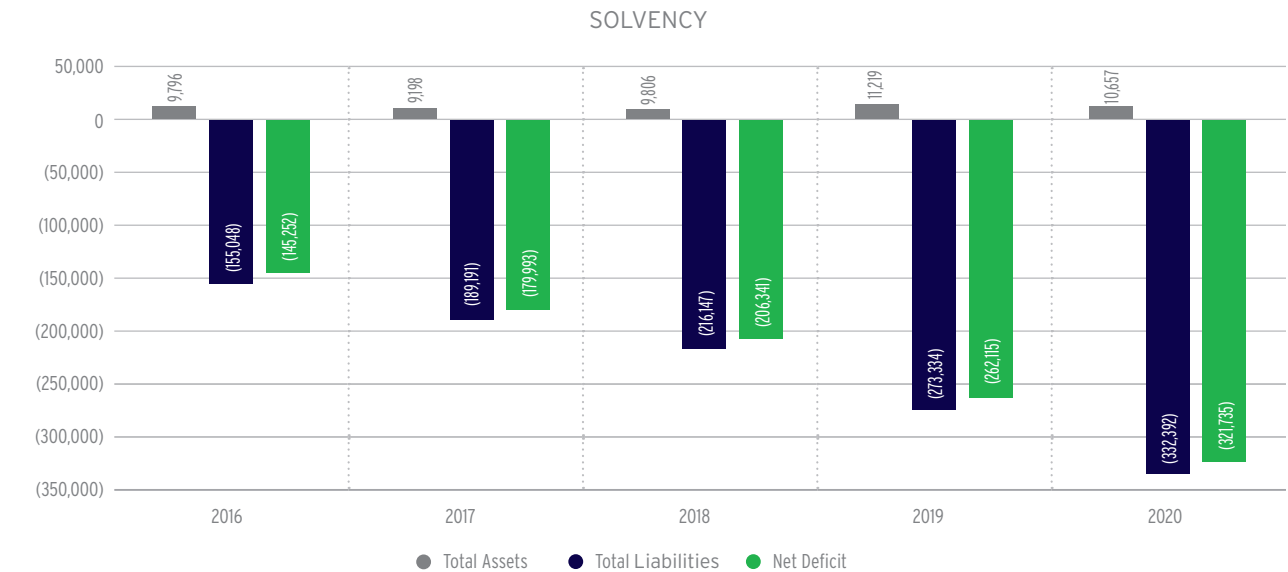
**GRAPH 7: Profitability of the RAF**

R'million and financial year



**GRAPH 8: Solvency of the RAF**

R'million and financial year





The operational deficit can mainly be ascribed to the following factors:

Total revenue of R41.24 billion, mainly as result of a R1.96 billion decrease in the RAF's revenue from fuel levies (net of diesel refund), can be broken down to 198 c/l. The RAF Fuel Levy income during a financial year is impacted by total fuel volumes (petrol and diesel) consumed, which increased by 3% during the financial year. A trend from prior years has, however, been observed in accordance with which total volumes for petrol are on the decline, whereas total volumes for diesel are on the increase. The RAF Fuel Levy income is further impacted by diesel refund recoupments from gross fuel levies. During the financial year, diesel refunds increased in terms of percentage of gross fuel levies to 10% from 7% in the previous financial year.

Total operational expenditure (excluding the net increase in the liability for OCR and IBNR) was R45.77 billion, of which claims expenditure increased by R1.2 billion year-on-year. This was driven by a 1% decrease in claims paid, but a net increase in the RNYP component of claims expenditure for the financial year following existing cash constraints. The above resulted from lower income from fuel levies and consistent

productivity in the claims operational environment during the year under review. Claims expenditure (excluding the net increase in the liability for OCR and IBNR) contributed to 94% of total expenditure, employee costs of 4% and administrative expenditure of 2%.

### 8.3 LIQUIDITY AND CASH HOLDINGS

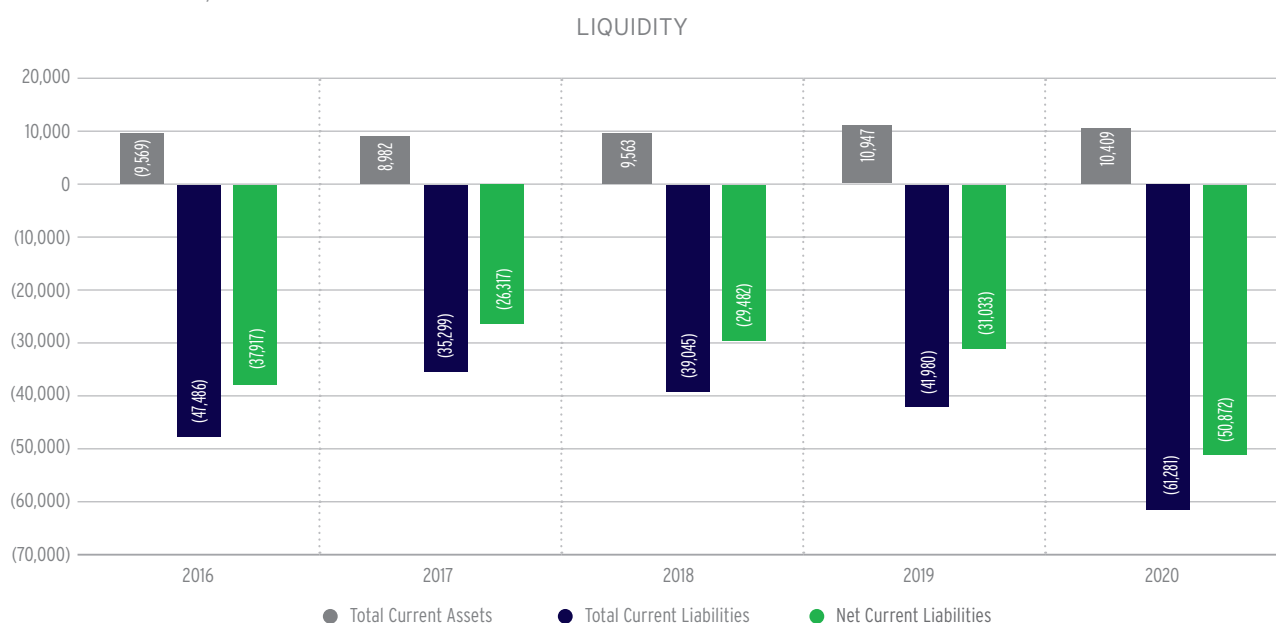
As at 31 March 2020, current liabilities of the RAF exceeded current assets by R50.9 billion (2018/19: R31 billion) (Graph 9).

Liquidity is managed daily in line with available cash reserves in accordance with the approved Cash Management Strategy.

Compliance is strictly adhered to and communicated to stakeholders. The NT has granted the RAF multi-year approval for the retention of cash and cash equivalents at financial year-end for payment of claims. From the graphs below, it is evident that the RAF's liquidity position is unsustainable. For the period ended 31 March 2020, the cash balance stood at R1.35 billion, as all available resources were utilised to pay claims. (The ideal scenario is to have sufficient cash resources to pay claims for at least two months in advance).

**GRAPH 9: Liquidity of the RAF**

R'million and financial year

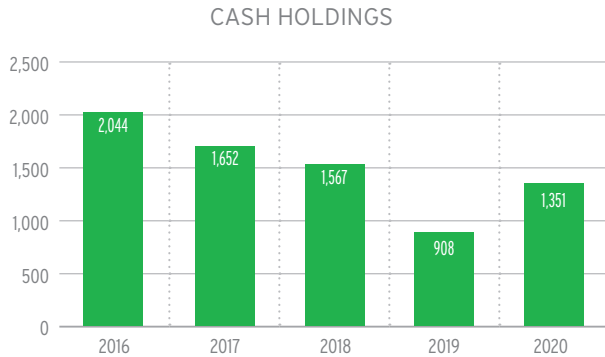


# PERFORMANCE INFORMATION

The balance partially reflects the RAF Fuel Levy that was received on 24 March 2020. The cash balance, short-term in nature, would therefore be applied to fund RAF operations in the first month of the new financial year, i.e. April 2020 (Graph 10).

**GRAPH 10: Cash holdings of the RAF**

R'million and financial year

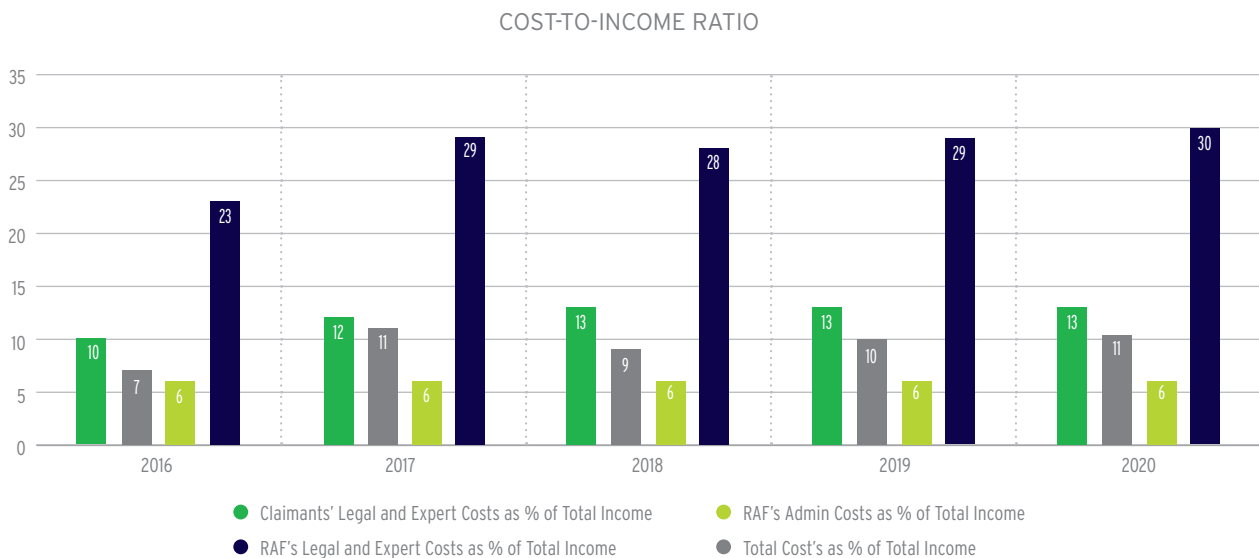


## 8.4 COST OF SERVICE DELIVERY

The cost-to-income ratio for the financial year was 30% (2018/19: 29%). Administration costs stabilised at 6%

**GRAPH 11: Cost-to-income ratio**

Percentage and financial year



(2018/19: 6%); RAF legal and expert costs increased to 11% (2018/19: 10%), and claimants' legal and expert costs remained at 13% compared to the 2018/19 financial year (Graph 11). Costs of administering the RAF are contained in line with the RAF's focus on cost-reduction measures to improve efficiencies. However, the current liquidity constraints have seen legal and finance costs spiralling, thus limiting the availability of funds for the payment of compensation.

Cost savings, in addition to those considered advisable by the NT, remained a daily imperative. Delayed spending, underspending and delays in the SCM processes further yielded real savings during the year. Any funding not utilised for general expenditure was further channelled to the settlement of claims. Initiatives were explored on an ongoing basis in the Operations Department to reduce costs, or ensure a more efficient approach to the processing of claims.

As part of the RAF's commitment to combat fraud and corruption, both in- and outside of the institution, its Forensics Policy was designed to expose, curtail and deter activities that could result in waste and mismanagement of resources.

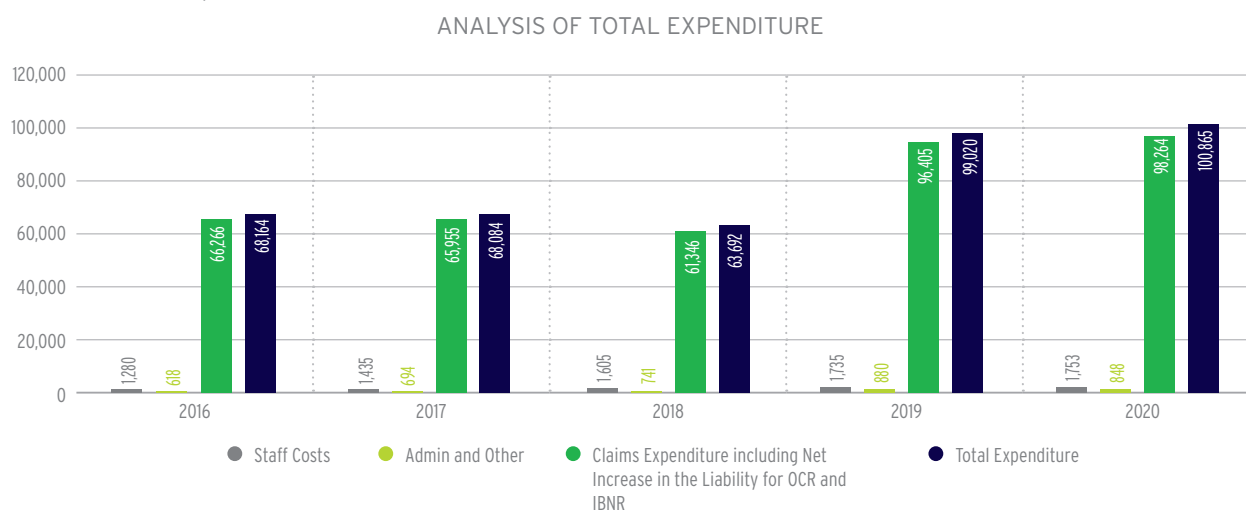
Internal measures, such as enhancements to operational claims systems and processes have generated cost reductions in some areas.

## 8.5 TOTAL EXPENDITURE

Total RAF expenditure (including the net increase in the liability for OCR and IBNR) increased by 2% to R100.87 billion (2018/19: R99.02 billion) (Graph 12).

**GRAPH 12: Expenditure**

R'million and financial year



## 8.6 EMPLOYEE COSTS

Employee costs as at 31 March 2020 were 1% higher at R1.75 billion compared to the previous reporting period (2018/19: R1.74 billion). The increase was owing to annual salary increases and pay progression payments in accordance with the Pay Progression Policy that was introduced in the 2017/18 financial year for employees at various levels, as well as inflationary increases in other employee-related costs. However, the Fund did not pay or approve performance bonuses for the 2019/20 financial year.

The permanent staff complement also increased by 0.47% to 2,789 from 2,776 in the previous financial year.

## 8.7 ADMINISTRATION AND OTHER COSTS

Total administration and other costs (including finance costs) at R848 million decreased by 4% compared to R879 million over the corresponding period in the 2018/19 financial year. The variance was mainly due to a decrease in claims-related finance costs of R237 million

compared to a peak of R291 million at the end of the previous financial year. Claims-related finance costs increased significantly over the past financial years due to interest claimed by service providers on delayed claims payments following RAF liquidity constraints. When finance costs are excluded, the picture appears different. Therefore, administration costs (exclusive of finance costs) were R611 million and 4% more compared to the R588 million in the 2018/19 financial year.

## 8.8 TOTAL CLAIMS EXPENDITURE AND GROWTH IN THE CLAIMS LIABILITY

At R98.26 billion, total claims expenditure (inclusive of the net increase in the liability for OCR and IBNR) for the reporting period was 1.9% more compared to the corresponding period in the previous financial year (2018/19: R96.40 billion).

There was a 3% increase in claims expenditure (excluding the net increase in the liability for OCR and IBNR), being R43.1 billion compared to R41.9 billion in the previous financial year.

## PERFORMANCE INFORMATION

This, together with a 22% growth in the claims liability over the previous financial year, is explained below.

### 8.9 HIGHER CLAIMS PROCESSING AND PAYMENT AMOUNTS

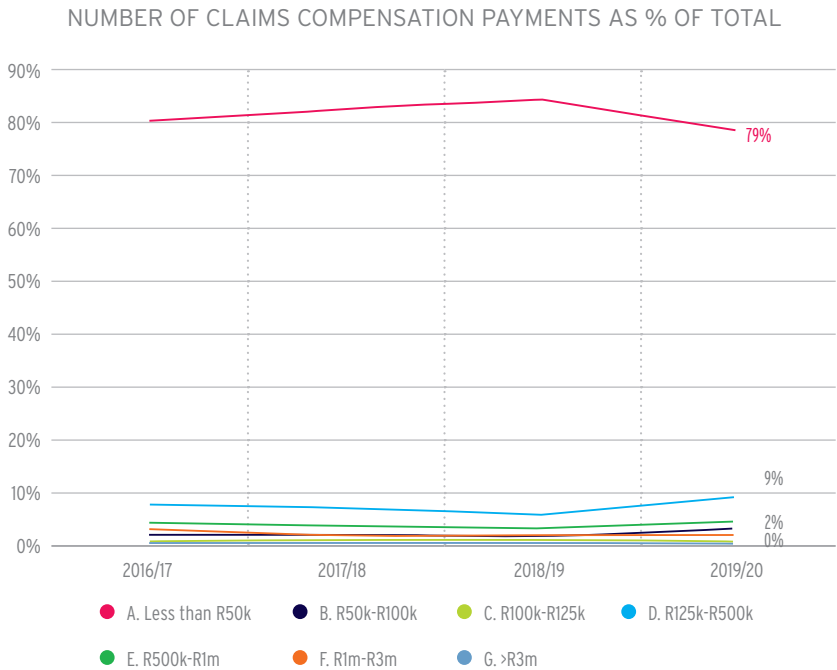
Claims expenditure (excluding the net increase in the liability for OCR and IBNR) for the year was 3% more than in the 2018/19 financial year. The upward trend in claims expenditure was the result of an amount of R39.5 billion paid together with a net increase of R3.6 billion in claims RNYP at financial year-end. As at 31 March 2020, R14.9 billion worth of claims were processed, but were awaiting payment, compared to R11.2 billion in the 2018/19 financial year. The aforementioned can be ascribed to improved productivity within claims handling processes.

### 8.10 CHANGE IN THE COMPOSITION OF THE CLAIMS EXPENDITURE

The increase in the claims liability during the 2019/20 financial year was mainly driven by an 18% increase in the OCR for personal claims and a 28% increase in the liability for IBNR when compared to the liability for outstanding claims in the 2018/19 financial year. The increase in the OCR was due to an increase in the number of reported claims, with a higher proportion of claims settled in respect of compensation for loss of earnings and general damages. The increase in claims IBNR was driven by the increasing trend in the number of claims reported each quarter. The total value of the liability for OCR and IBNR arising from the statutory actuarial valuation performed for the 2019/20 financial year increased to

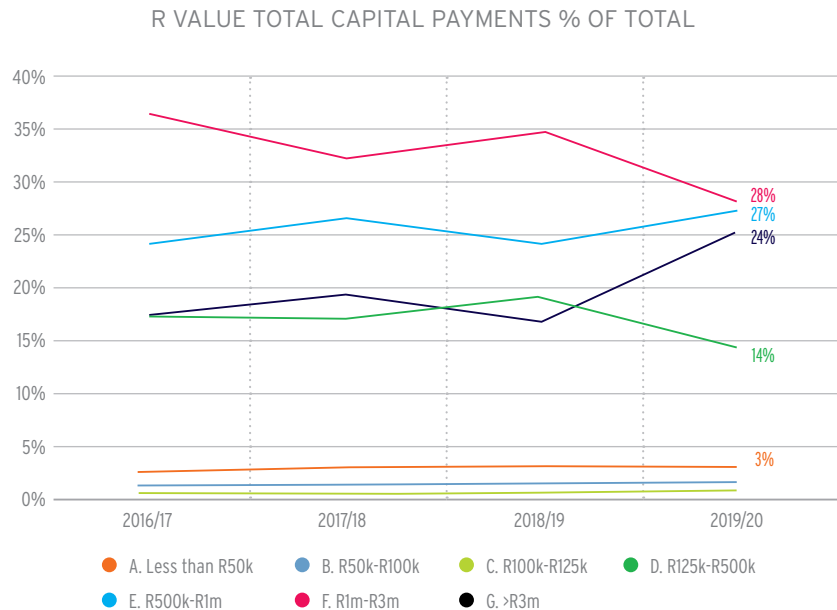
**GRAPH 13: Number of capital claims as a % of compensation payments**

Percentage and financial year



**GRAPH 14: Rand value of capital claims payments as a % of total**

Percentage and financial year



R315.78 billion from R260.7 billion at the end of the previous financial year. (The liability for OCR and IBNR is further elaborated on in Note 12 - Claims Liabilities - in the Annual Financial Statements).

At an individual claim level, almost 79% of the total number of capital payments was for claims of less than R50,000 in value, but this represented only 3% of the overall spend (Graphs 13 and 14).

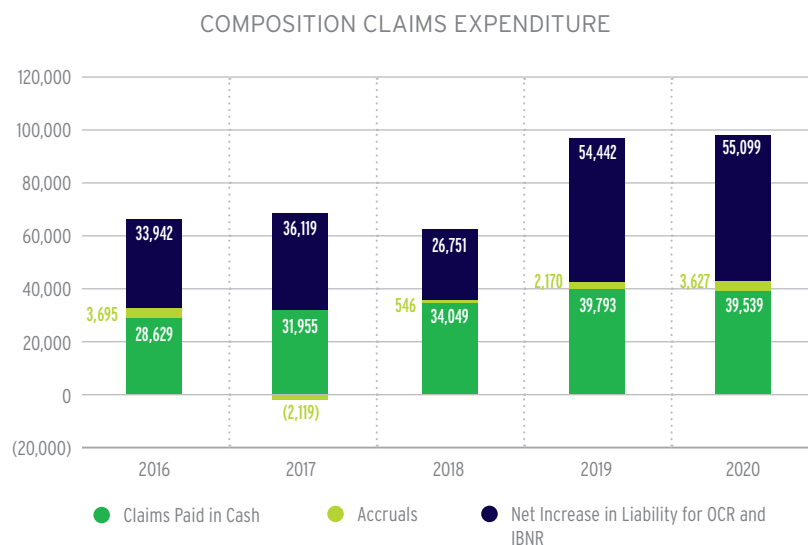
Notwithstanding the 3% increase in claims expenditure (excluding the increase in the liability for OCR and IBNR), higher as well as lower average claims values were experienced in some categories of claims due to increased movement towards higher cost claims, together with higher-than-inflation increases in tariffs, costs and compensation. These factors also influenced the R55.10 billion increase in the liability for OCR and IBNR at financial year-end (2018/19: R54.44 billion) (Graph 15).

### 8.11 CONTINGENCY FEES

It is estimated that as much as 27% (29% incl. VAT) of all claims disbursements (excluding direct claims) processed by the RAF are paid to attorneys as opposed to claimants; that, while contingency fees should not exceed 25%. The RAF remains convinced that the current legislative model is wasteful, with the cost of service delivery being disproportionately high in relation to the compensation paid and the RAF Fuel Levy received (Graph 16).

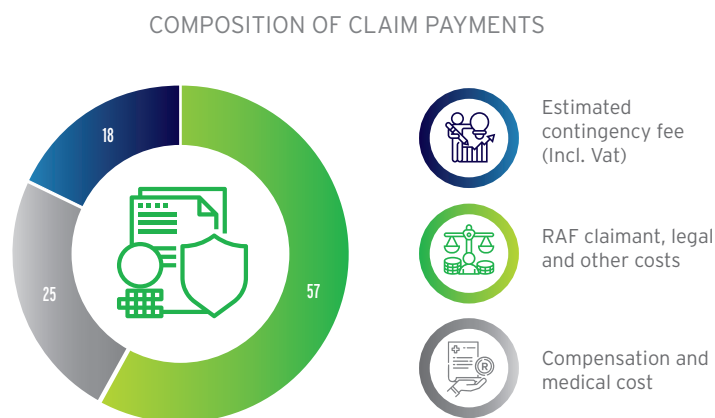
**GRAPH 15: Composition of claims expenditure**

R'million and financial year



**GRAPH 16: Composition of claim payments including estimated contingency fees**

Percentage



## 8.12 COMPOSITION OF CLAIMS PAID

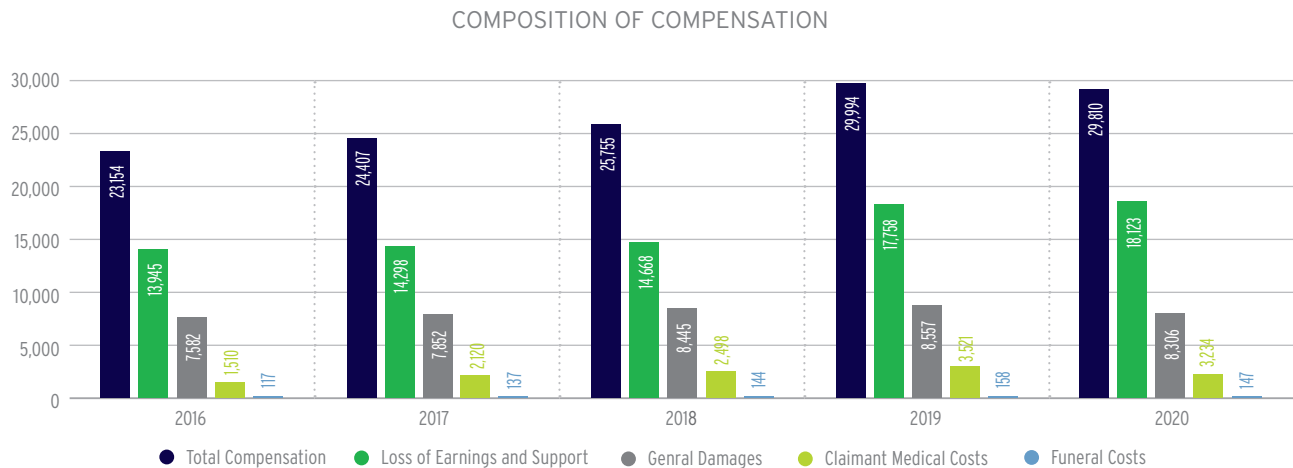
For accidents that occurred after 1 August 2008, general damages are only paid if a serious injury has been sustained, which is in line with the RAF Amendment Act. The composition of the compensation portion of claims (Graph 17), however, indicates that a major component of claims paid is in respect of general damages and loss of amenities of life, as opposed to medical and funeral costs. From a total of almost R30 billion in compensation paid during the 2019/20 financial year, R8.3 billion (2018/19: R8.6 billion) was paid out towards general damages. This represents 28% (2018/19: 29%) of total compensation paid. General damages claims have stabilised in proportion to total payouts.

Medical payments (including undertaking payments) at a total of R3.2 billion (2018/19: R3.5 billion) represented 11% (2018/19: 12%) of total compensation paid.

Loss-of-earnings and loss-of-support payments of R18.1 billion (2018/19: R17.8 billion) represented 61% (2018/19: 59%) of total compensation paid, and funeral costs at R147 million (2018/19: R158 million) represented 0.5% (2018/19: 0.5%) of total compensation paid by the RAF.

**GRAPH 17: Composition of compensation**

R'million and financial year



## 8.13 UNDERTAKINGS

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

(4) Where a claim for compensation under subsection (1) -

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

Included in medical cost payments is the cost pertaining to certificates issued to claimants by the RAF to cover future medical treatments, known as “undertakings”. The RAF compensates claimants for caregiving services rendered by caregivers monthly.

An undertaking is regarded as active if a claim is made against it during the year. The total number of undertaking certificates issued is reflected in the table below.

	2020	2019	2018	2017	2016
Total number of undertaking certificates issued	206,463	199,313	191,392	182,563	167,582
Number of active undertakings	10,729	9,013	6,853	7,192	5,476
% active undertakings of total undertakings	5.20%	4.5%	3.6%	3.9%	3.3%
Amount Paid (R'000)	R935,540	R829,043	R637,330	R528,507	R375,830

The number of active undertakings in respect of which payments were made averaged at  $\pm 4.1\%$  of all undertakings issued over a period of five financial years. This is in line with the nature of the instrument issued, since most injuries arising from motor vehicle accidents heal and do not represent chronic illnesses. In keeping with the need to provide support to road crash victims, the total number of active undertakings is viewed in a positive light.

Payments in respect of all undertakings issued for the 2019/20 financial year amounted to R936 million.

## 8.14 FOREIGN CLAIMS

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

With the promulgation of the RAF Amendment Act, loss-of-earnings and loss-of-support payments to foreigners have been capped at R160,000 per annum, adjusted for inflation

on a quarterly basis since August 2008. As a result, the cap at financial year-end was R289,957 as at 31 March 2020. (This amount will increase to R294,300 with effect from 30 April 2020).

As at 31 March 2020, 10% (2018/19: 11%) of the value of the estimated liability of claims in excess of R5 million comprised claims by foreign nationals (Graph 18). It is important to note, however, that the actual claimed amounts can exceed the estimated value of the claim.

**GRAPH 18: Estimated outstanding liability for claims >R5 million**  
Percentage

ESTIMATED OUTSTANDING LIABILITY AS AT  
31 MARCH 2020 FOR CLAIMS IN EXCESS OF R5 MILLION

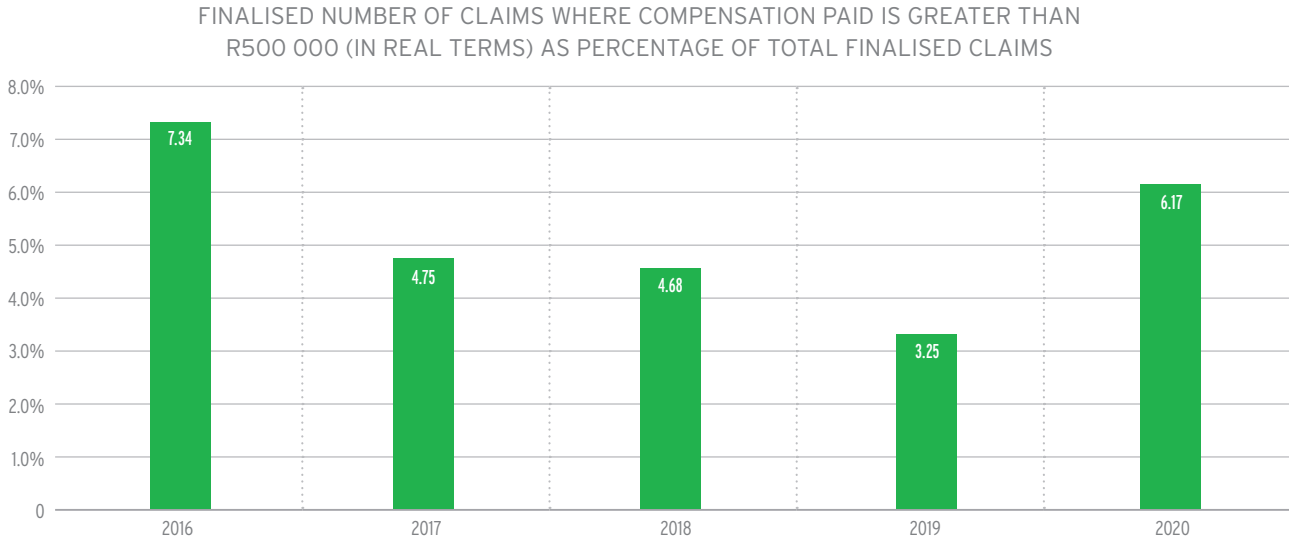


## 8.15 HIGH-VALUE CLAIMS

Although the number of high-value claims (claims where compensation paid is greater than R500,000), as a percentage of the total claims finalised, increased during the year, these claims represented a relatively small proportion of total claims finalised, i.e. 6.17% of the total number finalised (2018/19: 3.25%) (Graph 19).

**GRAPH 19: Number of claims compensated >R500,000 as a % of total claims finalised**

Percentage and financial year





## 9

## KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

### 9.1 POLICY DEVELOPMENT

- The enactment of the Protection of Personal Information Act, 2013 (Act No. 4 of 2013) (POPI) has resulted in major changes to many RAF policies and will greatly affect the way in which the RAF processes personal information.
- The Use of Official Languages Act, 2012 (Act No.12 of 2012) continues to affect operations in terms of rendering service to stakeholders in their preferred official languages. This has resulted in the RAF developing a Language Policy and establishing a fully functional Language Unit to achieve the legislative requirements of the Act.
- The RAF does a periodic review of its compliance in respect of any Act, standard or best practice. To keep abreast of all developments, the organisation continually updates its legislative universe. It tracks legislative developments and monitors any regulatory changes to note, comply and/or effect the necessary changes to its day-to-day operations on an ongoing basis. The legislative changes affecting the RAF operations are monitored and necessary changes are effected continuously.

### 9.2 LEGISLATIVE CHANGES

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

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

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

*To keep abreast of all developments,...*

...the organisation continually updates its legislative universe.

*Operational  
inefficiencies...*

...will be enhanced through  
legislative amendments  
and regulations.

Parliament remedied the defect through the promulgation of the Road Accident Fund (Transitional Provisions) Act, 2012 (Act No. 15 of 2012) (the Transitional Act), which came into effect on 13 February 2013.

Claimants whose claims arose under the RAF Act, prior to it being amended by the Amendment Act, and whose claims were limited by the R25,000 passenger limitation section, and neither prescribed nor were finally determined by settlement or court order, had the option under the Transitional Act to, within a prescribed period, elect to have their claim determined under the RAF Act (prior to its amendment by the Amendment Act), or to have the claim determined in accordance with a transitional regime provided for in the Transitional Act.

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

### **9.3 ROAD ACCIDENT BENEFIT SCHEME BILL, [B 17B - 2017] (THE RABS BILL)**

The Road Accident Fund Commission (RAFC) completed its work in 2002, concluding that the current scheme of arrangement, being based on fault, insurance principles and common law, is inequitable, wasteful and open to abuse. The key change proposed by the RAFC was a move away from the insurance-based system of compensation to a system of defined and structured benefits paid on a no-fault basis.

Pursuant to the recommendations of the RAFC, Cabinet in 2011 approved a policy (the Policy) setting out the proposal for a new motor vehicle accident benefit scheme called the Road Accident Benefit Scheme (RABS), which was intended to replace the current motor vehicle accident compensation system administered by the RAF.

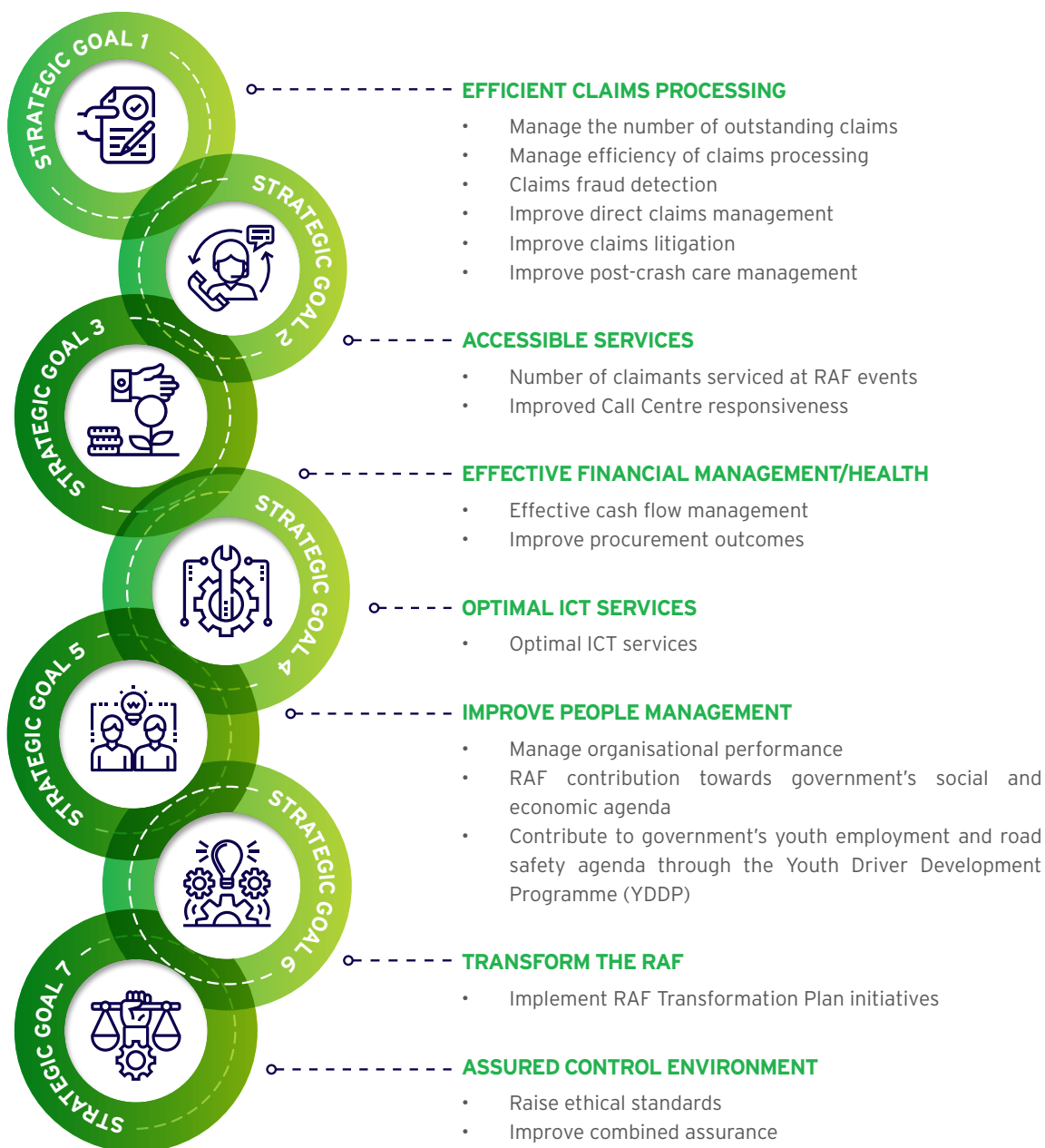
The RABS Bill was developed pursuant to the Policy and introduced in Parliament in 2017. The RABS Bill lapsed in 2018 during the transition between the 5th and the 6th Administration, but was revived in 2019 and is currently before the PCoT for further processing.

### **9.4 PROPOSED ROAD ACCIDENT FUND AMENDMENT BILL**

Notwithstanding the RAF amendments of 2005, there are still operational inefficiencies which can be enhanced through legislative amendments and regulations. The RAF will recommend to the Minister of Transport amendments to the RAF Act and Regulations to address specific operational inefficiencies.

10

## STRATEGIC OUTCOMES-ORIENTED GOALS 2015-2020



# PERFORMANCE INFORMATION

The actual outcomes are further detailed under “Performance Information by Objective” from pages 60 to 78 of this report.

The approved 2015-2020 Strategic Plan is anchored on seven strategic outcomes aimed at addressing the numerous challenges faced by the RAF.



## EFFICIENT CLAIMS PROCESSING

To optimise the processing of claims in the early stage of a claim and minimise unnecessary further complications with a claim.

### OUTCOME INDICATORS

- Manage the number of outstanding claims
- Manage efficiency of claims processing
- Claims fraud detection
- Improve direct claims management
- Improve claims litigation
- Improve post-crash care management



## ACCESSIBLE SERVICES

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

### OUTCOME INDICATORS

- Number of claimants serviced at RAF events
- Improved Call Centre responsiveness



## EFFECTIVE FINANCIAL MANAGEMENT/HEALTH

Increasing revenue, reducing costs and implementing other means to recapitalise the RAF.

### OUTCOME INDICATORS

- Effective cash flow management
- Improve procurement outcomes



### OPTIMAL ICT SERVICES

To create a solid foundation through developing and deploying IT solutions to increase the efficiency and effectiveness of systems and processes, as well as enterprise risk management capabilities.

#### OUTCOME INDICATORS

- Optimal ICT services



### IMPROVE PEOPLE MANAGEMENT

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

#### OUTCOME INDICATORS

- Manage organisational performance
- Contribution towards government's social and economic agenda
- Contribution towards government's youth employment and road safety agenda through the YDDP



### TRANSFORM THE RAF

To improve business capability by optimising processes and technology.

#### OUTCOME INDICATORS

- Implement RAF Transformation Plan initiatives



### ASSURED CONTROL ENVIRONMENT

Ensure compliance to standards and improve governance and accountability.

#### OUTCOME INDICATORS

- Raise ethical standards
- Increase percentage of fraud detected before undue payments are made
- Improve combined assurance

# 11 PERFORMANCE INFORMATION BY OBJECTIVE



## EFFICIENT CLAIMS PROCESSING

To optimise the processing of claims in the early stage of a claim and minimise unnecessary further complications with a claim.



### CONTRIBUTION TO THE ORGANISATION'S KEY STRATEGIC OUTCOMES

This strategic objective is aimed at optimising claims processing in the early stages of a claim, thus reducing the average time taken to settle and finalise claims and avoid lengthy litigation processes and legal-related costs. Further, it intends to rehabilitate road accident victims with the aim of re-integrating them into society.



### COMMENT ON ALL DEVIATIONS

Out of 10 planned initiatives, six were not achieved, namely:

- Improve number of personal claims with offers accepted;
- Improve personal claims processing turnaround time;
- Improve supplier claims processing turnaround time;
- Increase percentage of fraud detected before undue payments are made, based on the value by 10%;
- % increase in direct personal claims originated by 15%; and
- Reduce % of direct personal claims converted to represented by 10%.



## STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

### (a) Improve number of personal claims with offers accepted

The bulk of personal claims are made up of represented claims, of which the acceptance of offers in most instances has external dependencies, i.e. court trial dates. The RAF needs to increase the number of bulk settlements with plaintiff attorneys, which is contained in the 2020-2025 Strategic Plan. The RAF aims to strengthen relationships with plaintiff attorneys in order to settle the bulk of the matters out of court.

### (b) Improve personal claims processing turnaround time

The majority of claims in this category comprise of represented claims. This is mainly due to a litigious operating model which does not incentivise early settlements. In the 2020-2025 RAF Strategy, the Fund aims to strengthen relationships with plaintiff attorneys and promote early interactions with affected stakeholders to improve claims processing turnaround times, reduce costs and avoid court settlements.

### (c) Improve supplier claims processing turnaround time

This target was not achieved during Quarter 4 due to delays in the processing of supplier claims experienced from February 2020. Since the target is time-bound, once missed, recovery will not be achievable within the remaining months. The RAF will in the medium term digitise and automate claims processing, which will bring about a significant reduction in supplier claims processing turnaround times.

### (d) Increase percentage of fraud detected before undue payments are made, based on the value by 10%

The bulk of claims recommended for repudiation by the FID are claims with lower values, i.e. undertakings and caregiver payments. The number of these claims is higher, however, lower in value, hence the achievement of target 4 (increase number of fraud instances detected before undue payment). The implementation of the Integrated Claims Management System during the 2020/21 financial year will include system capabilities that will be able to detect the bulk of fraudulent claims.

### (e) % increase in direct personal claims originated by 15%

The new strategic focus is to improve claims processing turnaround times to less than 120 days in order to avoid legal-related costs. All resources will be allocated in ensuring quicker claims processing times of all claims lodged, thus ensuring that the RAF provides services to the public in an efficient and economical manner.

### (f) Reduce % of direct personal claims converted to represented by 10%

The number of conversions of direct claims are mainly driven by factors beyond the RAF's control. This is mainly due to collusion by stakeholders within the claims value chain. Efforts undertaken by the RAF during the past five years to encourage direct claiming and promote services offered by the RAF to communities countrywide have resulted in an increase in the number of claimants terminating attorney mandates and opting to claim directly. The new strategic direction in the 2020/21 financial year will focus on improving the claims process for those claimants who wish to claim directly from the RAF.

## CHANGES TO PLANNED TARGETS

No changes to planned targets.



# PERFORMANCE INFORMATION

EFFICIENT CLAIMS PROCESSING					
Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviations
	2018/19	2019/20	2019/20	2019/20	
<b>1. Manage the number of outstanding claims</b>	<p>Target: Manage the number of outstanding claims</p> <p>41,226 personal claims accepted during the 2018/19 financial year</p>	<p>Target: Improve number of personal claims with offers accepted</p> <p>45,349 (Increase by 10% from 2018/19 financial year)</p>	<p>35,213 number of personal claims with offers accepted</p> <p>(-14.59%)</p>	<p>Target not achieved by -22.35% (10,136)</p>	<p>The bulk of personal claims is made up of represented claims, of which the acceptance of offers in most instances has external dependencies, i.e. court trial dates as well as the weaknesses of the current RAF Amendment Act and the inefficiencies in the current RAF business operating process model.</p>
<b>2. Manage efficiency of claims processing</b>	<p>Target: Manage efficiency of claims processing</p> <p>Improve personal claims processing turnaround time</p> <p>Personal claims: 70,571</p> <p>Number of days: 79,106,706</p> <p>Average days taken to process a personal claim: 1,120.95 days</p>	<p>Target: Improve personal claims processing turnaround time</p> <p>1,009 days (Decrease by 10% from 2018/19 financial year)</p>	<p>Personal claims: 67,052</p> <p>Number of days: 78,213,946</p> <p>TAT: 1,166</p> <p>(-4.06%)</p>	<p>Annual target of 166,610 achieved and exceeded by 62,924</p>	<p>The majority of claims in this category is made up of represented claims. This is mainly due to the litigious operating model which does not incentivise early settlements, mainly due to the weaknesses in the current RAF Amendment Act and the inefficiencies in the current business model.</p>
<b>3. Manage efficiency of claims processing</b>	<p>Target: Manage efficiency of claims processing</p> <p>Improve supplier claims processing turnaround time</p> <p>Average days taken to process a supplier claim: 60.29 days</p>	<p>Target: Improve supplier claims processing turnaround time</p> <p>54 days (Decrease by 10% from 2018/19 financial year)</p>	<p>55 days (-9.54%)</p> <p>Supplier claims: 158,438</p> <p>Number of days: 8,654,039</p> <p>TAT: 55</p>	<p>Target not achieved by -0.51% (0.27 day)</p>	<p>Target was not achieved during Q4 due to delays in processing of supplier claims experienced from February 2020. The target is time-bound. Once missed, recovery will not be achievable within the remaining months.</p> <p>The RAF's new business model and ICT modernisation processes as contained in the new 2020-2025 Strategy aim to improve the processing turnaround times to 120 days.</p>



EFFICIENT CLAIMS PROCESSING					
Performance Indicator	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement 2019/20	Comment on Deviations
4. Claims fraud detection	<p>Target: 10% increase in the level of fraud detected before undue payments are made</p> <p>Annual target: 10% increase to 1,323</p> <p>Fraudulent claims detected before undue payments were made increased to 2,095 in the 2018/19 financial year from 1,203 in 2017/18</p> <p>74.15% achievement</p> <p>Annual target exceeded by 64.15%</p>	<p>Target: Increase percentage of fraud detected before undue payments are made, based on number of files by 10%</p> <p>2,305 (Increase by 10% from 2018/19 financial year)</p>	<p>2,852 number of fraudulent files detected before undue payments were made (36.13%)</p>	<p>Target exceeded by 23.73% (547 claims)</p>	<p>The internal FID initiated a Special Investigations project that identified numerous claims where the claimants were deceased, i.e. undertakings and caregiver payments, which were repudiated before undue payments were made.</p> <p>FID's focus area, based on the 2019/20 initiatives which mainly focused on the post-settlement business processes which are high in numbers (however, have low values), led to over-achievement of the target.</p>
5. Claims fraud detection	<p>Target: Increase percentage of fraud detected before undue payments are made, based on the value by 10%</p> <p>R884,293,205 repudiated before undue payments were made during the 2018/19 financial year</p>	<p>Target: Increase percentage of fraud detected before undue payments are made, based on the value by 10%</p> <p>R972,722,525.50 (Increase by 10% from 2018/19 financial year)</p>	<p>R635,695,680.84 worth of fraud detected before undue payments are made (-28.11%)</p>	<p>Target not achieved by -34.65% (R337,026,844.66)</p>	<p>The bulk of claims recommended for repudiation by the FID were claims with lower values, i.e. undertakings and caregiver payments. The number of these claims was higher, however, lower in value, hence the achievement of target 4 (increase number of fraudulent claims detected before undue payments are made).</p>

## PERFORMANCE INFORMATION

EFFICIENT CLAIMS PROCESSING					
Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviations
	2018/19	2019/20	2019/20	2019/20	
<b>6. Improve direct claims management</b>	<p>Target: Increase in direct personal claims originated by 20% (39,146)</p> <p>Direct claims originated increased to 40,986 in the 2018/19 financial year from 32,622 in 2017/18</p> <p>25.64% achievement</p> <p>Annual target achieved and exceeded by 5.64%</p>	<p>Target: % increase in direct personal claims originated by 15% 47,134 (Increase by 15% from 2018/19 financial year)</p>	<p>37,541 direct personal claims originated (-8.41%)</p>	<p>Target not achieved by 20.35% (9,593)</p>	<p>RAF's strategic focus was mainly to process all claims within 120 days and priority was placed on improving the claims processing environment to improve claims processing turnaround times. All claims resources were allocated to process claims and improve turnaround times to 120 days for all claims - both represented and direct.</p>
<b>7. Improve direct claims management</b>	<p>Target: Reduce % of direct personal claims converted to represented by 10%</p> <p>Direct claims converted in the 2018/19 financial year: 1,280</p> <p>Direct claims originated base: 39,146</p> <p>Ratio: 3.27%</p>	<p>Target: Reduce % of direct personal claims converted to represented by 10%</p> <p>1,387 or 2.943% (Reduction of direct personal claims converted to represented by 10%)</p>	<p>Direct claims converted: 145</p> <p>Direct claims originated: 47,134</p> <p>Ratio: 0.31%</p>	<p>Annual targeted ratio not achieved</p>	<p>The delays in the appointment of medical experts during the 2018/19 financial year led to the increase in the number of change in mandate, which had an impact on this target.</p> <p>Internal claims processing inefficiencies that were identified by the newly appointed Board and CEO. The objectives are to ensure that all claims are fairly assessed and processed within 120 days.</p>
<b>8. Improve claims litigation</b>	<p>Target: Increase % of offers made before trials by 10% (8,562)</p> <p>Offers made before trial dates increased to 9,351 in the 2018/19 financial year from 7,784 in 2017/18</p> <p>20.14% achievement</p>	<p>Target: Increase % of offers made before trial date by 10%</p> <p>Target percentage: 62.56%</p>	<p>Offers made before trial date: 12,116</p> <p>Number of trials: 18,070</p> <p>Ratio: 67.05%</p>	<p>Annual target achieved by 7.18%</p>	<p>Offers made before trial dates were substantially increased to decrease legal costs incurred due to the prolonged litigation processes.</p>

EFFICIENT CLAIMS PROCESSING					
Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviations
	2018/19	2019/20	2019/20	2019/20	
9. Improve post-crash care management	<p>Target: Increase % of active undertakings by 10% (6,474)</p> <p>Undertakings activated increased to 9,013 in the 2018/19 financial year from 5,885 in 2017/18</p> <p>53.15% achievement</p> <p>Target exceeded by 43.15%</p>	<p>Target: Increase active undertakings by 10% (9,914)</p>	<p>11,894 active undertakings (31.96%)</p>	<p>Target exceeded by 19.97% (1,980 active undertakings)</p>	<p>The Post-settlement Strategy initiated during the five-year strategic period was aimed at increasing awareness to claimants of the additional post-settlement benefits as per the RAF's mandate.</p>
10. Improve post-crash care management	<p>New target</p>	<p>100% treatment plans introduced for all serious injuries</p>	<p>Number of serious injuries: 1,494</p> <p>Matching treatment plans: 1,494</p> <p>Ratio: 100%</p>	<p>Annual target achieved</p>	<p>Improved post-settlement processes in line with the RAF's mandate, which included increasing resource capacity and newly defined post-settlement processes, have led to early identification of serious injuries in an effort to decrease health complications in future, thereby decreasing future medical expenses.</p>



## PROVIDE ACCESSIBLE SERVICES

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



### CONTRIBUTION TO THE ORGANISATION'S KEY STRATEGIC OUTCOMES

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



### COMMENT ON ALL DEVIATIONS

One of the planned targets was not achieved, i.e. 10% increase in the number of claimants engaged at RAF events, e.g. 'RAF on the Road'.



### STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

The target requires face-to-face contact with potential claimants. However, due to social distancing measures implemented in January 2020 to curb the spread of the COVID-19 virus, all RAF events had to be cancelled. The target will not be pursued in the coming financial period. Instead, the 2020-2025 Strategic Plan includes improving processing efficiencies while reducing turnaround times and costs.



### CHANGES TO PLANNED TARGETS

No changes to planned targets.

PROVIDE ACCESSIBLE SERVICES					
Performance Indicator	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement 2019/20	Comment on Deviations
<b>11. Increase the number of claimants engaged at RAF events, e.g. 'RAF on the Road'</b>	<p>Target: Increase by 15% to 76,842</p> <p>Number of claimants engaged increased to 78,373 in the 2018/19 financial year from 66,819 in 2017/18</p> <p>17.29% achievement</p> <p>Annual target exceeded by 2.29%</p>	<p>Target: 10% increase in the number of potential claimants serviced during outreach programmes and other events: 86,210 (10% increase)</p>	85,494 potential claimants engaged (9%)	Annual target not achieved by 716 (-1%)	The target requires face-to-face contact with potential claimants. However, due to social distancing measures implemented in January 2020 to curb the spread of the COVID-19 virus, all RAF events had to be cancelled.
<b>12. Improve Call Centre responsiveness</b>	<p>Target: Reduce abandoned calls to 2.8%</p> <p>Total calls received: 421,602</p> <p>Total calls abandoned: 12,927</p> <p>Abandoned rate: 3.06%</p> <p>Annual target not achieved: -0.26%</p>	<p>Target: Maintain % of abandoned calls at 2.8 %</p>	% of abandoned calls: 2.24%	Annual target achieved by 0.56%	Target achieved by 0.56% due to the improved processes within the Call Centre environment.



### EFFECTIVE FINANCIAL MANAGEMENT

Increasing revenue, reducing costs and implementing other means to recapitalise the RAF.



#### CONTRIBUTION TO THE ORGANISATION'S KEY STRATEGIC OUTCOMES

The strategic objective is to manage cash flow (claims-related payments) in accordance with approved cash management procedures, monitor claims liability and enhance overall effectiveness of the SCM systems.



#### COMMENT ON ALL DEVIATIONS

Out of the two planned initiatives, one was not achieved, i.e. 100% success of all bids issued within eight months.



#### STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

100% success of all bids issued within eight months. Target not achieved due to poor contract management and delays in bid evaluation processes. The 2020-2025 Strategic Plan will address weaknesses throughout the entire SCM processes and will include plans to develop and implement new SCM processes, systems and resources.



#### CHANGES TO PLANNED TARGETS

No changes to planned targets.

EFFECTIVE FINANCIAL MANAGEMENT					
Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviations
	2018/19	2019/20	2019/20	2019/20	
<b>13. Effective cash flow management</b>	<p>Target: Manage creditors in accordance with approved cash management procedures</p> <p>100% compliance</p> <p>Cash on hand at 31 March 2019 was R908 million</p> <p>Annual target achieved</p>	<p>Target: Manage claims payment average days as per the cash management procedure</p>	<p>100% compliance as at 31 March 2020</p> <p>Cash on hand at 31 March 2020 was R1.351 billion</p>	<p>Annual target achieved</p>	<p>Target over-achieved due to the effective implementation of the cash management procedure and continuous engagement with all affected stakeholders</p>
<b>14. Improve procurement outcomes</b>	<p>Target: 100% success of all bids issued within nine (9) months</p> <p>All issued tenders were finalised within the SCM timelines</p> <p>Annual target achieved</p>	<p>Target: 100% success of all bids issued within eight (8) months</p>	<p>For the 2019/20 financial year 24 bids were issued, 20 bids were within SCM timelines and four (4) bids outside SCM timelines. Four (4) bids were cancelled, one (1) bid was finalised and 19 bids are in progress</p>	<p>Four (4) issued bids were not awarded within the planned SCM timelines, i.e. eight (8) months</p>	<p>Target not achieved due to poor contract management and delays in bid evaluation processes.</p> <p>The new 2020-2025 RAF Strategy and improvement of the SCM processes and systems will lead to improved SCM timelines.</p>



## OPTIMISING ICT FUNCTIONALITY

To create a solid foundation through developing and deploying IT solutions to increase the efficiency and effectiveness of systems and processes, as well as enterprise risk management capabilities.



### CONTRIBUTION TO THE ORGANISATION'S KEY STRATEGIC OUTCOMES

The strategic objective is to optimise ICT to enable the automation of business processes, ensure data integrity and protection, and ensure maturity of IT governance in the organisation. ICT aims to evolve from simply being a business enabler to an essential component in implementing the RAF's business strategy and executing its mandate.

ICT plays an integral role in ensuring the achievement of the RAF Strategy. A number of initiatives planned for the next three years are dependent on the transformation of the ICT environment to function optimally and gain competitive advantage.



### COMMENT ON ALL DEVIATIONS

Out of three planned initiatives, two were not achieved:

- 98% availability of all services; and
- Implement 2019/20 ICT strategic initiatives.



### STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

#### (a) 98% availability of all services

The annual target was not achieved due to inadequate supporting evidence to the reported performance. Efficient processes to ensure that recorded performance is supported by adequate supporting documentation were tested in Quarter 4 of the 2019/20 financial year.

#### (b) Implement 2019/20 ICT strategic initiatives

Three of the five initiatives were achieved. The Enterprise Content Management Phase 2 Regional Roll-out and Medical Appointment Schedule (MAS) were not achieved. These targets were partly impacted by COVID-19, as complete roll-out of the initiatives required user training which was scheduled for Quarter 4. Due to social distancing measures, user acceptance testing and training could not be conducted as planned. A change management request was prepared to roll out the outstanding phases in the 2020/21 financial year.





### CHANGES TO PLANNED TARGETS

No changes to planned targets.

OPTIMISING ICT FUNCTIONALITY					
Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviations
	2018/19	2019/20	2019/20	2019/20	
15. Optimal ICT services	Target: 98% availability on critical services: 99.49% service availability  Annual target achieved and exceeded by 0.51%	Target: 98% availability of all services	Not achieved due to weaknesses with regard to integrity in the reported information	Not achieved due to weaknesses with regard to integrity in the reported information	Annual target not achieved due to inadequate supporting evidence to reported performance.
16. Optimal ICT services	Target: 21 (84%) of 25 initiatives achieved	Target: Implement 2019/20 ICT strategic initiatives	Three (3) of the five (5) initiatives were achieved. The Enterprise Content Management (ECM) Phase 2 Regional Roll-out and Medical Appointment Schedule (MAS) were not achieved	Annual target was not achieved as two (2) initiatives were not achieved	Target was impacted by COVID-19 social distancing measures and the lockdown, as complete roll-out of the initiatives required user training which was scheduled for Quarter 4. Due to social distancing measures, user acceptance testing and training could not be conducted as planned. A change management request was prepared to roll out the outstanding phases in the 2020/21 financial year.
17. Optimal ICT services	New target	Target: Implement 2019/20 Cyber Security and Risk Management Strategy initiatives	Five (5) of the five (5) initiatives were achieved	Not applicable	The ICT Department has implemented a number of initiatives in line with the POPI Act. The effort by the RAF to digitise and integrate the claims processing environment led to the organisation strengthening the cyber security environment.



## IMPROVING PEOPLE MANAGEMENT

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



### CONTRIBUTION TO THE ORGANISATION'S KEY STRATEGIC OUTCOMES

The strategic objective is to capacitate the organisation and promote accountability and a performance-driven culture with the intention to improve the efficiency and transparency of its internal processes.



### COMMENT ON ALL DEVIATIONS

Out of seven planned initiatives, one was not achieved, i.e. 90% of candidates recruited completed the programme successfully.



### STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

**(a) 90% of candidates recruited completed the programme successfully**

The candidates that withdrew or failed the YDDP could not be verified, as supporting evidence was not adequate. Controls will be put in place to ensure reported performance is supported by an adequate portfolio of evidence.



### CHANGES TO PLANNED TARGETS

No changes to planned targets.

IMPROVING PEOPLE MANAGEMENT					
Performance Indicator	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement 2019/20	Comment on Deviations
<b>18. Manage organisational performance</b>	Target: Maintain vacancy rate at 6% 3.29% vacancy rate Approved budgeted positions: 2,914 *Filled positions: 2,818 Annual target exceeded by 2.71%	Target: Maintain vacancy rate at 6%	Budgeted positions: 2,907 Filled positions: 2, 836 Vacancy rate: 4.06%	Annual target achieved by 1.94%	Not applicable.
<b>19. RAF contribution towards government's social and economic agenda</b>	1.47% disability ratio Staff count: 2,993 Employees with disabilities: 44 Annual target achieved and exceeded by 0.22%	Target: Increase disability ratio to 2%	Staff count: 3,045 Employees with disabilities: 62 Ratio: 2.04%	Annual target achieved by 0.04%	Not applicable.
<b>20. Manage organisational performance</b>	New target	Target: 80% of allocated budget spent on Skills Development	Planned: R33,981,118 Actual: R26,296, 375 Commitments: R3,744,377 % budget spent: 88.40%	Annual target achieved: 88.40% of the budget spent	Not applicable.
<b>21. Manage organisational performance</b>	New target	Target: 90% of allocated budget spent on Socio-Economic Development	Planned: R10,302,600 Actual: R10,136,575 % budget spent: 98.39%	Annual target achieved: 98.39% of the budget spent	Not applicable.
<b>22. Manage organisational performance</b>	New target	Target: 90% of allocated budget spent on Enterprise Supplier Development	Planned: R6,949,800 Actual: R7,140,000 % budget spent: 102.74%	Annual target exceeded by 12.74%	Not applicable.

## PERFORMANCE INFORMATION

IMPROVING PEOPLE MANAGEMENT					
Performance Indicator	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement 2019/20	Comment on Deviations
23. Contribute to government's youth employment and road safety agenda through the Youth Driver Development Programme (YDDP)	<p>Target: Increase number of YDDP intake to 200</p> <p>New intake of 360 candidates recruited through municipalities</p> <p>Selection committee finalised all provinces, with the exception of North West and Western Cape</p> <p>Annual target achieved and exceeded by 160 candidates</p>	Target: Increase to 275	360 candidates recruited	Annual target exceeded by 85 candidates	Not applicable.
24. Contribute to government's youth employment and road safety agenda through the YDDP	<p>Target: Increase to 85% of candidates who have successfully completed the YDDP</p> <p>89.44% (144 from 161 candidates passed the driver's license test successfully) completed the YDDP to date</p> <p>Target exceeded by 4.44%</p>	Target: Increase to 90%	142 (39.44%) of 360 candidates completed the programme successfully	Annual target not achieved by 60.56%	Annual target not achieved by 60.56%. The candidates that withdrew or failed the YDDP could not be verified, as supporting evidence was not received.



## TRANSFORM THE RAF

Administrative dispensation aligned to the RABS Bill.



### CONTRIBUTION TO THE ORGANISATION'S KEY STRATEGIC OUTCOMES

To improve business capability by optimising processes and technology.



### COMMENT ON ALL DEVIATIONS

The target is comprised of 25 planned initiatives. Only four of the initiatives were not achieved. All the non-achieved targets were mainly due to delays in the appointment of service providers and signing of contracts with service providers.



### STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

Weekly meetings will be held between ICT and SCM to identify risks in order to avoid the delays in tenders being awarded.



### CHANGES TO PLANNED TARGETS

No changes to planned targets.

# PERFORMANCE INFORMATION

## INITIATIVES ALIGNED TO RAF TRANSFORMATION

Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviations
	2018/19	2019/20	2019/20	2019/20	
25. RAF readiness for RABS	<p>Target: Implement 2018/19 Transformation Plan initiatives (business model feasibility, change impact assessment and medical treatment protocols) as per approved project plan</p> <p>The Change Impact Assessment Report has been approved</p> <p>Medical Treatment Protocols: Candidate was appointed on 25 March 2019</p> <p>The Business Model Feasibility Report has been approved</p> <p>All of Year 1 RAF Transformation Plan initiatives were completed</p>	<p>Target: Approved RABS Business Model</p>	<p>RABS Business Model approved by ACEO on 16 March 2020</p>	<p>Target achieved</p>	<p>Not applicable.</p>
26. RAF readiness for RABS	<p>Implement 2018/19 Transformation Plan initiatives (ICMS, ECM, 3rd party integration, enterprise architecture (EA), information security and infrastructure), as per approved project plan</p> <p>Four (4) out of 25 planned initiatives not achieved, i.e. contracts were not completed with service providers for sensitive data masking, ECM solutions and EA. The ECM roll-out plan for other regions was approved in Quarter 1 of the 2019/20 financial year</p> <p>21 out of 25 (84%) planned initiatives were achieved</p>	<p>Target: Approved RABS Skills Transition Plan</p>	<p>The Change Impact Assessment Report and RABS Skills Transition Plan were approved</p>	<p>Target achieved: Change Impact Assessment Report and RABS Skills Transition Plan completed</p>	<p>Not applicable.</p>



## ASSURED CONTROL ENVIRONMENT

Ensure compliance to standards and improve governance and accountability.



### CONTRIBUTION TO THE ORGANISATION'S KEY STRATEGIC OUTCOMES

This strategic objective is aimed at raising ethical standards and improving fraud detection.



### COMMENT ON ALL DEVIATIONS

Out of two planned initiatives, one was not achieved, i.e. 100% implementation of Ethics initiatives.



### STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

The annual target was not achieved, as two of the five deliverables were not achieved with adjusted targets. The target was impacted by COVID-19 social distancing measures which were put in place. Most of the training that was scheduled to be undertaken during Quarter 4 could not be completed due to the social distancing measures.



### CHANGES TO PLANNED TARGETS

No changes to planned targets.

## PERFORMANCE INFORMATION

ASSURED CONTROL ENVIRONMENT					
Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviations
	2018/19	2019/20	2019/20	2019/20	
27. Assured control environment	Target: Report on adequacy and effectiveness of the Ethics programme	Target: 100% implementation of Ethics initiatives	66% Ethics induction achieved 93% Declaration of Interest submissions achieved 92% Ethics training achieved 80% Values training achieved 97% Ethics Pledge submissions achieved	Annual target not achieved as two (2) of the five (5) deliverables were not achieved with adjusted targets	Target impacted by COVID-19 social distancing measures put in place. Most of the training that was scheduled to be undertaken during Quarter 4 could not be completed due to social distancing measures.
28. Assured control environment	New target	Target: Unqualified audit opinion	Unqualified audit opinion	Target achieved	Not applicable.



## 12 CAPITAL INVESTMENT

Progress made on implementing the Asset Management Plan	The implementation of the plan is complete, and the Fixed Asset Register (FAR) has been updated with the results of the asset verification procedures	
Infrastructure projects completed in the current year and progress in comparison with what was planned at the beginning of the year	CPT	Demolition of drywalls on the 5th floor and placement of screed floor on 8th floor with epoxy coating. Demolished drywalls on the 8th floor (Learning and Development Department) and improving the new section.
	PTA	Perimeter clear-view fence installations completed. Menlyn roof and atrium waterproofing completed. Increased emergency water supply by installing additional water tanks. Bathroom refurbishment and waterproofing completed.
Infrastructure projects in progress and expected completion date	None	
Plans to close down or downgrade any current facilities	None	
Progress made on infrastructure maintenance	HO	Carpet replacement project on schedule. Plumbing system maintenance project - 100% completed. UPS battery replacement project - 100% completed. Major repairs on generator - 100% completed.
Developments relating to the above expected to impact on the RAF's current expenditure	Budget spent within forecast.	
Details as to how asset holdings have changed over the period under review, including disposals, scrapping and loss due to theft	<p>During the 2019/20 financial year, assets with a carrying value of R584,000 were disposed of and written off.</p> <p>Total acquisition for the year (2020): Fixed assets - R7,197,000 Intangible assets - R16,513,000</p> <p>Prior year acquisition (2019): Fixed assets - R37,007,000 Intangible assets - R37,546,000</p> <p>Current year disposal (2020): Fixed assets - R19,879,000 Intangible assets - R7,000</p> <p>Prior year disposal (2019): Fixed assets - R8,150,000 Intangible assets - R Nil</p>	

## PERFORMANCE INFORMATION

Measures taken to ensure that the RAF's FAR's remain up-to-date during the year under review	<p>The following procedures, processes and mechanisms were in place to ensure the integrity of the RAF's FAR:</p> <ul style="list-style-type: none"> <li>• The RAF's Fixed Asset Management Policy;</li> <li>• The RAF's Fixed Asset Management Standard Operating Procedure;</li> <li>• Management Directives were issued where necessary;</li> <li>• Audits were performed by the Internal Audit Department;</li> <li>• Annual audits were performed by the Auditor-General;</li> <li>• Bi-annual verification exercises were performed during the months of September and March of the financial year;</li> <li>• The RAF implemented segregated asset management functions for recording and maintaining the FAR;</li> <li>• Clearly defined asset management roles were established for the Facilities Management and ICT Departments;</li> <li>• Dedicated resources were employed to ensure fixed assets are recorded accurately and completely; and</li> <li>• A reconciliation of the FAR to financial records was performed monthly.</li> </ul>
Major maintenance projects undertaken during the year under review	Overhauling of air-conditioning plant at Pretoria office.
Progress made in addressing the maintenance backlog during the year under review	There was no backlog on maintenance during the year under review.

The table below outlines progress made on Capital Investment and Asset Management Plans.

	2019/2020			2018/2019		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Property, plant and equipment	51,962	7,197	44,765	44,072	37,007	7,065
Intangibles	58,286	16,513	41,773	100,269	37,546	62,723
<b>Total</b>	<b>110,248</b>	<b>23,710</b>	<b>86,538</b>	<b>144,341</b>	<b>74,553</b>	<b>69,788</b>

## 13 REVENUE COLLECTION

The RAF obtains its funding from several sources, namely:

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

Sources of revenue	2019/2020			2018/2019		
	Estimate	Actual amount collected	(Over)/under collection	Estimate	Actual amount collected	(Over)/under collection
	R'000	R'000	R'000	R'000	R'000	R'000
Net RAF Fuel Levy	43,360,004	41,177,671	2,182,333	42,308,149	43,138,770	(830,621)
Investment revenue	98,850	62,784	36,066	82,033	99,153	(17,120)
Other income	-	25	(25)	-	1,400	(1,400)
(Loss) / Gains on disposal of assets and liabilities	-	(578)	578	-	(470)	470
<b>Total</b>	<b>43,458,854</b>	<b>41,239,902</b>	<b>(2,218,952)</b>	<b>42,390,182</b>	<b>43,238,853</b>	<b>(848,671)</b>

The total revenue of the RAF has increased over the years. For the period ending 31 March 2020, a decrease of 4% in total revenue was recorded.

### 13.1 RAF FUEL LEVY

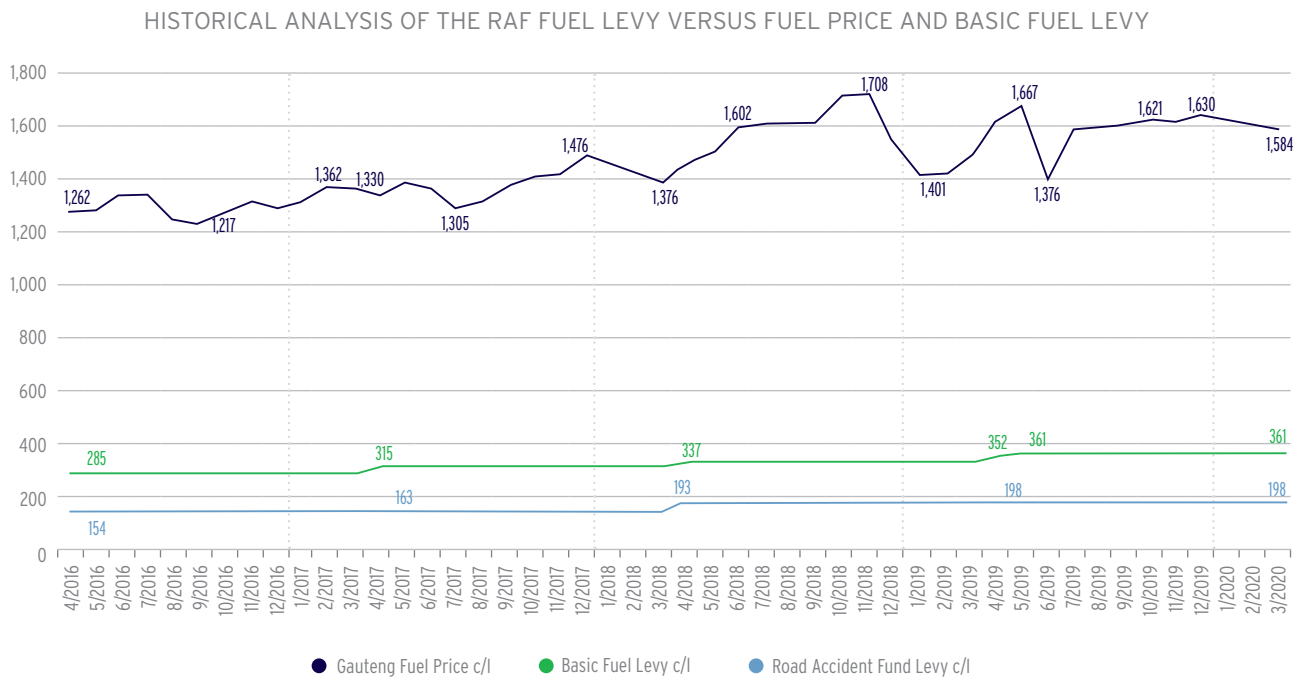
Despite the increase of 5 c/l in the RAF Fuel Levy with effect from 1 April 2019, the RAF Fuel Levy income decreased by R1.96 billion or 4% to R41.18 billion from the previous financial year. Net fuel levies accounted for 99.8% of total revenue. The decrease was mainly influenced by a higher percentage of diesel refunds recouped from gross fuel levies. This percentage increased by 3% (from 7% to 10%) totalling R4.82 billion compared to R3.48 billion in the previous financial year.

The RAF Fuel Levy income is impacted by fuel volumes (petrol and diesel) consumed, which increased during the financial year compared to the previous financial year. An increase of 3% or 22.89 mega litres for the 2019/20 financial year (2018/19: 22.03 mega litres) in fuel volumes was noted. Total volumes of petrol, however, seem to be on the decline, whereas total volumes of diesel are on the increase.

At recent fuel price levels, the RAF Fuel Levy (currently at 198 c/l) represents almost 13% of the total price at the pump, which averaged more than 1 591 cents per litre in Gauteng alone for the year under review.

**GRAPH 20: Historical analysis of the RAF Fuel Levy versus fuel price and basic fuel levy**

Cents and financial year



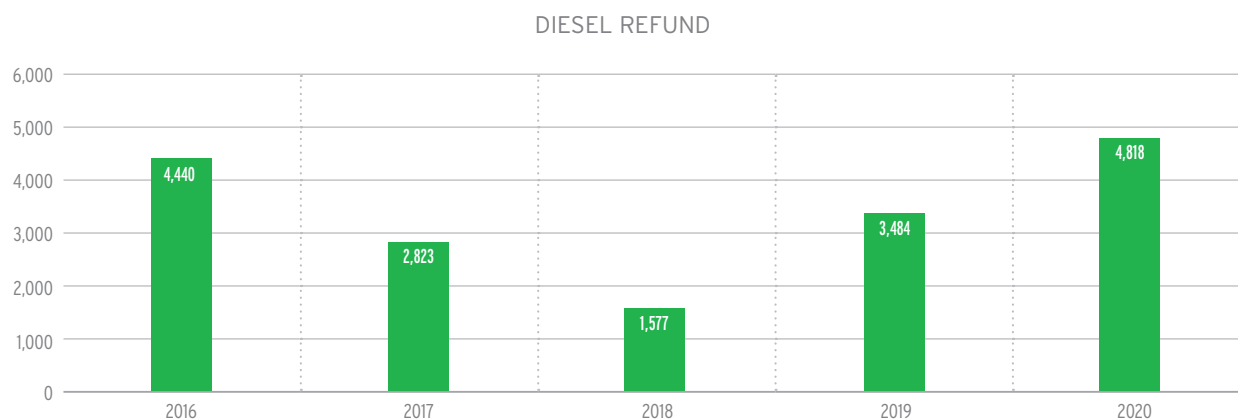
## 13.2 DIESEL REFUND

The refund on diesel provided to certain industrial sectors of the economy, i.e. agriculture and forestry, electricity generation, offshore and rail and harbour services, increased by 38% year-on-year to R4.8 billion from R3.5 billion in 2018/19. The refund that represents 10.48% (2018/19: 7.47%) of the gross RAF Fuel Levy, is a major concession on income due to the RAF. The refund has grown steadily over the past years in line with increases in the RAF Fuel Levy, but has shown observable increases over the 2015/16, 2018/19 and 2019/20 financial years due to increased claims for volumes of diesel consumed, particularly in the electricity-generating sector. Although the value of the RAF Fuel Levy increased to 198 c/l in 2019/20, the consumption of diesel fuel in specific industrial sectors (mainly electricity generation) is on the rise again. (Graph 21).

At recent fuel price levels, the RAF Fuel Levy (currently at 198 c/l) represents almost 13% of the total price at the pump, which averaged more than 1 591 cents per litre in Gauteng alone for the year under review.

**GRAPH 21: Refund on diesel**

R'million and financial year

**13.3 INVESTMENT REVENUE**

Investment revenue decreased by 36% to R63 million (2018/19: R99 million). The repo rate decreased by 150 basis points from 6.75% to 5.25% following three downward adjustments during the 2019/20 financial year. (The average yield on cash investments for the financial year was 6.43% (2018/19: 6.43%). The rapid depletion and relatively low levels of short-term cash holdings (averaging R100 million prior to receipt of the monthly fuel levy at around the fourth week of each month) were the main factors for the decrease in investment income for the financial year.

The payment of claims and operational expenditure are strictly managed to align expenditure with net fuel levies received in accordance with the Cash Management Strategy.

Cash holdings at 31 March 2020 were R1.351 billion compared to R908 million at the end of the previous financial year.

**13.4 REINSURANCE INCOME**

To cover catastrophic accidents, the RAF entered into reinsurance treaties with major international reinsurance companies. There were R Nil reinsurance claims recovered from these companies during the year under review (2018/19: R Nil). The RAF's reinsurance recoveries derive from a portion of the total claims per incident that represent more than the retention limit. In view of the latter, reinsurance recoveries are expected to continue to reflect a general decrease.

COMPASSION • ACCOUNTABILITY • RESPECT • EXCELLENCE  
INTEGRITY





*I care*

**PART C**  
*Governance*

---

## 1 INTRODUCTION

Parliament, PCoT, the Standing Committee on Public Accounts (SCOPA), the Executive Authority and the Accounting Authority of the public entity are all responsible for corporate governance.

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

## 2 PORTFOLIO COMMITTEE

Parliament exercises its oversight role of the RAF by interrogating its Annual Financial Statements and other relevant documents which must be tabled, as well as any other documents tabled from time to time, and evaluating its performance accordingly. This oversight role is fulfilled by the PCoT and the SCOPA.

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

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



### 3 EXECUTIVE AUTHORITY

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

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

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

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

The RAF Act provides that the Executive Authority can appoint and dismiss members of the Board. The Minister also appoints the CEO on such terms and conditions as may be determined by the Board.

Whenever it is necessary to appoint a member to the Board, the Minister, by notice in the *Government Gazette* and national news media, invites persons or bodies who have an interest in the operations of the RAF to nominate candidates who comply with the criteria mentioned in sub-section 10 1(b) of the RAF Act, as amended. The Minister then publishes a list of nominees received in response to the invitation, which includes the names of the relevant nominators. The name and expertise of the newly appointed (or reappointed) Board members are published in the *Government Gazette*.

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

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

**FIGURE 4: Executive Authority reporting structure**



## 4 ACCOUNTING AUTHORITY/THE BOARD



The processes and practices of the Board are underpinned by the principles of transparency, integrity and accountability.

### 4.1 INTRODUCTION

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

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

### 4.2 THE ROLE OF THE BOARD

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

With the prescripts of King IV and NT in mind, the role of the RAF Board comprises the following:

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

- It develops a clear definition of levels of materiality;
- It attends the annual meetings;
- It ensures that the Annual Financial Statements are prepared;
- It appraises the performance of the Board collectively and individually;
- It ensures effective Board induction; and
- It maintains integrity, responsibility and accountability.

The Board is responsible for determining the overall direction of the RAF. The RAF is guided by a five-year Strategic Plan and APP, both of which were submitted to the Executive Authority and the Minister of Transport by the end of January 2020.

The Board annually revises the Delegation of Powers and Functions Policy, which defines the delegation of powers, duties and functions of Management.

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

- Ensure compliance with legal obligations;
- Ensure the maintenance of appropriate internal controls, as well as risk management policies and practices;
- Ensure the use of RAF funds in an economical, efficient and effective manner;
- Ensure that ICT governance is aligned with the RAF's performance and sustainability objectives;
- Ensure adherence to good corporate governance practices that have been benchmarked; and
- Assess the impact of the RAF's operations on society, the economy and the environment.

### 4.3 BOARD CHARTER

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

### 4.4 COMPOSITION OF THE BOARD

The RAF is headed and controlled by an effective and efficient Board, comprising independent, non-executive Board members representing the necessary skills to strategically guide the RAF. The Board consists of 11 non-executive Board members, including the Director-General's (DG's) representative. The RAF Board is diverse in respect of origin, gender, race and education. Together, the members bring a wealth of experience and expertise to the RAF and reflect the nature of its business. Until 4 December 2019, 45% of the Board members were women, while 90% were from historically disadvantaged communities. As at 31 March 2020, 50% of the Board members are women, while 90% are from historically disadvantaged communities.

*The RAF is headed  
and controlled by an  
efficient Board...*

...comprising independent, non-executive Board members representing the necessary skills to strategically guide the RAF.

**FIGURE 5:** Figure for the period 1 April 2019 to 4 December 2019

## RAF BOARD

The Board is the Accounting Authority of the RAF and reports to the Executive Authority, the South African Parliament and relevant stakeholders.

**NUMBER OF MEETINGS: 13**

**CHAIRPERSON:** Dr P Mathebula | **VICE-CHAIRPERSON:** Ms K Mashigo-Mokgalong | Ms D Molefe | Dr F Bale | Dr N Mabuya-Moloele | Mr KM Mthobi | Mr M Nyama | Dr MC Peenze | Dr MF Randerla | Mr T Tshabalala | Ms C Maleho (DG Rep)



### AUDIT COMMITTEE

The committee oversees all financial and SCM matters of the RAF and focuses particularly on the funding.

**NUMBER OF MEETINGS: 4**

**MEMBERS:**

Ms D Molefe (Chairperson) | Dr MC Peenze | Dr N Mabuya | Ms C Maleho | Mr K Mthobi



### RISK MANAGEMENT COMMITTEE

The committee focuses on high-level risk management of the RAF and monitors the ethical behaviour in all workstreams in and out of the Fund. In addition, it focuses on Claims Liability Models in order for the RAF to remain a going concern.

**NUMBER OF MEETINGS: 4**

**MEMBERS:**

Mr M Nyama (Chairperson) | Dr F Bale | Dr MF Randerla | Mr T Tshabalala



### REMUNERATION, HUMAN CAPITAL, SOCIAL AND ETHICS COMMITTEE

The committee's main focus is on performance, equitable remuneration for the Board and all RAF employees, as well as other HR and Union matters.

**NUMBER OF MEETINGS: 6**

**MEMBERS:**

Dr N Mabuya (Chairperson) | Dr MF Randerla | Dr MC Peenze | Mr T Tshabalala



### OPERATIONS, INFORMATION AND TECHNOLOGY COMMITTEE

The committee focuses on the core operations (claims handling) of the RAF, as well as information, communication technology.

**NUMBER OF MEETINGS: 4**

**MEMBERS:**

Mr K Mthobi (Chairperson) | Dr F Bale | Mr M Nyama | Ms C Maleho

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

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

FIGURE 6: Board and Committees' Structures: 4 December 2019 to 31 March 2020

## RAF BOARD

The Board is the Accounting Authority of the RAF and reports to the Executive Authority, the South African Parliament and relevant stakeholders.

### NUMBER OF MEETINGS: 5

**CHAIRPERSON:** Adv GJ Rasethaba | **VICE CHAIRPERSON:** Ms TN Msibi | Mr LM Nyama | Dr NB Mabuya-Moloele | Dr MC Peenze | Mr TS Tshabalala | Mr KM Mothobi | Mr L Mulaudzi | Dr DP du Plessis\* | Mr H Daniels | Ms LZ Francois



### CLAIMS AND LEGAL COMMITTEE

CLECO oversees adherence to laws, regulations and policies pertaining to administration of claims at the RAF.

#### NUMBER OF MEETINGS: 1

#### MEMBERS:

Ms TN Msibi (Chairperson) | Adv GJ Rasethaba | Dr MC Peenze | Mr TS Tshabalala | Mr H Daniels



### SOCIAL AND ETHICS COMMITTEE

The committee oversees all social projects and focuses on ethical behaviour of RAF staff and internal processes.

#### NUMBER OF MEETINGS: 1

#### MEMBERS:

Dr NB Mabuya-Moloele (Chairperson) | Dr MC Peenze | Mr H Daniels | Mr TS Tshabalala | Mr KM Mothobi



### RISK MANAGEMENT COMMITTEE

The committee focuses on high-level risk management of the RAF and focuses particularly on the Claims Liability Model of the Fund.

#### NUMBER OF MEETINGS: 1

#### MEMBERS:

Mr L Mulaudzi (Chairperson) | Dr DP du Plessis\* | Mr LM Nyama | Ms LZ Francois | Dr MC Peenze



### REMUNERATION AND HUMAN RESOURCES COMMITTEE

The committee's main focus is on performance, equitable remuneration for the Board and all RAF employees, as well as other HR and Union matters.

#### NUMBER OF MEETINGS: 3

#### MEMBERS:

Ms LZ Francois (Chairperson) | Mr TS Tshabalala | Dr DP du Plessis\* | Ms TN Msibi | Dr NB Mabuya-Moloele



### AUDIT COMMITTEE

The committee oversees all financial and SCM matters of the RAF and focuses particularly on the Funding Model in order for the RAF to remain a going concern.

#### NUMBER OF MEETINGS: 1

#### MEMBERS:

Mr H Daniels (Chairperson) | Mr L Mulaudzi | Mr KM Mothobi | Ms LZ Francois | Mr LM Nyama



### OPERATIONS, INFORMATION AND TECHNOLOGY COMMITTEE

The committee focuses on the core operations (claims handling) of the RAF, as well as information, communication technology.

#### NUMBER OF MEETINGS: 1

#### MEMBERS:

Mr LM Nyama (Chairperson) | Dr NB Mabuya-Moloele | Mr KM Mothobi | Mr L Mulaudzi | Mr DP du Plessis\*

\*Resigned 4 March 2020

## CURRENT BOARD MEMBERS' DETAILS (04 DECEMBER 2019 TO 31 MARCH 2020)



**ADV GJ RASETHABA**

NON-EXECUTIVE BOARD MEMBER  
(CHAIRPERSON OF THE BOARD)

**DATE APPOINTED:**

04/12/2019

**QUALIFICATIONS:**

Advocate of the High Court of South Africa; Member of Johannesburg Society of Advocates; B Proc; LLB; Diploma in Company Law; LLM; Telkom Leadership Dev Prog; Mediator & Arbitrator Certified by The Arbitration Foundation of Southern Africa (AFSA)

**AREA OF EXPERTISE:**

Law

**BOARD DIRECTORSHIPS:**

SA Post Office - Chair of Risk Committee; Chairperson of Performance & Remuneration Committee; Judge of the Provincial Consumer Court; Member of IoDSA

**BOARD COMMITTEES:**

Chairperson: Board; Claims and Legal Committee

**\*NO. OF MEETINGS ATTENDED:**

5 of 5



**MS TN MSIBI**

NON-EXECUTIVE BOARD MEMBER  
(VICE-CHAIRPERSON OF THE BOARD)

**DATE APPOINTED:**

04/12/2019

**QUALIFICATIONS:**

Bar Finals; LLB (Hons)

**AREA OF EXPERTISE:**

Law

**BOARD DIRECTORSHIPS:**

Board member of the Banking Ombudsman and Chairperson of the Audit Committee

**BOARD COMMITTEES:**

Vice-Chairperson: Board; Chairperson: Claims and Legal Committee; Remuneration and Human Resources Committee

**\*NO. OF MEETINGS ATTENDED:**

5 of 5



**MR LM NYAMA**

NON-EXECUTIVE BOARD MEMBER

**DATE APPOINTED:**

Re-appointed 04/12/2019

**QUALIFICATIONS:**

BSc Actuarial and Finance Mathematics, BSc Mathematics; BSc (Hons) Financial Engineering

**AREA OF EXPERTISE:**

General Insurance, Pricing and Product Development, Risk Management, Investments and Retirement Schemes

**BOARD DIRECTORSHIPS:**

Member of Actuarial Society of South Africa

**BOARD COMMITTEES:**

Chairperson: Operations, Information and Technology Committee; Risk, Governance and Actuarial Committee; Audit and SCM Committee

**\*NO. OF MEETINGS ATTENDED:**

5 of 5

**DR NB MABUYA-MOLEOE**

NON-EXECUTIVE BOARD MEMBER

**DATE APPOINTED:**

Re-appointed 04/12/2019

**QUALIFICATIONS:**

MB BCH; MBA; DOH (Diploma in Occupational Health and Medicine); Cert Impairment Rating, Incapacity Management and Workplace Disability Management; BSc (Hons) Aerospace Meds; Certificate in Travel Meds; Certified Independent Medical Examiners (CIME) by the American Board of Independent Medical Examiners

**AREA OF EXPERTISE:**

Medical

**BOARD DIRECTORSHIPS:**

Non-executive Director of SKF South Africa, Chairperson and non-executive Director of Armcoil (Pty) Ltd; Chairperson of Protea Trade & Invest (Pty) Ltd

**BOARD COMMITTEES:**

Chairperson: Social and Ethics Committee; Remuneration and Human Resources Committee; Operations, Information and Technology Committee

**\*NO. OF MEETINGS ATTENDED:**

5 of 5

**DR MC PEENZE**

NON-EXECUTIVE BOARD MEMBER

**DATE APPOINTED:**

Re-appointed 04/12/2019

**QUALIFICATIONS:**

B. Iuris; LLB; LLM; D. Tech; African Director Programme

**AREA OF EXPERTISE:**

Legal, and Corporate Governance

**BOARD DIRECTORSHIPS:**

Ombudsman of Unisa in a part-time capacity; part-time tribunal member of the National Consumer Tribunal; committee member of the Legal Practice Council of Gauteng; member of the International Advisory Council of ACFE; non-executive Director: South African Institute for Drug-Free Sport (SAIDS); non-executive Director: RAF; Managing Director: Aviva Business Consulting (Pty) Ltd; Board member: Office of Health Standards Compliance (OHSC)

**BOARD COMMITTEES:**

Social and Ethics Committee; Risk, Governance and Actuarial Committee; Claims and Legal Committee

**\*NO. OF MEETINGS ATTENDED:**

4 of 5

**MR TS TSHABALALA**

NON-EXECUTIVE BOARD MEMBER

**DATE APPOINTED:**

Re-appointed 04/12/2019

**QUALIFICATIONS:**

Certificate in Business Administration; Certificate in Management and Administration of Non-Profit and Community Based Organisations; Certificate in Start and Improve your Business; Diploma in Project Management; PG Dip Disability Studies

**AREA OF EXPERTISE:**

Corporate Governance and Disability

**BOARD DIRECTORSHIPS:**

Board member: Disabled Employment Concerns Trust (DEC)

**BOARD COMMITTEES:**

Remuneration and Human Resources Committee; Social and Ethics Committee; Claims and Legal Committee

**\*NO. OF MEETINGS ATTENDED:**

5 of 5

CURRENT BOARD MEMBERS' DETAILS (04 DECEMBER 2019 TO 31 MARCH 2020)



**MR KM MOTHABI**

NON-EXECUTIVE BOARD MEMBER

**DATE APPOINTED:**

Re-appointed 04/12/2019

**QUALIFICATIONS:**

BSc (Med), BSc.H (Pharmacology);  
PDM-BA; MBA

**AREA OF EXPERTISE:**

Life/Health Insurance and Retirement Funds

**BOARD DIRECTORSHIPS:**

Board member of Momentum Retail Funds; Independent Board member of Contract Cleaning National Provident Fund

**BOARD COMMITTEES:**

Social and Ethics Committee; Operations, Information and Technology Committee; Audit and SCM Committee

**\*NO. OF MEETINGS ATTENDED:**

4 of 5



**MR L MULAUDZI**

NON-EXECUTIVE BOARD MEMBER

**DATE APPOINTED:**

04/12/2019

**QUALIFICATIONS:**

BCom (Hons) Actuarial Science; Post-Graduate Dip: Actuarial Sciences; Fellow of Actuarial Society of SA (FASSA)

**AREA OF EXPERTISE:**

Actuarial Science

**BOARD DIRECTORSHIPS:**

President, Actuarial Society of South Africa; Chair of Risk Committee, Constantia Insurance Group; MD: Grassroots Impact Solutions; MD: Imali Risk Management Solutions; Public Interest Actuary, Actuarial Society of South Africa

**BOARD COMMITTEES:**

Chairperson: Risk, Governance and Actuarial Committee; Operations, Information and Technology Committee; Audit and SCM Committee

**\*NO. OF MEETINGS ATTENDED:**

5 of 5



**MR H DANIELS**

NON-EXECUTIVE BOARD MEMBER

**DATE APPOINTED:**

01/01/2020

**QUALIFICATIONS:**

BCompt, BCompt (Hons), Master's degree in Law (Advanced Tax and Advanced Company Law), CA (SA)

**AREA OF EXPERTISE:**

Accounting, Finance, and Law

**BOARD DIRECTORSHIPS:**

None

**BOARD COMMITTEES:**

Chairperson: Audit and SCM Committee; Social and Ethics Committee; Claims and Legal Committee

**\*NO. OF MEETINGS ATTENDED:**

5 of 5



**DR DP DU PLESSIS\***

NON-EXECUTIVE BOARD MEMBER

**DATE APPOINTED:**

04/12/2019

**QUALIFICATIONS:**

BSc (Quantity Surveying); B (Hons) Business and Administration; MBA; DBA; CD (SA)

**AREA OF EXPERTISE:**

Investment Management, Trade and Commerce, Insurance and Property, Financial and Risk Management, and Corporate Governance

**BOARD DIRECTORSHIPS:**

Chairperson of Plexus Holdings, non-executive Director of Distell Group (Chair of Risk Committee, member of Audit Committee, and Social and Ethics Committee); trustee of the Professional Provident Society (PPS) Holdings Trust, non-executive Director of PPS Insurance Company (Chair of Remuneration Committee and member of Risk Committee), non-executive Director of PPS Investments (Chair of Audit and Risk Committee); member of the Investment Committee of the Law Practitioners Insurance Indemnity Fund; member of the Advisory Board of the University of Stellenbosch Business School (USB), Chair of the Audit and Risk Committee and member of the Investment Committee of Stellenbosch University; and Professor Extraordinaire at USB

**BOARD COMMITTEES:**

Remuneration and Human Capital Committee; Operations, Information and Technology Committee; Risk, Governance and Actuarial Committee

**\*NO. OF MEETINGS ATTENDED:**

2 of 4

\*Resigned 4 March 2020

**MS LZ FRANCOIS**

NON-EXECUTIVE BOARD MEMBER

**DATE APPOINTED:**

04/12/2019

**QUALIFICATIONS:**

BCom; (articles); Post-graduate Cert - Accounting; GIA (SA); MBA; CRMA; Fellow of the Institute of Internal Auditors of SA (FIIASA)

**AREA OF EXPERTISE:**

Accounting, Auditing, Enterprise Risk Management, Corporate Governance, and Business Process Management

**BOARD DIRECTORSHIPS:**

Member of the Audit Committee of LegalAid SA; Chairperson of the Compensation Fund Audit Committee; member of the Department of Labour Audit Committee; invitee to the Compensation Fund Advisory Board

**BOARD COMMITTEES:**

Chairperson: Remuneration and Human Resources Committee; Risk, Governance and Actuarial Committee; Audit and SCM Committee

**\*NO. OF MEETINGS ATTENDED:**

5 of 5

FORMER BOARD MEMBERS' DETAILS (1 APRIL 2019 TO 04 DECEMBER 2019)



**DR MP MATHEBULA**

NON-EXECUTIVE BOARD MEMBER  
(CHAIRPERSON OF THE BOARD)

**TERM:**

11/07/2018 to 04/12/2019

**QUALIFICATIONS:**

Diploma in Public Health; MBChB (Medicine); Community Leader Development Programme; MSC Sports Medicine; Master's in Public Health

**AREA OF EXPERTISE:**

Medical, and Academic

**BOARD DIRECTORSHIPS:**

None

**BOARD COMMITTEES:**

Chairperson: Board

**\*NO. OF MEETINGS ATTENDED:**

12 of 13



**MS MRV MASHIGO-MOKGALONG**

NON-EXECUTIVE BOARD MEMBER  
(VICE-CHAIRPERSON OF THE BOARD)

**TERM:**

11/07/2018 to 04/12/2019

**QUALIFICATIONS:**

BA (Ed); M.PA; D. Admin (Currently suspended)

**AREA OF EXPERTISE:**

Ethics, and Corporate Governance

**BOARD DIRECTORSHIPS:**

None

**BOARD COMMITTEES:**

Vice-Chairperson: Board

**\*NO. OF MEETINGS ATTENDED:**

10 of 13



**DR HF BALE**

NON-EXECUTIVE BOARD MEMBER

**TERM:**

11/07/2018 to 05/12/2019

**QUALIFICATIONS:**

Mmed (Psychiatry); MBChB

**AREA OF EXPERTISE:**

Medical Specialist - Psychiatrist; Executive Functioning Assessment; Clinical Hypnotherapist

**BOARD DIRECTORSHIPS:**

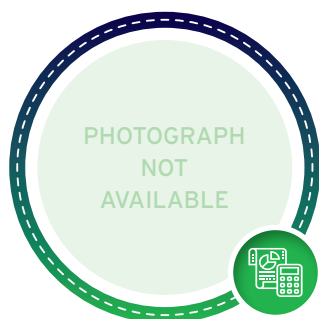
None

**BOARD COMMITTEES:**

Risk Management Committee; Operations and Information and Technology Committee

**\*NO. OF MEETINGS ATTENDED:**

12 of 13

**MS D MOLEFE**

NON-EXECUTIVE BOARD MEMBER

**TERM:**

11/07/2018 to 04/12/2019

**QUALIFICATIONS:**

Chartered Accountant; Advanced Management Programme; M. Com: International Accounting, BCompt (Hons)/CTA; BCompt

**AREA OF EXPERTISE:**

Accounting

**BOARD DIRECTORSHIPS:**

T-Systems South Africa (Pty) Ltd

**BOARD COMMITTEES:**

Chairperson: Audit Committee

**\*NO. OF MEETINGS ATTENDED:**

8 of 13

**DR NB MABUYA-MOLOELE**

NON-EXECUTIVE BOARD MEMBER

**TERM:**

11/07/2018 to 04/12/2019

**QUALIFICATIONS:**

MBChB; MBA; DOH; Certificate: Impairment Rating, Incapacity Management and Workplace Disability Management; BSc. (Hons); Certificate in Travel Medicine; Certified Independent Medical Examiners (CIME); Accelerated Directorship Programme (ADP); Dispensing Certificate and License

**AREA OF EXPERTISE:**

Medical

**BOARD DIRECTORSHIPS:**

None

**BOARD COMMITTEES:**

Chairperson: Remuneration and Human Capital Committee; Social and Ethics Committee; Audit and Actuarial Committee

**\*NO. OF MEETINGS ATTENDED:**

9 of 13

**MR KM MOTHABI**

NON-EXECUTIVE BOARD MEMBER

**TERM:**

11/07/2018 to 04/12/2019

**QUALIFICATIONS:**

BSc.H; BSc (Med), MBA; PDM-BA

**AREA OF EXPERTISE:**

Life/Health Insurance and Retirement Funds

**BOARD DIRECTORSHIPS:**

Former CEO of Union Life Independent; Board member of Momentum Retail Funds; Independent Board member of Contract Cleaning National Provident Fund

**BOARD COMMITTEES:**

Chairperson: Operations and Information Technology Committee; Audit and Actuarial Committee

**\*NO. OF MEETINGS ATTENDED:**

13 of 13

## FORMER BOARD MEMBERS' DETAILS (1 APRIL 2019 TO 04 DECEMBER 2019)



**MR LM NYAMA**

NON-EXECUTIVE BOARD MEMBER

**TERM:**

11/07/2018 to 04/12/2019

**QUALIFICATIONS:**

Master's in Investments and Corporate Finance; BSc (Hons) Financial Engineering; BSc Actuarial and Finance; BSc Mathematics; member of Actuarial Society of South Africa (ASSA)

**AREA OF EXPERTISE:**

General Insurance, Pricing and Product Development, Risk Management, Investments and Retirement Schemes

**BOARD DIRECTORSHIPS:**

None

**BOARD COMMITTEES:**

Chairperson: Risk Management Committee; Operations and Information Technology Committee

**\*NO. OF MEETINGS ATTENDED:**

11 of 13



**DR MC PEENZE**

NON-EXECUTIVE BOARD MEMBER

**TERM:**

11/07/2018 to 04/12/2019

**QUALIFICATIONS:**

B. Iuris; LLB; LLM; D. Tech; African Director Programme

**AREA OF EXPERTISE:**

Legal, and Corporate Governance

**BOARD DIRECTORSHIPS:**

Member of the Council of the Central Johannesburg College; Managing Director of Aviva Business Consulting (Pty) Ltd

**BOARD COMMITTEES:**

Remuneration and Human Capital Committee; Social and Ethics Committee; Audit and Actuarial Committee

**\*NO. OF MEETINGS ATTENDED:**

7 of 13



**DR MF RANDERA**

NON-EXECUTIVE BOARD MEMBER

**TERM:**

11/07/2018 to 04/12/2019

**QUALIFICATIONS:**

MRCs LRCP; Registrar: Rotation in Obstetrics and Gynecology; Diploma: Royal College of Obstetricians and Gynecologists; Post-graduate Vocational Training in General Practice, Diploma Course in Occupational Health; Master's Course in Family Medicine; Mini-MBA (attended classes, but not completed); Executive Negotiation Programme

**AREA OF EXPERTISE:**

Healthcare

**BOARD DIRECTORSHIPS:**

None

**BOARD COMMITTEES:**

Risk Management Committee; Remuneration and Human Capital Committee; Social and Ethics Committee

**\*NO. OF MEETINGS ATTENDED:**

10 of 13

**MR TS TSHABALALA**

NON-EXECUTIVE BOARD MEMBER

**TERM:**

11/07/2018 to 04/12/2019

**QUALIFICATIONS:**

Certificate in Business Administration;  
Certificate in Management and Administration of Non-Profit and Community Based Organisations;  
Certificate in Start and Improve your Business; Diploma in Project Management

**AREA OF EXPERTISE:**

Corporate Governance, and Disability

**BOARD DIRECTORSHIPS:**

None

**BOARD COMMITTEES:**

Risk Management Committee;  
Remuneration and Human Capital Committee; Social and Ethics Committee

**\*NO. OF MEETINGS ATTENDED:**

8 of 13

**MS MC MALEHO**NON-EXECUTIVE BOARD MEMBER  
DIRECTOR- GENERAL'S REPRESENTATIVE**TERM:**

07/08/2018 to 04/12/2019

**QUALIFICATIONS:**

Honours in Development Studies;  
Post-graduate Diploma in Transport Management; BA Social Sciences;  
Certificate in Road Transport Management

**AREA OF EXPERTISE:**

Business Performance Oversight, Transport and Development

**BOARD DIRECTORSHIPS:**

None

**BOARD COMMITTEES:**

Audit and Actuarial Committee;  
Operations and Information Technology Committee

**\*NO. OF MEETINGS ATTENDED:**

9 of 13

*Until 4 December  
2019, 45% of the  
Board members  
were women,...*

...while 90% were from  
historically disadvantaged  
communities.

## 4.5 BOARD AND COMMITTEES: 1 APRIL 2019 TO 31 MARCH 2020

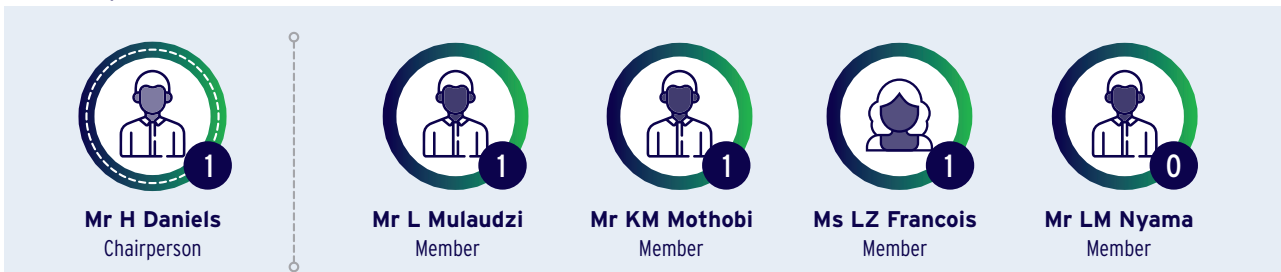
### AUDIT COMMITTEE

The Board of the RAF, as the Accounting Authority, has established an Audit Committee in compliance with the PFMA, as well as the NT Regulations issued in terms of the PFMA. The previous committee (1 April 2019 to 04 December 2019) consisted of five non-executive Board members. The new committee consists of five non-executive Board members.

#### AUDIT COMMITTEE MEMBERS

(17 January 2020 to 31 March 2020)

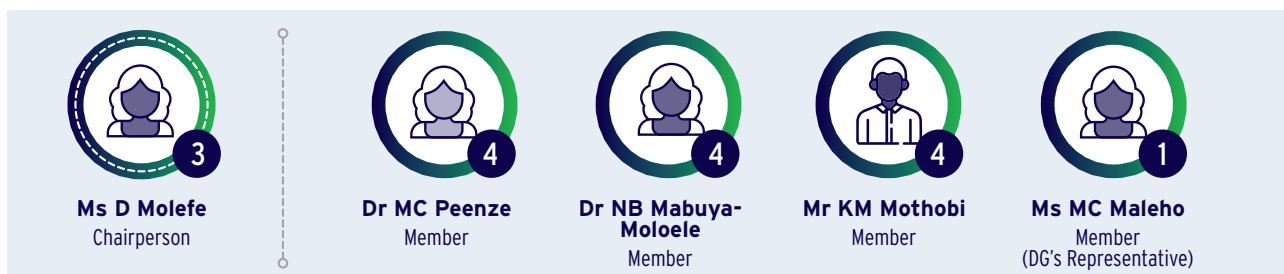
● Meetings attended from **ONE**



#### AUDIT COMMITTEE MEMBERS

(1 April 2019 to 04 December 2019)

● Meetings attended from **FOUR**



The Chairperson is appointed by the Board and is an independent non-executive member of the Board. The majority of current Audit Committee members are deemed to be independent. The Chairperson of the Board is not eligible to be a member of the Audit Committee.

The Audit and SCM Committee meets at least four times a year, but may meet more frequently when necessary. The committee may invite the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Audit Executive (CAE) and external auditors, or any other person to attend meetings

upon invitation. The committee meets with Internal Audit and representatives of the AGSA at least quarterly to ensure that there are no unresolved issues of concern.

The Board has taken cognisance of the recommendations contained in King IV that the Audit Committee should consist entirely of independent non-executive Board members and should, as a whole, have the necessary financial literacy, skills and experience to execute their duties effectively. The members elected collectively represent the required skills base.

The overall functions of the Audit Committee are to:

- Assist the Board members in discharging their responsibilities relating to the safeguarding of assets, the operation of adequate and effective system and control processes, the preparation of fairly presented Financial Statements in compliance with all applicable legal and regulatory requirements and accounting standards, and the oversight of the Internal Audit appointments and functions;
- Provide independent oversight of, among others:
  - a) The effectiveness of the RAF's assurance functions and services, with particular focus on combined assurance arrangements, including external assurance providers, Internal Audit and the Finance function; and
  - b) The integrity of the Annual Financial Statements and, to the extent delegated by the governing body, other external reports issued by the RAF.

The Report of the Audit Committee, on pages 170-173 of Part E of the Annual Financial Statements, provides a full description of its remit. The report includes commentary on internal financial controls, external audit, going concern, risk management, internal audit, sustainability reporting and the expertise of the CFO and the Finance and SCM functions.

In terms of the RAF Act 56 of 1996, as amended, section 14:

- (1) The Fund shall keep proper records of all its financial transactions and its assets and liabilities.
- (2)
  - (a) The accounts of the Fund shall be audited annually by the Auditor-General appointed in terms of section 2 of the Auditor-General Act, 1989 (Act No. 52 of 1989), in accordance with the Act and with such other laws as may be referred to in that Act.
  - (b) The Auditor-General shall submit to the Board copies of any report referred to in section 6 of the Auditor-General Act, 1989.

The AGSA is independent from the RAF and does not perform any non-audit services. The designated Audit Senior Manager was rotated after the conclusion of the 2017/18 financial year audit. Generally, the composition of the external audit team changes every five years.

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

## *The Report of the Audit Committee...*

...provides a full  
description of its remit.

## REMUNERATION AND HUMAN RESOURCES COMMITTEE

The Board of the RAF has also established a Remuneration and Human Resources Committee, formerly known as the Human Capital, Social and Ethics Committee. This committee consists of five non-executive Board members. The CEO is an *ex officio* member of the committee. The Chairperson is appointed by the Board and is an independent, non-executive Director. The committee meets twice a year, or as often as necessary.

### MEMBERSHIP: REMUNERATION AND HUMAN RESOURCES COMMITTEE

(17 January 2020 to 31 March 2020)

● Meetings attended from **ONE**

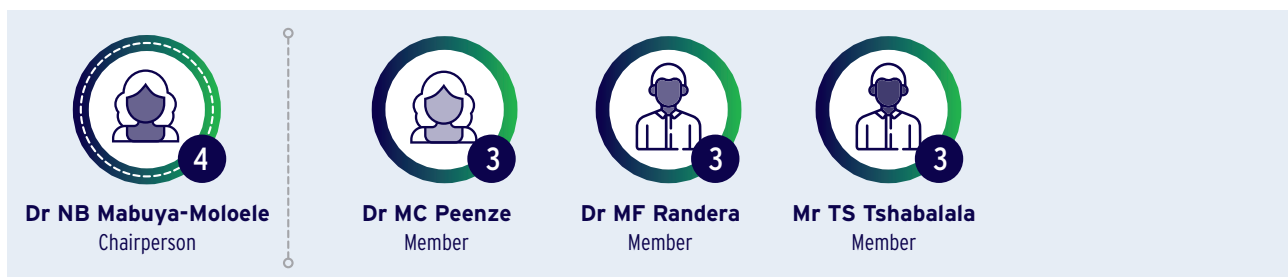


\*Resigned 4 March 2020

### MEMBERSHIP: REMUNERATION, HUMAN CAPITAL, SOCIAL AND ETHICS COMMITTEE

(1 April 2019 to 04 December 2019)

● Meetings attended from **FOUR**



The Remuneration and Human Resources Committee is responsible for developing and implementing a competitive Human Capital Strategy to ensure that the RAF is able to attract, retain and develop the best possible talent to support superior business performance. The objective is to create an organisational culture, structure and processes to support the development of people and the optimisation of their potential. The HR Strategy forms part of the Strategic Plan and the committee is responsible for enforcing and monitoring development and progress.

The functions of the Remuneration and Human Resources Committee include, but are not limited to:

- Being primarily responsible for oversight of remuneration;
- Recommending to the Board issues relating to its responsibility for the governance of remuneration by setting the direction for how remuneration should be approached and addressed on an organisation-wide basis;
- Recommending a policy to the Board for approval which articulates and gives effect to its direction on fair, responsible and transparent remuneration;



- Evaluating the effectiveness of the implementation of remuneration policies and consider independent surveys, as required. Independent surveys should utilise appropriate comparator groups;
- Recommending to the Board specific remuneration packages for Executive Management, including but not limited to basic salary, annual bonuses, performance-based incentives, pensions and other benefits.

This committee is further responsible for recommending a Performance Management and Development Policy governing performance principles applicable to all employees, and determining any criteria necessary to:

- Measure the performance of Executives in discharging their functions and responsibilities;
- Satisfying itself to the accuracy of recorded performance information that govern the vesting of incentives;
- Reviewing at least annually, Executive Management's performance agreements;
- Ensuring that all benefits, including retirement benefits and other financial arrangements are justified and appropriately valued;
- Making recommendations to the Board for the approval of Human Capital policies;
- Reviewing and recommending the policy, strategy and structure to manage social and ethics issues in the RAF;
- Overseeing the monitoring, assessment and measurement of the RAF's activities relating to social and economic development, including the RAF's standing in terms of the goals and purposes of:
  - the 10 principles set out in the United Nations Global Compact Principles;
  - the Employment Equity Act;
  - the Broad-based Black Economic Empowerment Act;
- Overseeing the monitoring, assessment and measurement of the RAF's activities relating to good corporate citizenship, including the RAF's promotion of equality, prevention of unfair discrimination, addressing of corruption, contribution to development of the communities in which its activities are predominantly conducted or within which its services are predominantly rendered, and recording of corporate social activities;
- Overseeing the monitoring, assessment and measurement of the RAF's activities relating to the environment, health and public safety, including the impact of the RAF's activities and of its services;
- Overseeing the monitoring, assessment and measurement of the RAF's stakeholder management relationships, including the RAF's public relations and compliance with privacy laws to ensure that the RAF adheres to its values; and
- Overseeing the monitoring of the RAF's labour and employment, including the RAF's standing in terms of the International Labour Organization on decent work and working conditions, the RAF's employment relationships, and its contribution towards the educational development of its employees.

The committee is required to ensure that the report provides a clear explanation of how the Remuneration Policy has been implemented.

*The objective  
is to create an  
organisational  
culture, ...*

...structure and  
processes to support the  
development of people  
and the optimisation of  
their potential.

## RISK, GOVERNANCE AND ACTUARIAL COMMITTEE

The Board of the RAF has established a Risk, Governance and Actuarial Committee, previously known as the Risk Management Committee, in compliance with the PFMA, as well as the NT Regulations issued in terms of the PFMA. The Risk, Governance and Actuarial Committee also covers the actuarial aspects of the organisation.

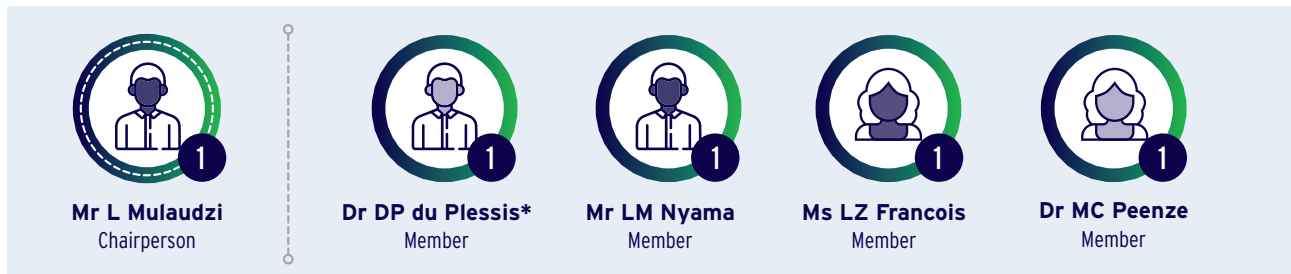
The establishment of a Risk, Governance and Actuarial Committee is not a statutory requirement for the RAF.

The committee consists of five non-executive Board members, including the DG's representative, as appointed by the Board. The Chairperson is an independent, non-executive member of the Board. The committee Chairperson is knowledgeable of the status of the position, and has the requisite risk management, business, financial and leadership skills. This committee meets at least twice a year, but may meet more frequently when necessary. The committee may invite any other person, so required, to attend meetings.

### MEMBERSHIP: RISK, GOVERNANCE AND ACTUARIAL COMMITTEE

(17 January 2020 to 31 March 2020)

● Meetings attended from **ONE**



\*Resigned 4 March 2020

### MEMBERSHIP: RISK MANAGEMENT COMMITTEE

(1 April 2019 to 04 December 2019)

● Meetings attended from **FIVE**



Risk management remains an integral part of the RAF's operations. The Risk, Governance and Actuarial Committee of the Board is satisfied that during the 2019/20 financial year the risks were managed within the risk appetite set by the Board and that sufficient monitoring, reporting and controls existed to ensure that risks were effectively managed.

The roles and responsibilities of the Risk, Governance and Actuarial Committee include:

- Oversight of Risk Governance, Compliance and Regulation, and Forensic Investigation Departments;
- Setting direction for the manner in which risk should be approached and addressed in the RAF;
- Ensuring that the RAF has implemented an effective policy and plan for Risk Management that will enhance the RAF's ability to achieve its strategic objectives;
- Ensuring that disclosure regarding risk is comprehensive, timely and relevant;
- Ensuring that risk management is integrated into the day-to-day activities of the RAF;
- Monitoring the quality, integrity and reliability of the organisation's Risk Management reports;
- Reviewing and assessing the integrity and effectiveness of risk control systems and strategies;
- Making recommendations to the Board for approval concerning the levels of risk tolerance, risk appetite and risk-bearing capacity;
- Ensuring that risk assessments are performed on a continuous basis;
- Ensuring that Risk Management methods are implemented, and tools utilised to increase the possibility of anticipating unpredictable risks;
- Ensuring that Management considers and implements appropriate risk responses;
- Evaluating the effectiveness of the mitigating strategies implemented to address the material risks of the RAF;
- Ensuring that continuous risk monitoring is done by Management;
- Monitoring external developments relating to the practice of corporate risk accountability and the reporting of specifically associated risks, including emerging external risk trends and their impact on the RAF;
- Reviewing the RAF's reports detailing the adequacy and overall effectiveness of the RAF's Risk Management processes;
- Monitoring compliance with applicable laws and adopted, non-binding rules, codes and standards;
- Ensuring that all decisions support and promote the RAF's Risk Management Strategy;
- Liaising closely with the Audit Committee to exchange information relevant to risk;
- Reviewing information to be provided in the Annual Report of the RAF, related to risk management and making recommendations to the Board to ensure that the disclosure regarding risk is comprehensive, timely and relevant; and
- Reviewing reports of significant fraud (both potential and actual), including the evaluation of the effectiveness of the response in investigating any loss and preventing future occurrences.

On an annual basis, the Board undertakes a strategic risk assessment whereby the top risks of the organisation are identified.

*Ensuring that  
the RAF has  
implemented...*

...an effective policy and plan for Risk Management that will enhance the RAF's ability to achieve its strategic objectives.

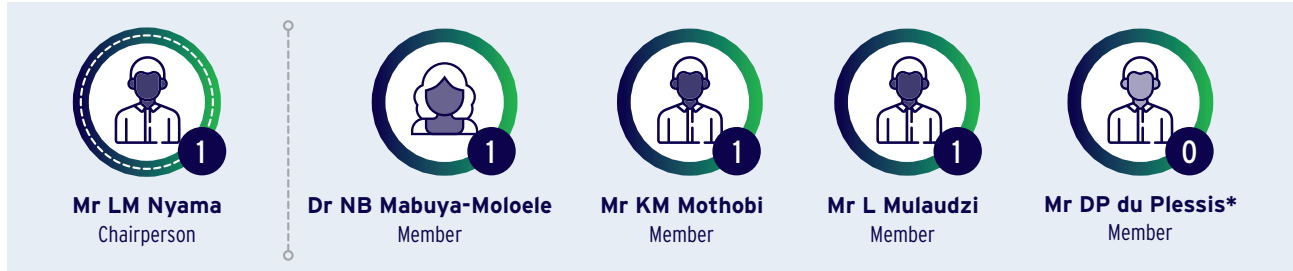
**OPERATIONS, INFORMATION AND TECHNOLOGY COMMITTEE**

The Board of the RAF has established an Operations, Information and Technology Committee. The committee consists of five non-executive Board members. The Chairperson is appointed by the Board and is an independent, non-executive Board member. The committee meets at least twice a year, or as often as necessary.

**MEMBERSHIP: OPERATIONS, INFORMATION AND TECHNOLOGY COMMITTEE**

(17 January 2020 to 31 March 2020)

● Meetings attended from **ONE**

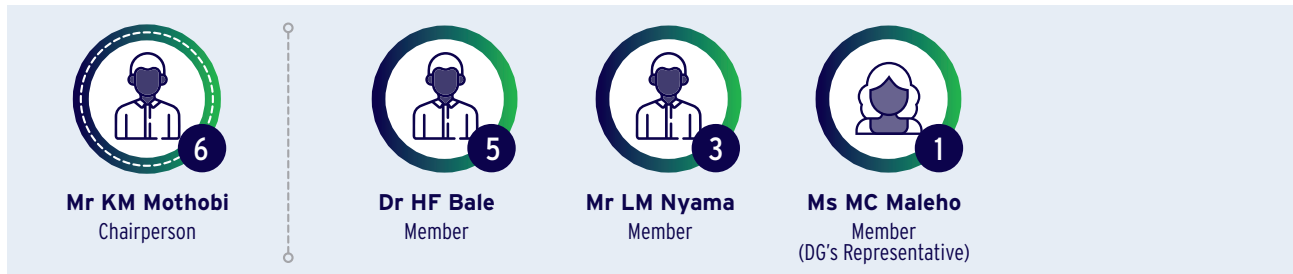


*\*Resigned 4 March 2020*

**MEMBERSHIP: OPERATIONS, INFORMATION AND TECHNOLOGY COMMITTEE**

(1 April 2019 to 04 December 2019)

● Meetings attended from **SIX**



The functions of this committee include, but are not limited to the following:

- Developing user-friendly policies on all aspects of claims administration, including undertakings furnished in terms of the Act and any other matter referred to it by the Board;
- Investigating and advising the Board on the implementation of legislative amendments to the Act;
- Making a recommendation to the Board for the appointment of panel attorneys and other professional panels;
- Assisting the CEO in devising strategies that would improve service delivery and ensuring streamlining of activities in the Operations business unit;
- Ensuring that the cost of service providers is minimised;
- Providing strategic direction and overseeing the implementation of an efficient and effective operating model;
- Considering, evaluating and overseeing the implementation of all customer services;
- Monitoring all transformation and change management activities, including the financial implications thereof;
- Supporting transformation, including transformation at a physical, human resource and financial level;
- Monitoring and evaluating the implementation of the Marketing and Communication Strategy in achieving strategic organisational objectives; and
- Performing an ongoing cost/benefit analysis to ensure a return on investment in respect of the operational structure.

For Information and Technology (IT), functions of the committee include, but are not limited to the following:

- Overseeing the cultivation and promotion of an ethical IT governance and management culture and awareness (measured through levels of governance, management skills and competencies) and of a common IT language;
- Providing the required leadership and direction to ensure that the RAF's IT function and infrastructure achieve, sustain and enhance the RAF's strategic objectives;
- Focusing on the governance of information, as well as the governance of technology;
- Ensuring that an IT internal control framework is adopted and implemented and that the Board receives independent assurance thereof;
- Taking the necessary steps to ensure that there are processes in place to ensure complete, timely, relevant and accessible IT reporting;
- Ensuring that IT is aligned with the performance and sustainability objectives of the RAF;
- Monitoring and evaluating significant IT investments and expenditure;
- Ensuring that IT forms an integral part the RAF's risk management culture;
- Ensuring that information assets are managed effectively; and
- Ensuring that the Risk Management and Ethics Committee, as well as the Audit Committee assist the Board in carrying out its IT responsibilities.

*Taking the necessary steps to ensure ...*

...that there are processes in place to ensure complete, timely, relevant and accessible IT reporting.

## SOCIAL AND ETHICS COMMITTEE

The Board of the RAF has established a Social and Ethics Committee. The committee consists of five non-executive Board members. The Chairperson is appointed by the Board and is an independent, non-executive Board member. The committee meets at least twice a year, or as often as necessary.

### MEMBERSHIP: SOCIAL AND ETHICS COMMITTEE

(17 January 2020 to 31 March 2020)

● Meetings attended from **ONE**

				
<b>Dr NB Mabuya-Moloele</b> Chairperson	<b>Dr MC Peenze</b> Member	<b>Mr H Daniels</b> Member	<b>Mr TS Tshabalala</b> Member	<b>Mr KM Mthobi</b> Member

In relation to social and ethics matters, the Social and Ethics Committee must:

- Monitor and/or co-ordinate the RAF's standing, and activities that the RAF undertakes to ensure that the business confronts corruption in all its forms, including extortion and bribery;
- Monitor that the RAF promotes equality and prevents unfair discrimination;
- Monitor the RAF's employment relations, and its contribution towards furthering education of its employees;
- Monitor the effective management of ethics in the RAF through the following:
  - Leadership demonstrating support for ethics throughout the RAF;
  - Articulating ethical standards;
  - Implementing structures, systems and processes to ensure that the Board and employees are familiar with and adhere to the RAF's ethical standards; and
  - Embedding ethics in the RAF's culture.
- Make recommendations on stakeholder management and provide advice on strategic partnerships that can assist the Board with issues such as road safety, rehabilitation, etc;
- Review the adequacy and effectiveness of the RAF's engagement and interaction with its stakeholders, as governed in terms of the Stakeholder Engagement Policy;
- Review and approve the policy and strategy pertaining to the RAF's programme of Corporate Social Responsibility;
- Review the material risks and liabilities relating to the provisions of the Code of Ethics, and ensure that such risks are managed as part of the RAF's Risk Management Programme;
- Ensure that Management has allocated adequate resources to comply with Social and Ethics policies, codes of best practice and regulatory requirements; and
- Review information to be provided in the Annual Report of the organisation related to people and stakeholder management, as well as ethics, and make recommendations to the Board to ensure that the disclosure regarding people and stakeholder management, as well as ethics, is comprehensive, timely and relevant.

In relation to transformation, the Social and Ethics Committee must:

- Review the strategy to be adopted by the RAF in support of the RAF's strategic objectives in relation to transformation. These would include the strategies on:
  - Skills Development;
  - Enterprise and Supplier Development including Preferential Procurement with a firm focus on the use of suppliers from designated groups;
  - Employment Equity; and
  - Corporate Social Investment.
- Agree on measurable long-term and short-term transformation targets and monitor progress against such targets. These targets will include appropriate goals on race, gender and disability, training and skills development budgets;
- Review the RAF's Transformation Strategy to ensure that it is in line with current legislation and make recommendations to the Board;
- Monitor that disclosure practices regarding transformation and effective consultation with stakeholders, including staff and their representatives, etc. are in place;
- Review specific areas where levels of transformation are unsatisfactory and recommend corrective strategies;
- Review Management's performance against pre-determined transformation objectives;
- Approve the Employment Equity (EE) Plan, as recommended by Executive Management, after taking into account and obtaining comfort that a robust internal review process was followed within the various divisions;
- Ratify the verification agency employed by the organisation to verify progress on transformation, after obtaining assurance that the Executive Management was involved in the appointment process of the verification agency;
- Consider any additional information necessary to fulfil the functions of the committee;
- Perform any other functions as requested by the Board, provided that those functions are not Management functions; and
- Perform responsibilities as required by relevant Board-approved policies, including the review of such policies.

### *Review the RAF's Transformation Strategy ...*

...to ensure that it is in line with current legislation and make recommendations to the Board.

## CLAIMS AND LEGAL COMMITTEE

The Board of the RAF has established a Claims and Legal Committee. The committee consists of five non-executive Board members. The Chairperson is appointed by the Board and is an independent, non-executive Board member. The committee meets at least twice a year, or as often as necessary.

### MEMBERSHIP: CLAIMS AND LEGAL COMMITTEE

(17 January 2020 to 31 March 2020)

● Meetings attended from **ONE**

Name	Role	Meetings Attended
Ms TN Msibi	Chairperson	1
Adv GJ Rasethaba	Member	1
Dr MC Peenze	Member	1
Mr TS Tshabalala	Member	1
Mr H Daniels	Member	1

The Claims and Legal Committee must perform all the functions necessary to fulfil its role, including but not limited to the following:

- Review and analyse reports on RAF claims;
- Develop, recommend and implement user-friendly policies on all aspects of claims administration, including undertakings furnished in terms of the Act and any other matters referred to it by the Board;
- Review and analyse for the purpose of recommending the pursuit or settlement of claims, as set out in the Delegation of Powers and Functions Policy; and
- Investigate and advise the Board on the implementation of legislative amendments to the Act.

The scope of this committee's review and oversight functions are limited to claims and legal issues.



#### 4.6 BOARD MEMBER REMUNERATION

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

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

Name	Remuneration	Other allowance	Other reimbursements	Total
	R'000	R'000	R'000	R'000
Adv GJ Rasethaba (Chairperson of the Board)	334	0	0	334
Ms TN Msibi (Vice-Chairperson)	255	0	0	255
Mr LM Nyama (re-appointed)	749	0	0	749
Dr NB Mabuya-Moloele (re-appointed)	751	0	0	751
Dr MC Peenze (re-appointed)	684	0	0	684
Mr TS Tshabalala (re-appointed)	697	0	0	697
Mr KM Mothobi (re-appointed)	741	0	0	741
Mr L Mulaudzi	235	0	0	235
Dr DP du Plessis	167	0	0	167
Mr H Daniels	239	0	0	239
Ms LZ Francois	237	0	0	237
Dr MP Mathebula (term expired)	703	0	0	703
Ms MRV Mashigo-Mokgalong (term expired)	533	0	0	533
Dr HF Bale (term expired)	464	0	0	464
Ms D Molefe (term expired)	425	0	0	425
Dr MF Randerera (term expired)	466	0	0	466
<b>Total</b>	<b>7,680</b>	<b>0</b>	<b>0</b>	<b>7,680</b>

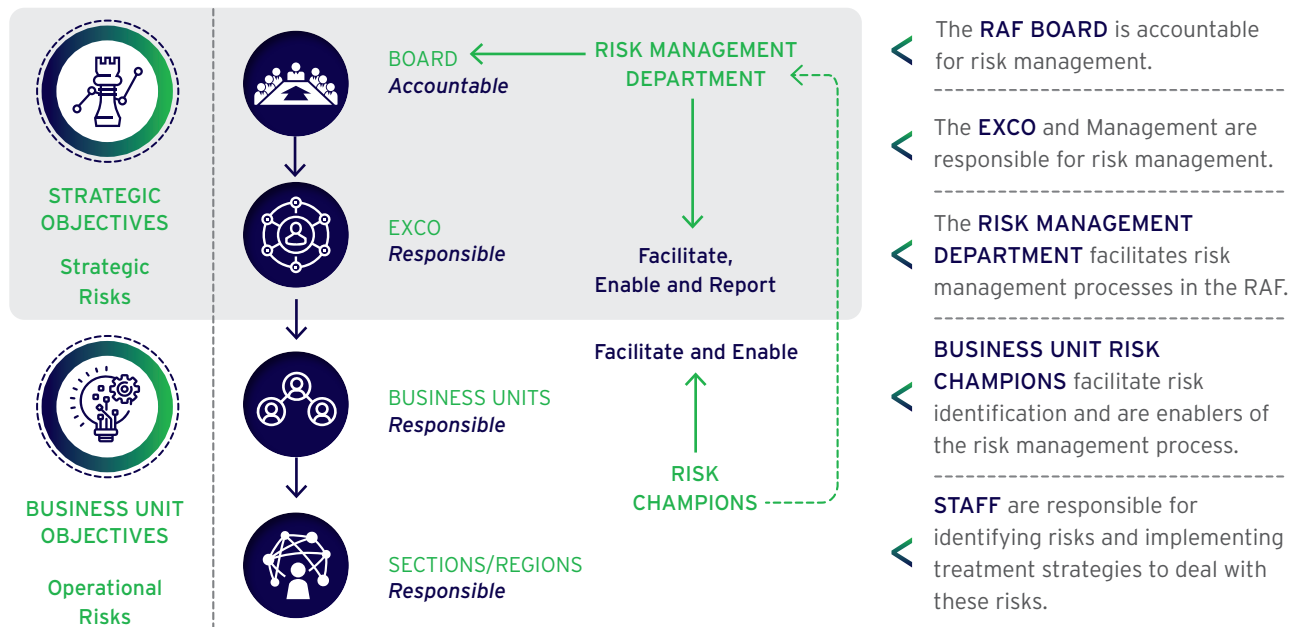
# 5 RISK MANAGEMENT

Risk management is an integral part and an essential element of good corporate governance. It is part of the RAF's business strategy to ensure that the organisation can identify and manage risks that impact on business performance and the achievement of objectives. Risks are viewed and assessed holistically and not in isolation, since a single transaction or event may have a significant impact on other risks, or be triggered by other risks.

## 5.1 RISK GOVERNANCE

The RAF Board has promoted a "risk-matured or risk-intelligent" culture. The Risk Governance and Actuarial Committee (RGAC) oversees the implementation and monitoring of the Risk Management Policy, Business Continuity Policy and Standard Operating Procedures (SOPs). Below is a high-level view of risk management governance at the RAF.

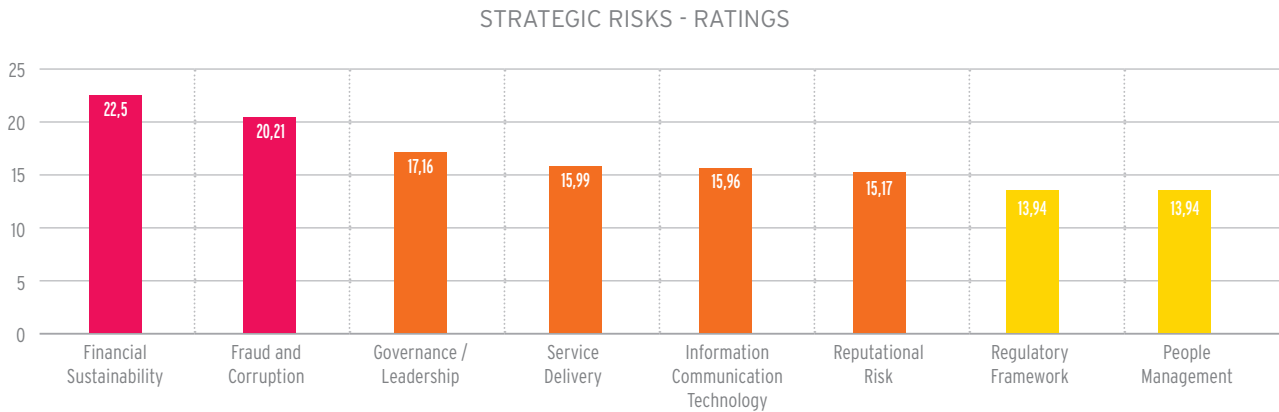
FIGURE 7: Risk management at the RAF



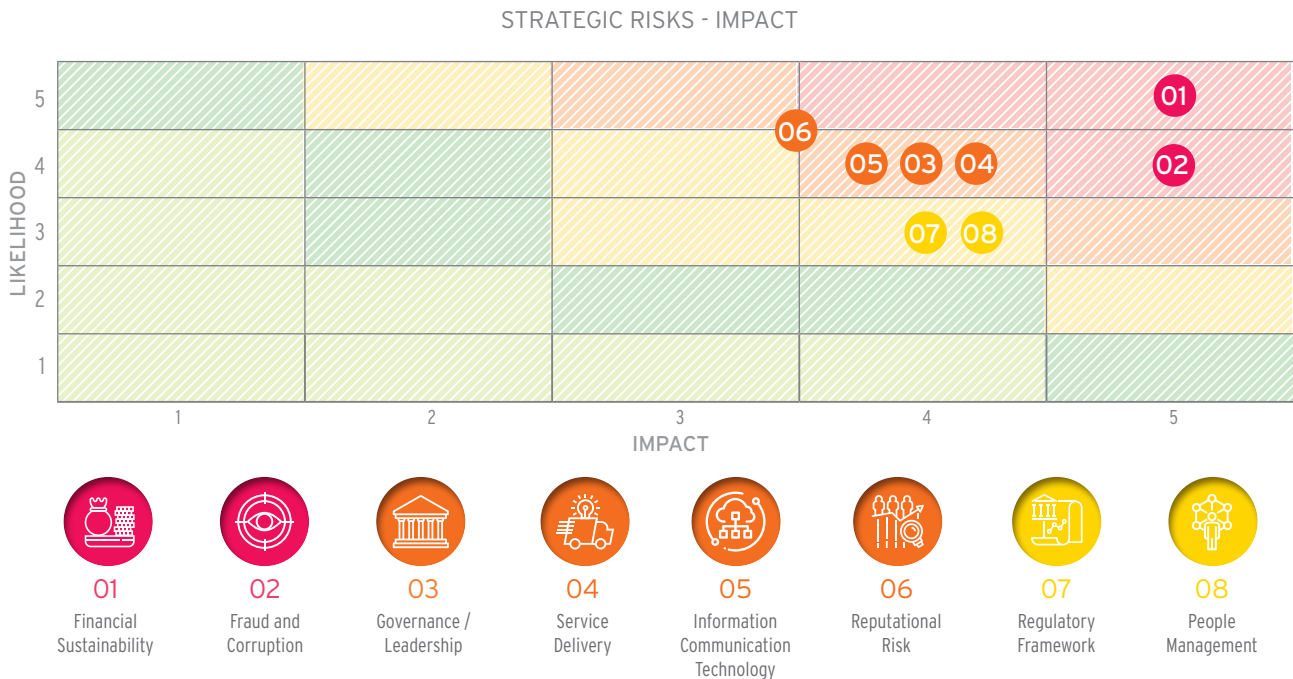
The Board identified eight strategic risks which might threaten the achievement of the RAF’s strategic goals and performance targets for the 2019/20 financial year. The risks are depicted below according to their risk ratings:

**GRAPH 22: RAF strategic risks - Ratings**

Number and risk



**FIGURE 8: RAF strategic risks - Impact and likelihood**



Annual and ongoing risk assessments are conducted to identify, assess, analyse, manage and monitor the strategic, tactical, operational and project risks. The risk management process is integrated and aligned to the strategic planning and performance monitoring processes of the RAF. The risks and related mitigation plans are managed, maintained and monitored on an ongoing basis.

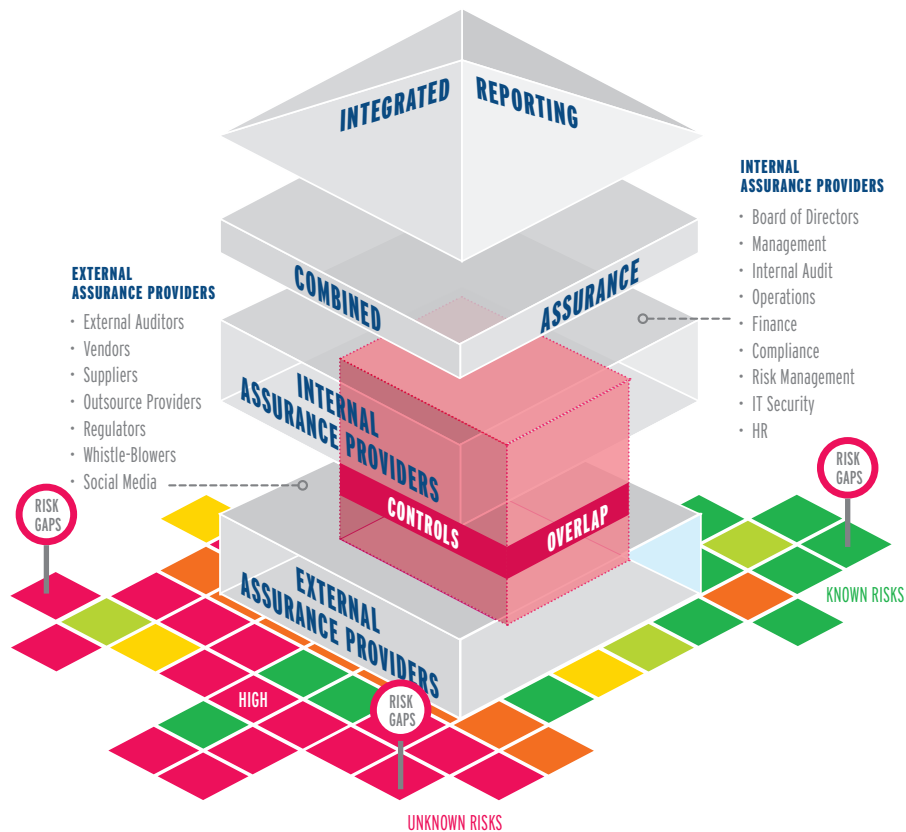
## 5.2 RISK MATURITY

The organisation is currently at Risk Maturity Level 4, which is the second highest maturity level in terms of the Risk Management Capability Maturity Model, as independently assessed by an external service provider. The RAF has elevated Risk Management to a strategic enabler level and has implemented and achieved the following:

- Fully operationalised risk governance structures, namely the RGAC, Executive Committee (EXCO), where Risk Management is a standing agenda item, and the Risk Champion Forum where Risk Champions from all business units throughout the RAF discuss risk-related issues affecting the organisation.
- Availability of risk advisors for all business units, as well as regional Risk and Compliance specialists at regional offices who monitor and report on key and significant risks facing the relevant business units. Emerging risks are also discussed with the CEO and the EXCO on a monthly basis and quarterly with the RGAC.
- Risk assessments are performed at strategic, tactical, operational, process and project levels to inculcate a matured risk culture within the RAF. In addition, a Risk Appetite Framework was cascaded to the regional offices to align with the overall organisational risk appetite limits.
- A scenario analysis was used to manage the organisation’s future uncertainties and risks, and to identify emerging risks.
- Over 70% of the Risk Management Implementation Plan’s activities were completed.

## 5.3 COMBINED ASSURANCE

FIGURE 9: Combined Assurance at a strategic level



- The Combined Assurance Strategy designed for the RAF is aimed at providing assurance that both the strategic and business operational risks are adequately managed by coordinating the assurance efforts of Management, as well as internal and external assurance providers. Combined assurance contributes to the overall strategy by ensuring:
  - Robust oversight and accountability for combined assurance by the Audit Committee and Combined Assurance Forum (Executives);
  - Collaborative risk assessments where all the assurance providers, including Internal Audit, form part of the risk profiling workshops/assessments; and
  - Key/high-risk business processes that impact the strategic risks are identified and a risk-based Integrated Combined Assurance Plan is developed and approved by the Audit Committee.
- For the year under review, the Combined Assurance Integrated Plan was developed and approved by the Audit Committee. 77 business processes were planned for assurance by all the assurance providers with three processes identified for the joint assurance reviews. These reviews were spread across the RAF's strategic risks, thus ensuring that assurance was provided for each strategic risk.
- Assurance work performed by different assurance providers was analysed to determine the overall opinion on the control environment around the management of strategic risks, as well as the impact on organisational performance. The overall combined assurance opinion on each strategic risk was reported quarterly to the Audit Committee.
- Combined assurance was also used as check-of-the-root causes/exposures for strategic risks, in that it identifies additional root causes/exposures that are identified during the reviews.

## 6 INTERNAL AUDIT

### 6.1 KEY ACTIVITIES AND OBJECTIVES OF INTERNAL AUDIT

The RAF's Internal Audit function forms an integral part of the organisation's corporate governance system. Its purpose is to provide independent, objective assurance and consulting services designed to add value and improve the RAF. Internal Audit assists the RAF to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of internal controls, risk management and governance processes. Ultimately, the assurance provided by Internal Audit assists the Board in fulfilling its disclosure obligations under its corporate governance codes and to report annually to the Minister of Transport and the PCoT on the effectiveness of the RAF's internal controls.

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

The risk-based Internal Audit Plan was developed and implemented after considering the major risks identified by the Board, Management and Internal Audit. This plan covers all major processes of the RAF.

The Internal Audit function underwent an external quality assurance review, as required by the International Standards for the Professional Practice of Internal Auditing (ISPPA) of the Institute of Internal Auditors in March 2015. The review was conducted by external, qualified and independent assessors and resulted in a favourable rating of "generally conforms".

# 7 COMPLIANCE WITH LAWS AND REGULATIONS

The RAF has established an effective Compliance function with an approved Compliance Framework. The Compliance function has a set of objectives and activities to be achieved on behalf of the Fund. It further assists the RAF in discharging its responsibility to comply with all applicable regulatory requirements through the provision of Compliance Risk Management services. The management of compliance risks and the conduct of compliance-driven activities are in line with legislative requirements and best practice guiding principles.

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

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

Furthermore, the RAF has developed and maintains an Integrated Compliance Management Programme. This programme is aimed at high- and medium-risk legislation, regulations and supervisory requirements, as assessed and implemented via the Compliance Risk Management Framework. Compliance Risk Management Plans were developed for the RAF's core-, high- and some medium-risk legislation, with which the RAF must comply.

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

Policies are also reviewed on a regular basis to ensure harmony with the legislative and regulatory prescripts. Compliance with applicable laws and regulations is undertaken in line with Principle 13 of the King IV Report (Compliance Governance).

## 7.1 COMPLIANCE FUNCTION

Compliance with relevant regulatory requirements and internal policies and procedures is ensured by the Compliance function.

Key functions of Compliance are to:

- Ensure compliance with all regulatory requirements;
- Identify the compliance risks that the Fund faces and advise on them (identification);
- Design and implement controls to protect the Fund from such compliance risks (prevention);
- Monitor and report on the effectiveness of controls in the management of the Fund's exposure to compliance risks (monitoring and detection);
- Resolve compliance difficulties as they occur (resolution);
- Advise the business on rules and controls (advisory);
- Provide compliance assurance to the Board and the Fund's Management; and
- Embed a culture of compliance through effective training programmes and compliance awareness campaigns.

## 8 FRAUD AND CORRUPTION

### 8.1 FORENSICS POLICY

The Forensics Policy assists with the prevention and detection of fraud. The strategy was developed to include prevention, detection, investigation and resolution of fraudulent matters.

### 8.2 MECHANISMS IN PLACE TO REPORT FRAUD AND CORRUPTION

The RAF has a Forensics Policy and a Fraud Hotline in place. The Whistle-Blowing Policy also provides for fraud and corruption to be confidentially reported. Several policies place a duty on employees to report suspicious activities to the FID, or anonymously through the Fraud Hotline.

FID statistics for the period 01 April 2019 to 31 March 2020, depicted in the table below, indicate the extent to which fraud is experienced and managed by the organisation, as well as the RAF's commitment to combat fraud and corruption.

### 8.3 FRAUD HOTLINE

The Fraud Hotline is the RAF's confidential and independent reporting hotline, which enables employees, customers, suppliers, managers and other stakeholders to raise confidential concerns about conduct that is contrary to the RAF's values. (The contract with the current Hotline service provider has expired and we are in the process of acquiring a new service provider through SCM processes).

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

The Risk, Governance and Actuarial Committee (RGAC) holds the oversight responsibility for ensuring the adequacy of the hotline procedures.

### 8.4 POLITICAL DONATIONS, GIFTS AND BRIBES

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

*The Fraud Hotline is the RAF's confidential and independent reporting hotline,...*

...which enables employees, customers, suppliers, managers and other stakeholders to raise confidential concerns about conduct that is contrary to the RAF's values.

## 8.5 FRAUD CASES REPORTED AND ACTIONS TAKEN

The table below outlines activities within the RAF's FID for the period ending 31 March 2020:

External Investigations	
Files carried over	1,855
Files received	4,792
Files closed	5,236
No. of arrests (people)	7
No. of arrests (charges)	7
No. of convictions (people)	6
No. of convictions (charges)	37
Repudiations	2,852
Repudiations: Claimed amount*	R635,695,680.84
Repudiations: Estimated amount*	R18,890,100
Repudiations: Summons amount*	R417,427,463
Cases referred to SAPS**	292
Cases registered by SAPS	237
Internal Investigations	
Investigations carried over	147
Investigations received	234
Investigations finalised	178
Investigations where misconduct/fraud was identified	76
Cases where disciplinary action was recommended (people)	15
Cases where disciplinary action was recommended (charges)	22
Investigations where disciplinary action was instituted	13
Resignations due to, or during investigations or hearings	5
Suspensions	3
Convictions or guilty outcomes after a hearing (people)	8
Convictions or guilty outcomes after a hearing (charges)	18
Cases referred to SAPS**	5
Fraud awareness initiatives conducted	145

\*\* Total cases referred to SAPS = 297



## 9 ETHICS

In line with the King IV Code on Corporate Governance, the Board is committed to setting the tone and striving to lead the RAF in an ethical, effective and responsible manner.

The Board assumes overall responsibility for the governance of ethics by setting the direction for how ethics is approached and embedded in the RAF by approving the Ethics Programme and Ethics Strategy.

The Board has approved a Board Ethics Policy and an Ethics Policy which both articulate and provide direction on organisational ethics that encompasses both internal and external stakeholders and addresses the key ethical risks within the RAF.

The Board has delegated to Management the responsibility for implementation and execution of the Ethics Strategy, Ethics Programme, and Policies, while exercising ongoing oversight of the management of ethics.

### 9.1 ETHICS PROGRAMME OF ACTION

During the 2019/20 financial year, the Ethics Office continued to implement the Board-approved Ethics Programme of Action (EPA), which outlines what the RAF wishes to achieve with its Ethics Management Programme relative to the overall organisational strategic objectives. The 2019/20 financial year represented Year 2 of the implementation of the EPA, and satisfactory progress has been achieved in terms of the planned activities despite COVID-19 disruptions in the fourth quarter of the year.

### 9.2 MANAGEMENT OF CONFLICTS

Avoidance of conflict is a policy requirement within the RAF. Among the measures in place to manage conflicts of interest are annual Declarations of Interest (DOIs) by employees, annual pledges to commit to the organisational ethics by employees, prior permission from the CEO to perform external remunerative work by employees, declarations of affected

claims by employees, and prohibition of acceptance of any gifts, hospitality or benefits. For the 2019/20 financial year, 97% of employees pledged commitment to the organisational ethics and 93% of employees declared interests. Non-compliance with the Ethics Policy and SOPs is a disciplinary offence.

### 9.3 TRAINING AND AWARENESS

Continuous training, induction and awareness in respect of organisational ethics, values and policy requirements are core activities of the RAF's Ethics Office. Ethics, Values and Induction training is compulsory for all RAF employees on an annual basis. During the 2019/20 financial year, 80% of RAF employees attended Values training countrywide, and 92% of RAF Senior Management (Executives, General Managers, Senior Managers and Managers) attended Ethics training. New employees are also inducted on the RAF organisational ethics and values, as well as the Ethics Policy and SOPs. 66% of new employees attended Ethics induction sessions.

### 9.4 REPORTING WRONGDOING

An anonymous and confidential Ethics Hotline provides an avenue for RAF employees to report ethics violations (unethical, illegal and unlawful activities), breaches of the Ethics Policy and SOPs, and other organisational policies or procedures they may witness or personally experience. Matters reported are investigated by the FID, and Management takes the appropriate actions.

### 9.5 ETHICS CHAMPIONS PROGRAMME

During the 2019/20 financial year, the Ethics Office facilitated the appointment of Ethics Champions across business units to assist with the implementation of the EPA within the Fund. Currently, there are 95 Ethics Champions across RAF business units, and 20 have attended The Ethics Institute (TEI) Ethics Officer Certification Programme. The Ethics Office conducts refresher training for champions on an annual basis.

## 10 | COMPANY SECRETARY

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

- Providing a central source of guidance and support to the Board on matters of good governance;
- Assisting with the Board induction and training programmes;
- Ensuring that Board and Committee Charters are kept up to date;
- Preparing and circulating Board documents;
- Eliciting responses for Board and Board Committee meetings;
- Drafting annual work plans;
- Ensuring preparation and circulation of Minutes of Board and Board Committee meetings;
- Assisting with the evaluation of the Board, Committees and individual Board members; and
- Providing assurance that the RAF has lodged all returns, as required by the PFMA, 1999 (Act No. 1 of 1999).

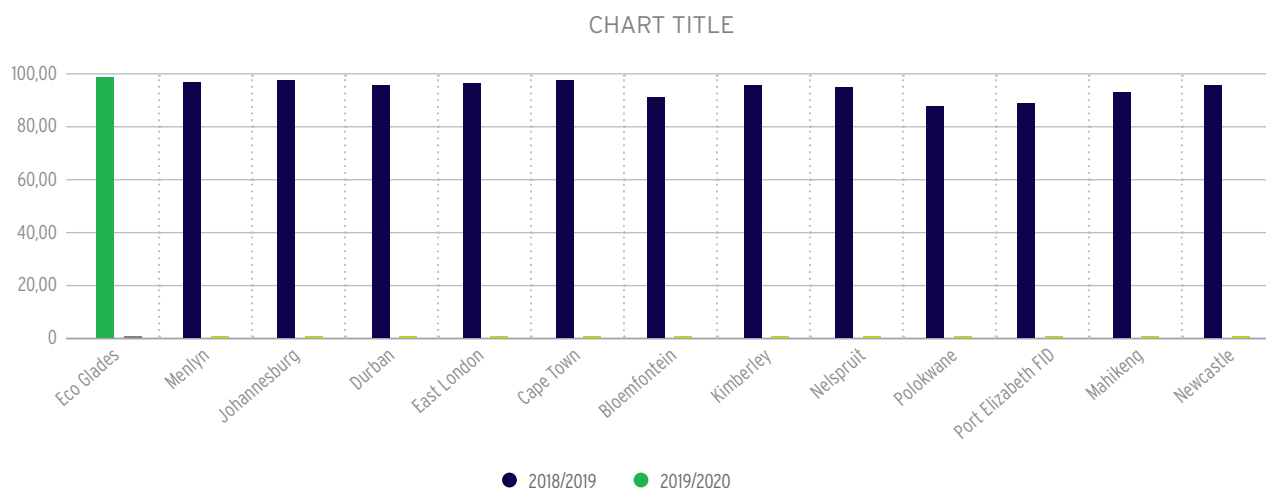
## 11 | HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

During the 2019/20 financial year, the RAF sourced a service provider to conduct an annual Occupational Health and Safety (OHS) Compliance audit at its head office, regional offices and CSCs to measure the level of compliance to the Occupational Health and Safety Act, Act No. 85 of 1993, as amended. The results are outlined in the tables below:

Region	2018/19	2019/20	% Change	Customer Service Centres	2018/19	2019/20	% Change
Eco Glades	98.3%	99.96%	1.66%	Bloemfontein	91.2%	72.69%	-18.47%
Menlyn	97.4%	91.21%	6.15%	Kimberley	96.1%	58.26%	-37.85%
Johannesburg	98.6%	Not performed due to the relocation of the office	N/A	Nelspruit	95.1%	94.95%	0.16%
Durban	96.0%	99.72%	3.72%	Polokwane	88.3%	99.63%	11.43%
East London	96.8%	99.96%	3.1%	Port Elizabeth	89.2%	89.03%	-0.17%
Cape Town	98.2%	98.46%	0.26%	Mahikeng	93.2%	99.96%	6.66%
				Newcastle	96.4%	Not performed due to COVID-19	N/A

**GRAPH 23: RAF OHS Compliance - Ratings**

Percentage and region



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

## 12 SUPPORT FUNCTIONS

### 12.1 STAKEHOLDER RELATIONS MANAGEMENT

In line with the King IV Report, the RAF held inclusive, material and responsive stakeholder engagements to respond to and address issues raised by stakeholders in an accountable manner; hence, integrating all RAF engagements to organisational governance, strategy and operations.

Among issues responded to and dealt with, in line with the RAF stakeholder universe, the following groupings were engaged: health sector; transport sector; social sector, judiciary; safety and security; provincial and local government; insurance industry; private sector; as well as the national government. As a result, high-level engagements were held by the RAF in response to various stakeholder concerns. The most notable ones included the Legal Practice Council, Judge Presidents in the provinces, the Law Society, Law Associations, SARS, DoH, South African Insurance Association, Board of Healthcare

Funders(BHF), SAPS, NT, Department of Home Affairs, different private medical institutions (such as Netcare, RH Bophelo, Discovery Health, Clinix, Lenmed, Life, Naturecare, Mediclinic, Clayton, and Metropolitan Health).

During these engagements, the following issues were dealt with in a responsible manner:

- The RAF's financial position;
- Delays in the settlement of claims;
- Fraud and corruption;
- Collusion against the Fund;
- Litigation management challenges;
- Panel management;
- Payment of supplier claims;
- Repudiation of claims;
- General litigation management; and
- Other *ad hoc* matters.

In order to consistently enable the RAF business, the Fund signed three Memorandums of Understanding (MoUs) with the BHF, National Community Radio Forum (NCRF), and Pedal Power during the year under review. These new MoUs were subsequently operationalised to the benefit of the RAF business by enhancing the processing of claims. Simultaneously, Stakeholder Relations Management (SRM) continued to ensure the sustainability of previously signed MoUs. Various workshops on RAF services, and fraud and corruption (with the involvement of our FID) were conducted.

At an international level, engagements with other MVA Funds in the SADC were held on a continuous basis as part of the multi-lateral agreement signed between South Africa, Botswana, Namibia and Swaziland. These regional level engagements focused on initiatives to empower and support each other through road safety and rotational benchmarking on strategic matters identical to the different MVAs in the SADC region. The key outcomes of this multi-lateral agreement included the highly successful cross-border road safety joint operations. One of the key operations during the year under review was the Trans-Kalahari Corridor (TKC) Joint Operation between South Africa, Namibia and Botswana, held in Jwaneng, Botswana, in May 2019.

## 12.2 ROAD SAFETY

The RAF endeavours to gain insight into factors that contribute to increased road crashes and injuries on South African roads and collaborates with road safety entities to implement mitigation strategies to reduce the RAF's liability. The RAF's role in the road safety management arena is guided by the Board-approved Road Safety Policy and SOP. The policy provides a framework within which the RAF manages its participation and contributions to road safety.

Giving impetus to the Road Safety Policy is an integrated Road Safety Strategy, which was approved by the RAF Board during the 2014/15 financial year. The Five Pillars of the UN Decade of Action for Road Safety, the National Road Safety Strategy (2016-2030), the RAF Act, and the RAF's Strategic Plan 2015-2020 form the basis of the RAF's approach to the implementation of its road safety initiatives.

On an annual basis, the RAF develops a Road Crash Forecasting Report, using data from various information collection agents (ICAs), such as the Road Traffic Management Corporation (RTMC), SAPS, public and private emergency services, provincial and local government traffic authorities, Statistics South Africa (Stats SA) and the Automobile Association (AA). The data provides for scientifically-based road safety interventions and strategies and is used to develop campaigns in response to the identified road crash causes and anticipated trends.

Road safety initiatives during the 2019/20 financial year focused on the following:



### IMPLEMENTATION OF CRASH VERIFICATION SYSTEM (CVS) (APP 2019/20 TARGET)

The CVS is a data repository that verifies and validates claims data, as well as informs road safety initiatives. During the year under review, the RAF received road-crash-related data from 24 ICAs. A total of 10,209 potential claims were referred to the regional offices for origination, as well as verification and validation of existing claims.





### YOUTH DRIVER DEVELOPMENT PROGRAMME (YDDP) (APP 2018/19-2020/21 TARGETS)

The RAF implemented the YDDP that seeks to promote youth road safety, while contributing to the reduction of youth unemployment. Of the target to train 360 youth to obtain their heavy vehicle drivers' licenses and public drivers' permits, a total of 142 (39.44%) successfully completed the programme and 360 more candidates were recruited in the current financial year.



### ROAD SAFETY JOINT OPERATIONS

As part of the implementation of the resolution of the SADC MVA summit held at the RAF from 21-22 June 2016, joint road safety operations were conducted as follows:

- TKC Joint Operation with SA, Namibia and Botswana, held in Jwaneng, Botswana, in May 2019.
- TKC Joint Law Enforcement and Road Safety campaigns held in Swakopmund, Namibia. The campaigns were conducted by Botswana, Namibia and SA in September 2019.
- Joint operations between SA and Zimbabwe. Two operations took place: One in Zimbabwe in December and one in SA in January. These operations were held in conjunction with the Cross-Border Road Traffic Agency (CBRTA).
- Joint operation between SA and Swaziland was held in Swaziland during March 2020.



### TYRE SAFETY TRAINING

It is reported that over 60% of crashes that happen due to vehicle factors are as a result of tyre defects. The RAF entered into partnership with Dunlop Tyres to train traffic officers throughout the country. A total of four training workshops were conducted, targeting 450 traffic officers.



### ROAD SAFETY PARTNERSHIPS

**Olieven Development and Abuti Rams:** This initiative focuses on road safety training for youth leaders from different communities; and providing them with road safety toolkits that will assist them to spread the road safety message on their own.

**North West University:** The Moonshine Reflective Animal Spray was developed by a young innovator. The spray is used on donkeys and cattle and reflects in the lights of vehicles at night, thus assisting to curb crashes involving stray animals.



### NATIONAL ROAD SAFETY PROGRAMMES

The RAF hosted and/or participated in various national road safety events and initiatives in support of the DoT nationally and provincially.

## 12.3 CORPORATE CITIZENSHIP

The RAF subscribes to the KING IV principle of ensuring that an organisation is a responsible corporate citizen. To this end, the Social and Ethics Committee (SECOM) provides oversight over the Fund's core purpose and values. During the year under review, this was achieved through the monitoring of the RAF's Ethics Policy and Implementation Plan. SECOM further provided oversight to ensure that the Fund's strategy and conduct were congruent with being a good corporate citizen.

## 12.4 CORPORATE SOCIAL RESPONSIBILITY

The RAF's Corporate Social Responsibility (CSR) programmes are an integration of social, environmental and economic contributions towards society. The Fund's CSR Strategy is aligned to the organisation's core business objectives and the government's socio-economic and development priorities. CSR subscribes to the broader solution, i.e. the triple bottom-line of profit, people and planet with an added dimension, as it is measured by the Broad-Based Black Economic Empowerment (B-BBEE) Act. It resorts under the Socio-economic Development (SED) element in the Codes of Good Practice.

The Fund's current CSR focus areas are:

- Health/Post-crash Care;
- Education and skills development; and
- Strategic interventions.

During the reporting period, the RAF supported 20 projects in support of the Fund's Rehabilitation Strategy with a special focus on schools for learners with special educational needs, and programmes that seek to mitigate the consequences of road crashes post the accident. CSR continued to ensure that there was alignment between the CSR programmes and the business of the RAF, which enabled the realisation of shared value where both the organisation and beneficiaries derived benefit.

During the 2019/20 financial year, CSR expenditure was R10,136,575. The following projects were implemented per focus area, as listed below:

Implementing NGO	Expenditure	Purpose/Project Description	Focus Area
Khayelitsha Special School	R280,000	Woodwork equipment for learners with special needs	Education and Skills Development
Ubuntu Trust	R40,000	Mandela Day activity for Cape Town region	Strategic Interventions
Maths & Science Infinity	R500,000	Contribution towards the renovations at the Albertina Sisulu Primary School as part of the centenary project	Education and Skills Development
Maths & Science Infinity	R170,000	Audio equipment for Efata	Education and Skills Development
South African Medical and Education	R500,000	Contribution towards providing equipment needs for the Casualty and Emergency Unit at Tshepong Hospital	Health/Post - Crash Care
Likhonithemba Care Givers	R300,000	Contribution towards training of caregivers on the RAF database for Eastern Cape regional office	Health/Post - Crash Care
South African National Council for the Blind	R600,000	For Disability Awareness campaign and purchasing of canes	Health/Post - Crash Care

Implementing NGO	Expenditure	Purpose/Project Description	Focus Area
The Imbumba Foundation Trust	R600,000	Renovations and purchasing of medical equipment for KwaZamokuhle Special School	Health/Post - Crash Care
The National Council for Persons with Disability	R600,000	Job creation projects for people with disabilities (R300,000 for Free State and R300,000 for Northern Cape)	Education and Skills Development
Thuso Ke Botho	R300,000	Contribution towards training of caregivers on the RAF database for Gauteng and Free State regional offices	Health/Post - Crash Care
Nurse Based Initiation Antiretroviral Projects	R500,000	MVA Filing and Records Management project at Manapo Hospital	Health/Post - Crash Care
Hospice Palliative Care Association	R300,000	Contribution towards training of caregivers on the RAF database for Johannesburg regional office	Health/Post - Crash Care
Quadpara Association of the Western Cape	R300,000	Contribution towards training of caregivers on the RAF database for Western Cape regional office	Health/Post - Crash Care
Trust For The Health Systems Planning	R500,000	Contribution towards MVA Files and Patient Records Management project in Ngwelezana Hospital	Health/Post - Crash Care
Rehabilitation Institute of Africa	R300,000	Contribution towards training of caregivers on the RAF database for Johannesburg regional office	Health/Post - Crash Care
Akofang Primary School	R53,000	Employee volunteerism	Strategic Interventions
The South African Healthcare Foundation	R500,000	Contribution towards MVA Files and Patient Records Management project at Messina Hospital	Health/Post - Crash Care
Cottondale Disability Centre Club	R40,910	Contribution towards different initiatives in support of Employee Volunteerism programmes in Mpumalanga	Strategic Interventions
The National Council For Persons With Physical Disability	R40,910	Contribution towards different initiatives in support of Employee Volunteerism programmes in Gauteng	Strategic Interventions
The Imbumba Foundation Trust	R259,600	Dignity packs for child-headed households due to road accidents	Strategic Interventions
South African Medical and Education Foundation	R945,600	Contribution towards providing equipment needs for the Casualty and Emergency Unit at Tshepong Hospital	Health/Post - Crash Care
Maths & Science Infinity	R500,000	Hospital beds for Casualty Ward at Frere Hospital	Health/Post - Crash Care
The National Council for Persons with Physical Disability	R360,000	Contribution towards the top three matric learners from the 'Special Needs' category during the 2019 National Senior Certificate results announcement	Strategic Interventions
Come out Foundation NPC	R450,000	Gr R class renovation, Commemoration of Road Accident Victims & RAF Story Telling	Education and Skills Development
Nosapho Educare Centre	R323,400	MVA Filing and Records Management project at Khayelitsha Hospital	Health/Post - Crash Care
The Imbumba Foundation Trust	R639,180	Contribution towards the renovations of an Orthopedic Ward at Berdford Hospital	Health/Post - Crash Care
Kayamandi High School	R233,975	Mandela Day activity	Strategic Interventions

Whilst these projects may not have been relatively large in scale and budget, they had a significant impact on the RAF CSR focus areas. Some of the key outcomes/impacts of these projects included the following:

- Improvement of the MVA filing system in hospitals, thereby minimising the risks of fraud and theft;
- Training of caregivers to contribute to the better care of the RAF's most vulnerable beneficiaries;
- Contribution towards Skills Development Programmes for the youth and people living with disabilities to contribute to employment creation and skills development; and
- Contribution towards road safety initiatives to enhance the National Road Safety Strategy.

### 12.5 PROGRAMME MANAGEMENT OFFICE

The RAF's Programme Management Office (PMO) is responsible for strategy enablement through the identification, management and delivery of transversal projects. At the core of executing the PMO mandate is project governance, which is underpinned by RAF project management and business analysis frameworks. This allows for a controlled and auditable environment in which resources, budgets and deliverables are managed in a systematic manner. The results of project execution are then measured and documented against the founding business case to ensure value realisation for the business. All projects are formally closed through project close-out reports, and lessons learned are documented and shared accordingly to avoid repeat failures.

The PMO's value propositions are:

- Quantifying the impact of legislative and/or strategic change and enabling the business to resource, upskill, train and implement change programmes;
- Minimising delays and wastage by optimising business processes to promote operational efficiencies;
- Continuous business improvement through provision of analysis and advisory services; and
- Assisting the business to visualise the change, understand the impact, prepare a response and to act decisively.

### 12.6 INFORMATION AND COMMUNICATION TECHNOLOGY

The ICT Department remained focused in supporting the RAF business to execute its core mandate and enabling the organisation to achieve its strategic and operational objectives. This was done through a continuous partnership and engagement with business to maintain alignment and awareness. The department also continued to focus its attention on providing effective ICT service availability and has sustained an acceptable level up-time and availability of all services.

The strategic initiatives that ICT executed as part of Year Five of the RAF Five-year RAF e-Enablement Plan were as follows:

- Optimisation of business applications;
- Implementation of Enterprise Architecture (EA) Capabilities/Services;
- Deployment of:
  - Digital platform for supplier claims lodgement in all RAF regions;
  - Enterprise Content Management System (ECMS) in all RAF regions;
  - Information Security solutions/capabilities; and
  - Infrastructure solutions.

#### Optimisation of Business Applications for Business Process Improvement

- ICT systems are utilised to process, store and protect the massive amount of critical transactions data. During the year under review, a number of business process improvements were identified to optimise the organisation's business applications. The ICT Department executed a significant number of system enhancement initiatives that optimised the ICT systems to ensure effective processing of claims, thus enabling the organisation to meet one of its strategic objectives.

#### Implementation of EA Capabilities/Services

- The ICT Department identified EA as a key focus area in re-engineering the claims business processes to implement an ICMS for the future. In the 2018/19



financial year, ICT commenced with a process to source a service provider for EA Capabilities and Services in order to identify opportunities and solutions to support the RAF transformation strategic objectives. The selected opportunities and solutions will inform a migration plan, implementation plan, as well as change governance in deploying solutions to enable the transformation of the RAF.

- During the year under review, the appointment of a service provider was concluded. The EA Capabilities project commenced, the project delivery team was identified and a set of deliverables were documented and approved. EA Capabilities is a multi-financial year project and identified deliverables were completed by the end of March 2020, as envisaged.

### Digital Platform for Supplier Claims Lodgement

- During the 2018/19 financial year, the ICT Department implemented a pilot digital platform for supplier claims to create a digital channel in respect of supplier claims lodgement, traceability and reconciliation of the claims electronically. Regional roll-out commenced and the solution was successfully rolled out in all five RAF regions.
- In all the regions, the RAF is now able to register supplier claims within seven days, as opposed to the normal number of days it took. This demonstrates a great end-user adoption, significant improvement on supplier claims processing, and solution usability in support of the RAF transformation strategic objectives.

### Enterprise Content Management System

- The journey that commenced in the 2017/18 financial year to acquire and deploy an ECMS to address one of the major business challenges facing the RAF, i.e. being highly paper-based, gained significant momentum during the year under review.
- The ECM digitisation capability was successfully deployed and is currently being consumed by the business in a phased approach by accessing documents digitally.

### Information Security Solutions

- The RAF has made a number of significant investments in ICT security technologies. This is to ensure that key mitigation plans are in place so that ICT strategic risk exposure is minimised proactively and is responsibly managed to optimise the ICT security systems and effective data protection measures. Significant progress has been made in deploying these security initiatives.
- During the year under review, the department also revised the Information Security Strategy and developed a new Information and Cyber Security, ICT Governance, Risk and Compliance (GRC) Strategy.
- The strategy aims to improve overall security across ICT and build cyber resilience within the RAF. The strategy identified security opportunities and initiatives that ICT is undertaking in the short, medium and long term to improve the RAF information security posture and overall information protection. The implementation of the identified short-term initiatives were successfully completed by the end of March 2020.

### Acquisition and Deployment of Infrastructure Solutions

- The RAF business systems rely heavily on ICT infrastructure to deliver on its mandate efficiently and effectively to ensure optimal ICT availability and uptime of critical ICT systems. The RAF also invested in ICT infrastructure technologies to ensure optimal ICT service delivery and provision of flexible connectivity within the RAF offices, including the CSCs. Initiatives to deploy these technologies were successfully completed.
- The department also continued with the maintenance of back-end technologies, and upgraded outdated back-end technology to ensure that the latest versions and supported technology are in use within the RAF IT environment.

## 12.7 CORPORATE COMMUNICATIONS

The term “Corporate Communications” is used across the world to describe the dissemination of information to key stakeholders, the execution of corporate strategy, and the development of messages for a variety of purposes for inside and outside the organisation. It is also a set of activities involved in managing and orchestrating all internal and external communications aimed at creating favourable point of view amongst stakeholders on which the organisation depends.

The RAF Corporate Communications Division consists of five business units, namely:



MARKETING



REPUTATION  
MANAGEMENT



SOCIAL AND  
DIGITAL MEDIA



INTERNAL  
COMMUNICATION



CALL CENTRE

### High-level Overview: Paid Media

Description	2017/18	2018/19	2019/20
Print	R10,652,146	R12,170,462	R949,700
Television	R20,339,000	R118,560,000	R199,364,511
Radio	R246,094,000	R183,903,000	R155,415,000
Out-of-Home (OOH)	R53,671,086	R2,072,914	R8,646,576
Value Added	R5,906,857	R10,000,000	R3,127,620

### MARKETING

#### Marketing Campaigns

The Marketing Department intensified efforts to position the RAF positively in the minds of the public. The 2019/2020 financial year commenced with an impactful Road Safety campaign under the banner #AlwaysRemember, and was flighted on television and African Language Service (ALS) radio stations. The campaign was very well received in the market. In order to reinforce the road safety message further during the year, the RAF participated in the Comrades Marathon. Media was procured on Ukhozi FM and Radio 2000 where public service announcements were flighted.

This campaign was further solidified by squeeze-backs on the popular SABC 1 soap, Uzalo. It was also augmented with 30-second adverts in two of the largest cinema groups in the country, namely Nu Metro and Ster Kinekor.

The Road Safety Festive Season campaign ran successfully with television commercials on SABC 1 and 2, airport and taxi rank screens, supported by intersection activations carried out next to busy commuter hubs across the country. The campaign was executed under the banner “#AlwaysRemember to Take Care to Get There This Festive Season”. The objective of this campaign was to educate the public on the importance of taking care on the roads in order to arrive safely at their destinations.

## Business Support

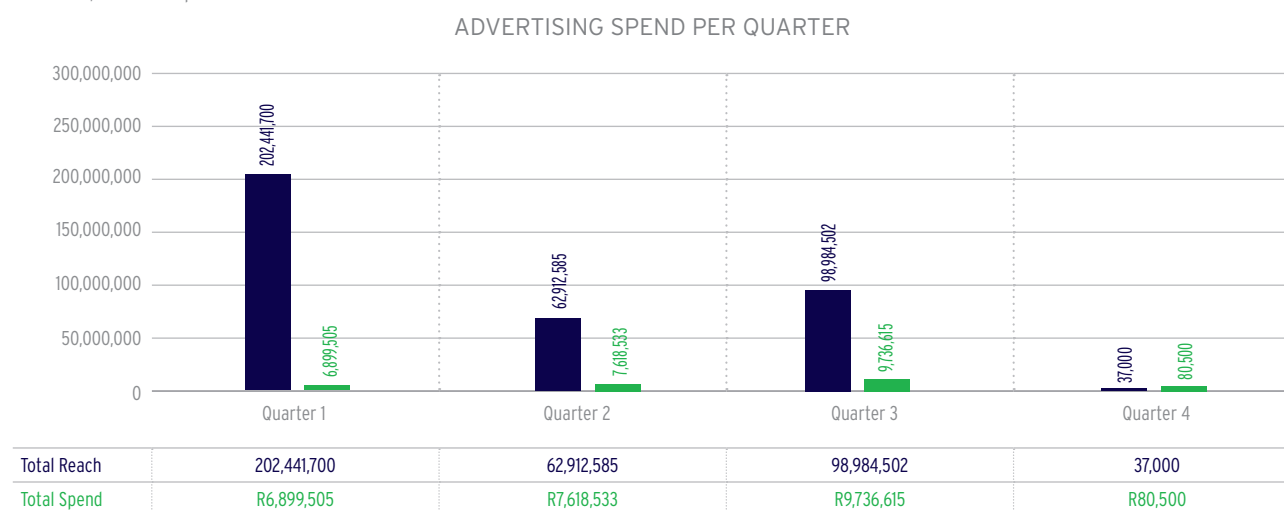
Regional support was rendered to a variety of regional tactical marketing efforts during the financial year.

## Advertising Spend

Description	2016/17	2017/18	2018/19	2019/20
Number of reach	194,877,539	537,075,208	317,480,246	364,375,787
Total spend	R22,932,065	R35,172,642	R26,191,649	R24,335,153
Cost per contact	R0.12	R0.06	R0.08	R0.67

### GRAPH 24: Advertising Spend per Quarter - 2019/20

R'millions, total and quarter



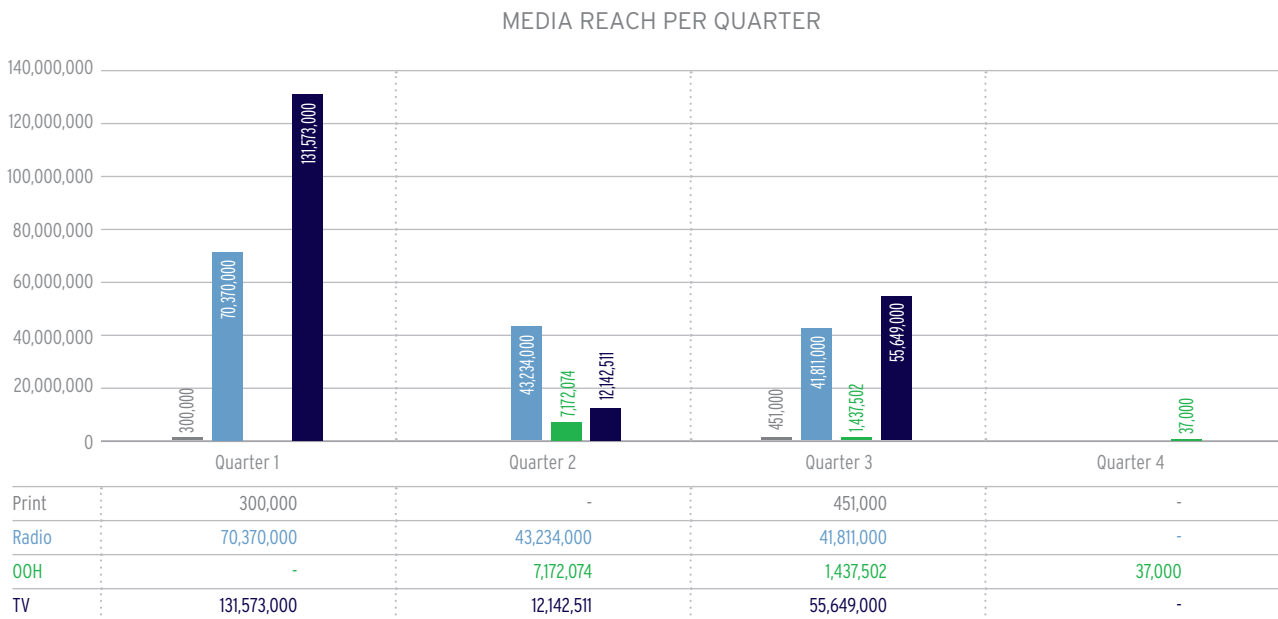
An Advertising Added Value of over R3 million was realised during the 2019/20 financial year.

## Media Reach

Description	2016/17	2017/18	2018/19	2019/20
Print	5,115,782	10,652,146	12,170,462	751,000
Radio	111,352,000	249,094,000	183,903,000	155,415,000
OOH	5,645,985	53,671,086	2,072,914	8,646,576
Television	72,630,059	209,339,000	118,260,000	199,364,511

**GRAPH 25: Media audience reach per quarter**

Number and quarter



## Research Initiatives

The Customer Satisfaction Survey Report was finalised during Quarter 4 to assist the business to improve the customer experience of claimants and other stakeholder groupings. A variety of research studies were carried out, e.g. the Call Centre Capability and Enhancement Optimisation Report. Key findings and recommendations were presented to the Call Centre Management team. In addition, the latest Media Trends Report was shared with the Corporate Communications team following its release by the Broadcast Research Council of South Africa. This report has since been used to inform the RAF's Media-buying Strategy during the financial year.

## Reputation Management

### High-level Overview: Earned Media

Description	2015/16	2016/17	2017/18	2018/19	2019/20
AVE	R126,216,413	R184,846,136	R173,511,603	R257,611,561	R148,677,553
Added Value Media (Linked to media buying)	Not tracked	Not tracked	R3,093,876	R10,627,987	R6,951,371.55

### Media Platforms and Favourability

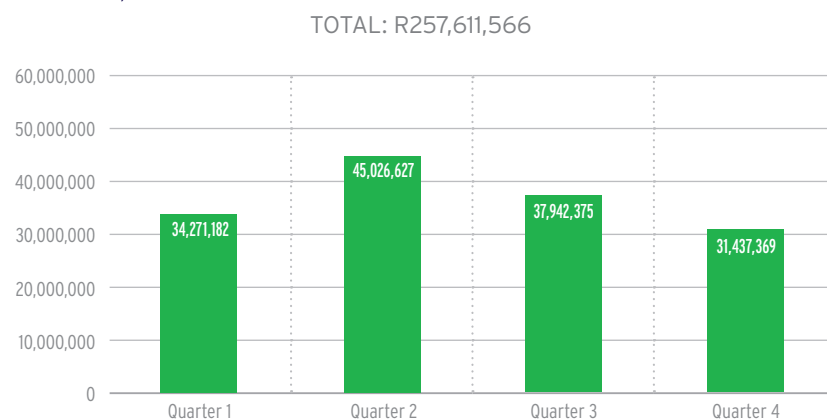
Description		2015/16	2016/17	2017/18	2018/19	2019/20
No. of clips	Print media	1,117	1,584	1,483	1,926	1,172
	Radio	1,272	975	1,015	1,606	821
	Television	223	192	*Broadcast Total	317	121
	Online media	842	1,372	1,388	2,446	1,777
Favourability measure (clips)	Positive			1,489	1,503	653
	Neutral	Not recorded	Not recorded	2,092	2,979	2,967
	Negative			328	3,467	219

\*Broadcast total due to switch-over to different supplier.

Reputation Management's (RM's) overall AVE for the 2019/20 financial year was R148,677,533. Despite some negative coverage about fuel tax hikes and alleged mismanagement, the RAF brand was still top-of-mind among South Africans.

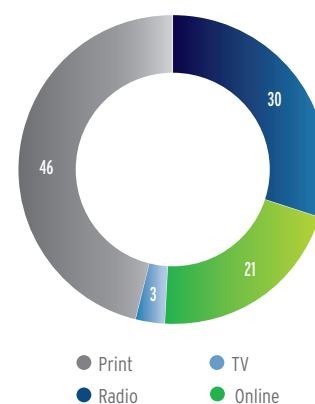
**GRAPH 26: Media and PR's Overall Advertising Value Equivalency - 2019/20**

Number and quarter



**GRAPH 27: Clip count - 2019/20**

Percentages



The Easter campaign touched the hearts and minds of road users under the theme, #AlwaysRemember, by appealing to them to think about the physical, social and psychological effects of car crashes when using South Africa's roads. Radio spots to broadcast a pre-recorded road safety message by the Chief Marketing Officer (CMO) were also secured on regional stations. The Transport Minister's announcement of a decrease in Easter accident statistics served as encouragement that the collaborative efforts of all road entities to curb the road carnage had the required results.



The Women's Month campaign comprised radio interviews by key female RAF staff, as well as bought advertorials and community television slots. This was aimed at enlightening the public about the RAF's services and dispelling any misperceptions about undertaking certificates. Regional General Managers outlined the purpose of the certificate in advertorials in various regional newspapers, while a Field Case Manager and caregiver were also profiled.



Coverage of the RAF's Corporate Social Responsibility efforts continued during the handover of educational equipment to the Efata School for the Blind and Deaf, and renovations at Albertina Sisulu Primary School, both in the Eastern Cape.

Publication: Mhatha Express  
Date: Thursday, May 09, 2019  
Page: 6

## Efata Special School receives audio clinic

### BABALWA NDLANYA

THE Road Accident Fund (RAF) in partnership with the Eastern Cape Department of Education handed over an audio clinic to the Efata School for the Blind and Deaf in Mhatha, last week.

The event was attended by the Minister for Basic Education, Angie Motshekga, and the MEC for Education, Mlungisi Mvoko.

According to the corporate social responsibility manager, Noluthando Mvabaza, they handed over an audio clinic because they wanted to donate a special device that would assist learners so that they don't travel to clinics when they need assessments.

But for now they had only handed over a temporary structure that would be used as an audio clinic.

The main challenge facing the school is that they (school) don't

own the property. The grounds they are using belong to a private owner, so the equipment would be sent later, as soon as the Department finalised the building of a property that would be owned by the school.

The principal of the school, Yolande Mthwa, said they were grateful for the partnership between the Department of Education and the RAF, which would assist the school's learners.

"Now we have the proper access for audiology for the learners because the department has just employed an audiologist for the school, but the equipment was a problem.

"Now it is going to be easier because when new learners come to the school, we need to assess them to find out their disability.

"It will be easier to find out if they have this clinic," said Mthwa.

She said that after every two years they had to renew their audio-

gram reports, so now it would be easier for them to apply for any audiology sessions because now they had this clinic on their premises.

She said that the government was renting the private property they were using.

They were willing to get their own land so that they would be able to build their own property.

The Minister for Basic Education, Angie Motshekga, said she was not aware of the challenges facing the school.

"This clinic is going to help the learners of the school because most of the time they need these facilities so that they could get the necessary documentation, that is needed by the school.

"For instance, when they are going to write their exams, there are official papers that are needed from professionals confirming that each learner requires a special assessment," said Motshekga.



MEC for the Department of Education, Mlungisi Mvoko, with learners from Efata School for the Blind and Deaf, Mthabiseng Mlungisi, Ntombuzuko Tonisi and Sibulele Msoli outside their newly donated audio clinic at their school.  
PHOTO: BABALWA NDLANYA

Motshekga added that it would be easier now for the learners to get whatever documents they needed.

She also said the clinic would help other learners who are in main-

stream schools because they would come to Efata and get the referral letters, and they would be accepted by the authorities because they are coming from an official facility.



In July, the Unit showcased the RAF's Post-Crash Care programme on community and regional radio platforms for Mandela Month. An opinion piece detailing the programme and how claimants could benefit from undertaking certificates was also penned and published on behalf of the General Manager: Medical Services in a national daily newspaper. In the same month, a media engagement session was held at the RAF Polokwane Community Service Centre, during which Executive members made presentations about various areas of the business. A direct claimant also shared his positive experience on being assisted by the Fund.



Running parallel to the campaign was the roll-out of a Child Restraint (Road Safety) competition, during which 20 car seats supplied by Stakeholder Relations were given to listeners on various regional stations.

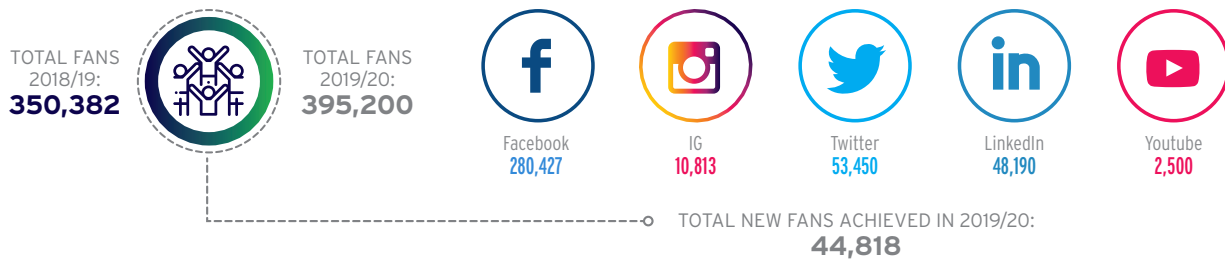


In January, the RM Unit received unsolicited coverage from the Transport Minister's announcement of the Festive Season road fatalities statistics. The Back-to-School campaign, meant to raise road safety awareness at high schools was put on hold, as was the Limpopo Community Station campaign following Senior Management instructions to cease all RAF awareness activities and activations. Prior to this, regional support had already been rendered to regions for their Mini 'RAF on the Road' activations.

SOCIAL AND DIGITAL MEDIA

FIGURE 10: RAF online social media platforms

As at 31 March 2020



QUARTER 1 Highlights Easter campaign

The first quarter kicked off with the launch of the Easter campaign. The aim of the campaign was to feature influencers who had experienced, or knew of someone who had experienced a road accident by telling their story and urging South Africans to be safe during the Easter period. The campaign did exceptionally well and the influencers increased the Fund's visibility on platforms such as Twitter, where the hashtag #AlwaysRemember trended at number 1 on two occasions, while #RoadSafety trended at number 4 on the first day of the campaign. The campaign reached over two million people on Facebook, 542 retweets on Twitter and over 3,400 video views on Instagram.

The Youth Month campaign was launched during June to end the quarter. As the whole country remembered the youth of 1976, the RAF aimed to reach out to the youth and to encourage them to be road safety advocates. The Youth Month campaign's objective was to educate the public, especially the youth, about road safety.

356k+ followers

Social Media Day Winner first time announcement on RAF TV

2,811 Organic video views on YouTube in Q1

Uploads: PLAY ALL

- Johannes Msaiko on Road Safety for Youth (1:58) - 13 views - 1 month ago
- Hussein Mjajirho - #22YearsOfCaring (0:47) - 27 views - 1 month ago
- Titsoele Nkomo - #22YearsOfCaring (1:51) - 19 views - 1 month ago
- Tyhega Gwengwa - #22YearsOfCaring (0:54) - 143 views - 1 month ago
- Nikazama Mphahlele - #22YearsOfCaring (1:57) - 140 views - 1 month ago



QUARTER 2  
*Highlights*

*Organic campaign*



To start the second quarter, the organic campaign implemented in July was #MandelaMonth, with the objective of incorporating what the Nelson Mandela brand stands for into direct claims and road safety messaging. The campaign achieved a combined reach of 79,419 across all RAF platforms. In August, for Women's Month, the Social and Digital Media (SDM) team showcased the internal Women's Month launch through Instagram stories and image posts on Facebook, Twitter and Instagram. This content generated over 20,000 impressions on Facebook, and a reach of 600 on Instagram.

The quarter ended with the celebration of the RAF heritage by means of the #HeritageMonth campaign. The promoted content was focused on highlighting the existence of the RAF over the last 25 years and the manner in which the RAF has evolved in terms of its service offering to claimants.

The Unit acquired a following of over 367,000 across all RAF platforms, and an engagement rate of 3% versus a set target of 1.5%, as well as an impressive bounce rate of 47.54% - all due to new initiatives and website improvements implemented during Quarter 2. Facebook experienced the highest growth, gaining 3,521 new followers.



Womens month campaign:



Facebook  
20,000



IG  
600 views

Facebook experienced the most growth...  
*gaining 3,521 new followers.*



QUARTER 3  
Highlights

Driving road safety campaign



During the third quarter, the Unit focused on driving road safety (through October Transport Month and the Festive Season campaigns), as well as RAF services. Instagram reached the 10,000-fan milestone with over 700 video views

and an impressive 4.97% engagement rate during the Festive Season campaign. Innovative solutions were explored by the team in terms of which Facebook 3D posts were implemented, which generated a reach of over 43,000 on the platform. Trending topics like #BlackFriday were also used to promote road safety messages around that busy period.



Facebook  
43,000



IG  
10,000 fans

QUARTER 4  
Highlights

Back to school campaign



To end the year, the team implemented the #BackToSchool campaign. For the first time ever, the SDM Unit launched a WhatsApp bot as part of the campaign. The purpose of the bot was to encourage users to enter the #BackToSchool

competition, as well as drive awareness about RAF direct claims services. The WhatsApp bot did extremely well in terms of entries. It received 594 subscribers, with 1,675 engagements with the bot (user typing a request) and 81 competition entries. During the last few weeks of the quarter, the SDM Unit supported the DoT and other stakeholders in educating the public about COVID-19. Posts shared on Twitter generated over 42,000 impressions.



Whatsapp  
594 subscribers



Twitter  
42,000 impressions

### INTERNAL COMMUNICATION

The Internal Communication Unit is primarily responsible for strategic communication with the staff of the Fund. The Unit consistently builds the RAF brand internally to boost and improve employee engagement levels, and provides communication support to other business units by means of messaging, event management, speechwriting and editing requirements. The Unit is also the custodian of language services within the Fund through its Language Unit.

Internal Communication provides the following functions: implementation of the RAF Internal Communication Strategy, internal communication planning, internal channel management, editing and publication of corporate publications such as the Annual Report, APP and Strategic Plan, artwork, copywriting and editing, translations and proofreading, as well as reviewing the production of communication material and documents from all business units within the RAF on a daily basis.

The dissemination of important messages to employees of the Fund is a key function of the Unit. Among the communiques distributed on a daily, weekly and monthly basis are the following: management directives, memoranda, Human Capital advertisements, news updates, delegations of authority, new employee profiles, upcoming events, weekly highlights, articles, special commemorative days on the international, national and organisational calendar, and internal campaigns.

During the year, Internal Communication distributed the outcomes of some pertinent fraud cases to staff on behalf of the FID to deter staff from acting unethically. The Unit also assisted the Ethics team with awareness around, among others, the submission of staff Declaration of Interest forms, the signing of the RAF Ethics Pledge and communication with regard to the commemoration of the annual RAF Ethics Week.

Leadership communication for the financial year included several communiques dealing with wide-ranging issues such as salary adjustments, performance bonuses, the roll-out of an organisational culture, climate-check survey, allaying employees' fears around certain media reports, and an announcement from the former Chairperson of the Board welcoming Mr Collins Letsoalo as the new RAF ACEO then.

This year, the Language Unit suggested a fresh approach to the celebration, linking it back to the United Nations International Year of Indigenous Languages. The 11 days before the actual day of the celebration were allocated for the celebration of the South African official languages and the cultures associated with them. This initiative was also supported by internal communiques summarising the key elements pertaining to each language and its associated culture.

During the 2019/20 financial year, the Language Unit attended several engagement and knowledge-sharing activities with members of the South African language fraternity. These included conferences, workshops, awareness campaigns and events organised by the South African Association for Language Teachers (SAALT), the African Language Association of Southern Africa (ALASA), the South African Centre for Digital Language Resources (SADiLaR) in collaboration with North-West University (Potchefstroom Campus), the University of KwaZulu-Natal's Language Planning and Development Office, and the Cape Town Society for the Blind in the Western Cape. The Unit also took part in the DeafSA, 702 and the Department of Arts and Culture partnered event at the Sterkfontein Boutique Hotel. The RAF's First Letter of Consultation in Braille was handed over to representatives of the South African National Council for the Blind (SANCB) in Limpopo, Gauteng, North West, Mpumalanga, Western Cape and the Free State.

The Language Unit also rolled out the first of their indigenous language tutorials (Setswana, Xitsonga and isiZulu) in Menlyn and Eco Glades offices to employees interested in learning a non-home language. The first lessons were conducted towards the end of August.

Further highlights for the Language Unit included attending the national conference of the SANCB in Cape Town and attending the annual Soweto Abantu Book Festival which promotes literary artworks, and inspires authors and artists within the book writing and film industries across the African continent.

During the year under review, the Internal Communication Unit promoted various Employee Wellness Services (EWS) initiatives internally, including various medical aid consultations, blood donation drives, the provision of free flu vaccines, and informative emails to staff around different

wellness-orientated celebratory drives. Some highlights included the 2019 Mental Health Awareness Day, the RAF launch of the 16 Days of Activism for No Violence against Women and Children, and the RAF World Aids Day commemoration, as well as awareness around the annual RAF Men's Day event that took place on 05 December 2019.

Content development for the weekly loops on the Fund's corporate television channel, RAF TV, continues as per schedule. Ticker-tape functionality was introduced for highlighting priority messages at the bottom of the screens and road safety trivia was also rolled out on the channel. The installation of viewership monitoring cameras in head office and Menlyn to gauge viewership numbers of RAF TV in these offices was also finalised. The installation of an additional internal television channel, SATS TV, was also finalised. The objective of this channel is to constantly update staff in the Operations areas across the Fund on progress with regard to reaching their APP targets. Operations APP figures, performance data and graphs are broadcast for this purpose.

The following table provides an overview of the total output of the Internal Communication Unit for the reporting period ending 31 March 2020.

Description	2016/17	2017/18	2018/19	2019/20
No. of Internal Communiques sent to staff	Not available	1,178	914	760
No. of translations done	Not available	703	373	59
No. of edits done	Not available	312	737	306

The Internal Communication Unit continues to strive for an improved and integrated approach to deliver more effective communication to the Fund's employees.

## CALL CENTRE

The RAF Call Centre is an inbound facility that deals with all claims-related queries from general information, latest claim status, claim payments, undertakings and supplier-related queries. For the financial year ending 31 March 2020, the Call Centre made significant progress towards the achievement of strategic objectives, as set out in the APP. The table below reflects the progress made:

Details	2016/17	2017/18	2018/19	2019/20
No. of calls received	385,073	395,841	423,643	446,036
No. of calls answered	376,215	387,044	410,672	435,651
No. of abandoned calls	8,858	8,797	12,953	10,301
Abandoned calls %	2.30%	2.22%	3.05%	2.3%
Service level	92.44%	93.87%	90.17%	86.3%

## GOVERNANCE

A record of 446,036 calls was received during the year under review. This represented a 5% increase in call volumes compared to the preceding financial year. As at the end of March 2020, the Call Centre successfully managed to deal with 435,651 calls, which reflects an abandoned call rate of 2.3% for the year. As at the end of March 2020, the average handling time of successfully managed calls stood at two minutes, 40 seconds. Furthermore, a service level of 86.3% was achieved. As at the end of March 2020, the following operational statistics were achieved:

- Quality: 92.17%
- Post-call survey rating: 2.6 (Good rating) out of a possible 3 (Excellent Rating)
- Emails: 25,718 received
- Email turnaround time: Three hours, 31 seconds
- Outbound calls: 19,007 clients were called back, as requested
- Walk-in clients: 1,205 claimants visited head office in relation to claims

In addition to calls and emails, walk-in clients have been identified as a key focus area by strategically positioning an experienced senior consultant to give these visitors unsurpassed service.

Statistics below provide a full picture of what transpired in the Call Centre during the year under review:

Details: 2019/20 Financial Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Total calls received	111,779	116,170	109,656	105,752
Total calls answered	107,888	113,874	107,340	104,158
Number of abandoned calls	2,030	2,267	2,231	1,591
Abandoned calls percentage	3.25%	2%	1.75%	1.5%
Average hold time	0:00:12	0:00:07	0:00:08	0:00:05
Service levels	81.33%	83.73%	87.50%	91.3%
Quality assurance	93.23%	92.75%	93.50%	94.80%

Call Centres are fast-paced environments; therefore, systems have to be constantly reviewed to ensure that they perform optimally and match those of other industry players. Following telephony system challenges experienced towards the end of Quarter 2: 2018/19 until the end of Quarter 2: 2019/20, a telephony system upgrade took place to alleviate the negative impact on the Call Centre operations.

## REGIONAL MARKETING

Regional Marketing Managers embarked on a number of initiatives aimed at achieving the organisation's strategic objectives of increasing accessibility to RAF services, increasing brand awareness, educating the public on the RAF's products and services, and promoting road safety.

In addition to extending national campaigns, promotions, activations and events in their regions, they were also at liberty to launch their own brand awareness initiatives in their respective regions. One of their top priorities was to establish relationships with key stakeholders in the regions and to strengthen existing ones. Partnerships with local community radio stations were also maintained and some regions had standing weekly interviews with these radio stations.

## 12.8 B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table has been completed in accordance with the compliance with the B-BBEE requirements of the B-BBEE Act of 2013, as determined by the Department of Trade and Industry (dti).

Has the Department/Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 - 8) with regard to the following:		
Criteria	Response Yes / No	Discussion <i>(include a discussion on your response and indicate what measures have been taken to comply)</i>
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	The nature of the RAF business is in no way or form related to the issuing of licences or concessions. Thus, this section is not relevant to the RAF.
Developing and implementing a preferential procurement policy?	Yes	The RAF applies the Preferential Procurement Policy Framework regulations and the provisions and principles of the B-BBEE Policy Framework in its procurement processes.
Determining qualification criteria for the sale of state-owned enterprises?	No	The RAF has not been in the position to dispose of any assets by selling; however, the qualification criteria may be aligned to economic transformation objectives should the need arise.
Developing criteria for entering into partnerships with the private sector?	No	The RAF has not been in the position where it has had to enter into partnerships with the private sector; however, the qualification criteria may be aligned to economic transformation objectives should the need arise.
Determining criteria for the awarding of incentives, grants and investment schemes in support of B-BBEE?	Yes	The RAF applies criteria such as percentage of ownership by black women, youth and/or people with disabilities when evaluating and awarding grants for Enterprise and Supplier Development beneficiaries in line with the provisions and principles of the B-BBEE Codes of Good Practice and broader B-BBEE Policy Framework.

*All issued tenders  
were finalised within  
SCM timelines,...*

...whilst quotation processes were finalised at an average of 16 days versus a baseline of 21 days.

## 12.9 SUPPLY CHAIN MANAGEMENT (SCM)

SCM is obliged to adhere to the Constitution of the Republic of South Africa, the PFMA, NT Regulations, Instruction Notes, the Preferential Procurement Policy Framework Act (PPPFA), the B-BBEE Act as amended, as well as the SCM Policy Framework, among other Acts and regulations.

The past year saw the improvement of turnaround times for the processing of tenders. All issued tenders were finalised within SCM timelines, whilst quotation processes were finalised at an average of 16 days versus a baseline of 21 days. The improved turnaround times did not compromise compliance, as there was no increase in irregular/fruitless and wasteful expenditure as a result of non-compliance in tender management. This was achieved through the provision of appropriate, proactive advice and best practice processes, as well as by being responsive to the organisation's requirements as an enabler to strategically assist the Fund in optimally achieving its objectives.

Another achievement was the improvement of the RAF's BEE rating status (by an accredited rating agency) to being consistently below the Level Five target. The RAF achieved a Level Two BEE rating for the 2018/19 financial year and the rating for 2019/20 is currently under review, as it only expires in October 2020.

The organisational preferential procurement spend achieved was 119% for the 2018/19 financial year and 112% for the 2019/20 financial year.

## 12.10 REPORT OF THE AUDIT COMMITTEE

The Report of the Audit Committee appears on pages 170 to 173 under Part E: Annual Financial Information.



COMPASSION • ACCOUNTABILITY • RESPECT • EXCELLENCE  
INTEGRITY







I care

## **PART D**

*Human Capital Management*

---

During the year under review, the Human Capital (HC) Division achieved significant progress against its strategic objectives, as contained in the 2019/20 APP. The division evolved and adapted its service offerings and structure to meet ongoing business demands. The following is a summary of the most notable achievements against the HC APP targets

## 1 HUMAN CAPITAL PRIORITIES AND OUTCOMES

*As an organisation,  
the RAF has always  
endeavoured to excel...*

...and contribute positively  
to the achievement of  
Employment Equity (EE)  
targets.

### 1.1 VACANCY RATE

A key strategic objective of the division is to maintain a vacancy rate below 6%. This proved to be a challenging task during the 2019/20 financial year. The vacancy rate was 4.11% during the reporting period - and exceeded the planned target of 6%. It is critical for the division to ensure a capacitated organisation for the fulfilment of the mandate of the RAF. The appointment of external candidates directly influences the vacancy rate. However, finding the balance between external and internal appointments becomes more important to ensure that employees' progress within the organisation and key talent are retained. To ensure the RAF attracts the very best talent in a competitive labour market, it utilises online platforms, which have proven to be an effective method of talent sourcing. During the reporting period, a total of 160 permanent vacancies were filled, of which two positions were Senior Management appointments.

### 1.2 EMPLOYEE PERFORMANCE ASSESSMENTS

The RAF achieved 99.02% in respect of employee performance contracting and quarterly reviews during the reporting period. The division is in the process of finalising Q4 reviews and contracting requirements.

### 1.3 RAF EMPLOYMENT EQUITY

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

As an organisation, the RAF has always endeavoured to excel and contribute positively to the achievement of Employment Equity (EE) targets. During the year under review, the Fund achieved and even exceeded the set percentage of 2%, as per the Department of Labour's target for Persons with Disabilities. The organisation achieved 2.22%, which was an APP target set by the Board of the RAF.

The RAF is within its 10% variance, with 97% of employees meeting the EE target. Female representation is currently sitting at 57% females versus 43% males.

## 1.4 HUMAN CAPITAL PRIORITIES AND OUTCOMES

Priority	Outcomes for the 2019/20 Financial Year																
Employees with Disabilities	Increase the number of employees with disabilities from 1.25% to 2.00%.																
Talent Aquisition	<p>A total of 160 internal and external appointments were made during the year to date.</p> <p>Key strategic appointments in vacant positions included:</p> <ul style="list-style-type: none"> <li>Senior Manager: Delivery Excellence</li> <li>Senior Manager: Compliance</li> </ul>																
Policy Development and Review	<p>HC reviewed policies and key guidelines to promote diversity and transformation in the organisation. (Policies are reviewed for alignment with the latest legislation and the RAF Policy Review Standards on an ongoing basis).</p> <p>The following HC Policies and SOPs were reviewed and implemented during the reporting period:</p> <table border="1"> <thead> <tr> <th>Reviewed Policies</th> <th>Reviewed SOPs</th> </tr> </thead> <tbody> <tr> <td>Employee Wellness Services Policy</td> <td>Employee Wellness Services SOP</td> </tr> <tr> <td>Job Design and Evaluation Policy</td> <td>Job Design and Evaluation SOP</td> </tr> <tr> <td>Leave Management Policy</td> <td>Leave Management SOP</td> </tr> <tr> <td>Harassment Policy</td> <td>None</td> </tr> <tr> <td>HIV/AIDS and TB Management Policy</td> <td>None</td> </tr> <tr> <td rowspan="2">Resourcing Policy</td> <td>Resourcing SOP</td> </tr> <tr> <td>Talent and Succession Management and Staff Retention SOP</td> </tr> </tbody> </table>		Reviewed Policies	Reviewed SOPs	Employee Wellness Services Policy	Employee Wellness Services SOP	Job Design and Evaluation Policy	Job Design and Evaluation SOP	Leave Management Policy	Leave Management SOP	Harassment Policy	None	HIV/AIDS and TB Management Policy	None	Resourcing Policy	Resourcing SOP	Talent and Succession Management and Staff Retention SOP
Reviewed Policies	Reviewed SOPs																
Employee Wellness Services Policy	Employee Wellness Services SOP																
Job Design and Evaluation Policy	Job Design and Evaluation SOP																
Leave Management Policy	Leave Management SOP																
Harassment Policy	None																
HIV/AIDS and TB Management Policy	None																
Resourcing Policy	Resourcing SOP																
	Talent and Succession Management and Staff Retention SOP																
Knowledge Management	The Knowledge Management team continued to support business units by ensuring that intellectual property is preserved through capturing, evaluating, retrieving and sharing of information.																
Employee Wellness	Out of a total permanent headcount of 2,789, 959 employees made use of the EWS in-house services, which represents 34% of employees. 136 employees made use of the external EAP services, which represents 5% of the headcount.																
Facilities Management	Facilities Management continued to provide a functional, well-maintained, safe and secure office environment for all RAF offices. A list of the projects managed is tabled in detail under "Capital Investment" on pages 79 to 80 of this report.																

## 2 OTHER NOTABLE ACHIEVEMENTS

Main highlights for the 2019/20 financial year included the following:

The Knowledge Management (KM) team facilitated five public speaking opportunities for the RAF Senior Management to promote the image of the Fund and to share RAF success stories. Ms Zama Goqo, HC Administrative Assistant, participated in the 2019 Rising Star Awards and was selected as one of the Top 5 in the Public Sector category.

The KM team also facilitated the first RAF Annual Employee Awards during the 2019/20 financial year. Each region had the opportunity to nominate their best employees in the categories of Best Female Employee, Best Male Employee, Best Manager and Best Innovation. The winners of the Regional Awards were entered into the National RAF Annual Employee Awards. This was done through an adjudication process during which all nominees were taken through interviews. The National Awards ceremony took place on 21 February 2020 in conjunction with the ACEO Leadership Forum.

During the financial year, three Leadership Forums were held for different categories of Management at Executive, General and Senior Management, as well as Managerial levels. The Forums are chaired by the Acting CEO and are utilised as a platform to (informally) develop individual business competencies and skills.

### Achievement...



VACANCY RATE:  
**4.11%**  
against target of 6%.



SKILLS DEVELOPMENT TARGET:  
**88%**  
against target of 80%.



TARGET FOR DISABLED PEOPLE:  
**2.22%**  
against a target of 2.00%.

## 3 ORGANISATIONAL DEVELOPMENT

Key for the HC Division is sound employee relations with ongoing development and effectiveness strategies being implemented. This is supported by ongoing change management, which in turn supports the organisational business strategy in terms of its transformation trajectory.

This is bolstered by a robust and entrenched Performance Management System ensuring alignment between individual and organisational performance goals and objectives. The overarching objective remains building capability for an effective Management core and retaining people with scarce and critical skills.

## 4 PERFORMANCE MANAGEMENT

The RAF considers performance management as a primary tool used to drive organisational performance through the alignment of individual objectives and organisational objectives and targets. The RAF has committed itself to a comprehensive and well-implemented Performance Management System, which ensures that everyone in the organisation works towards the attainment of the RAF's strategic objectives, as defined in the Strategic Plan and APP.

## 5 MAINTAINING A SKILLED AND CAPABLE WORKFORCE

### 5.1 TALENT AND SUCCESSION MANAGEMENT

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

### 5.2 LEADERSHIP ENGAGEMENT

The RAF utilises the Leadership Forum as a platform for leaders to engage informally, build trust and create shared understanding on technical, tactical, operational, cultural, strategic, and people issues. The Leadership Forum aims to:

- Enhance the functioning of the Executive Committee (EXCO) and other relevant mandated structures;
- Provide a platform where RAF Managers jointly discuss RAF business; and
- Build working relationships to ensure effective cross-functional efficiencies in the delivery of RAF business priorities.

During the financial year, three Leadership Forums were held for different categories of Management at Executive, General and Senior Management, as well as Managerial levels. The Forums are chaired by the CEO and are utilised as a platform to (informally) develop individual business competencies and skills.

Date	Management Category
28 and 29 May 2019	Executive Officers and General Managers
27 September 2019	Executive Officers, General Managers and Senior Managers
21 February 2020	All categories of Management at TASK Level 15 and upwards

## 5.3 LEADERSHIP DEVELOPMENT

The RAF continues to develop its leadership capability through the formal development of skills and competencies. Talent pool successors continued to attend formal leadership development programmes. During the 2019/20 financial year, 123 staff members attended management and leadership development programmes, as outlined in the tables below.

Management Development Programmes	Talent Pool Employees
Master's in Business Administration (MBA)	3
Senior Management Development Programme (SMDP)	3
Management Development Programme (MDP)	9
Management Advanced Programme (MAP)	1
New Management Development Programme (NMDP)	4
<b>Total</b>	<b>20</b>

Leadership Development Programmes	Number of Employees
Management 3.0 Programme	43
Agile and Engagement Master Class	48
Women Leaders of the Future Summit	12
<b>Total</b>	<b>103</b>

## 5.4 TALENT POOL APPOINTMENTS

During the year under review, the RAF appointed seven talent pool successors into higher level positions. All seven appointments were made at Managerial level. This bears testimony to the RAF's commitment to provide opportunities for its employees to grow and advance within its own ranks, thereby retaining talented and top performing employees.

## 5.5 EMPLOYEE ENGAGEMENT INITIATIVES

The RAF rolled out an Organisational Culture Survey during the financial year, with the following objectives:

- To measure the extent of organisational culture within the RAF (determine the views, attitudes and sentiments of those who work in the organisation regarding a number of organisational elements);
- To identify gaps and areas of improvement regarding the working environment; and
- To provide recommendations and a list of actions for Management to implement.

The Culture Survey comprised of a quantitative phase which concluded in October 2019, with 1,744 (58%) employees participating in the online survey. The qualitative phase commenced in November 2019 with a total of 200+ employees participating (focus groups and individual interviews) across all RAF regional and satellite offices.

In comparison to previous related surveys conducted in 2012 and 2015, this represented the highest response rate by some margin, which confirms the validity of the survey results. Divisional action plans stemming from the outcomes of the survey are currently in progress and the implementation thereof will be tracked and monitored.

## 6 CHANGE MANAGEMENT

The RAF Change Management Framework has been designed to provide the RAF with set guidelines, processes and tools that will be necessary for successful implementation and management of change within projects, programmes, departments and/or the organisation. The framework has been developed in line with the Prosci Change Management Methodology, which has been adopted as the preferred change management methodology for the RAF. The framework is aligned to the RAF project management philosophy and benchmarked against the latest change management methodologies.

The approved RAF Change Management Framework (as mentioned above) makes provision for the re-enforcement of RAF Change Champions by providing guidelines on their roles and responsibilities. The purpose of the establishment of the Change Champions Network is to ensure a sustainable hierarchy implementation for engagement lines – from the Project Sponsor, Change Management team and Change Champions who are nominated based on their roles as subject matter experts.

The Champions are members of staff representing all areas of the business affected by change. Their role is to help plan and implement change at ground level and to provide a reality check for Change and Project Managers based on their functional and technical expertise. Change Champions act as a communication channel for key messages to the Change Agents and assist in identifying employee resistance.

## 7 ORGANISATIONAL DESIGN

The HC Division successfully completed the second Organisational Structure Review for the 2019/20 financial year. The review of the organisational structure consisted of filled and vacant positions, in turn made up of the total number of approved and budgeted positions. The total number of approved and budgeted positions for the reporting period was 2,919 as at 31 March 2020.

## 8 LEARNING AND DEVELOPMENT

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

### 8.1 MOTOR VEHICLE ACCIDENT (MVA) FOUNDATION COURSE

This training is conducted throughout the regional offices on a monthly basis. It equips new recruits moving into the operational environment and enables Operations to deliver on its mandate and meet their APP targets.

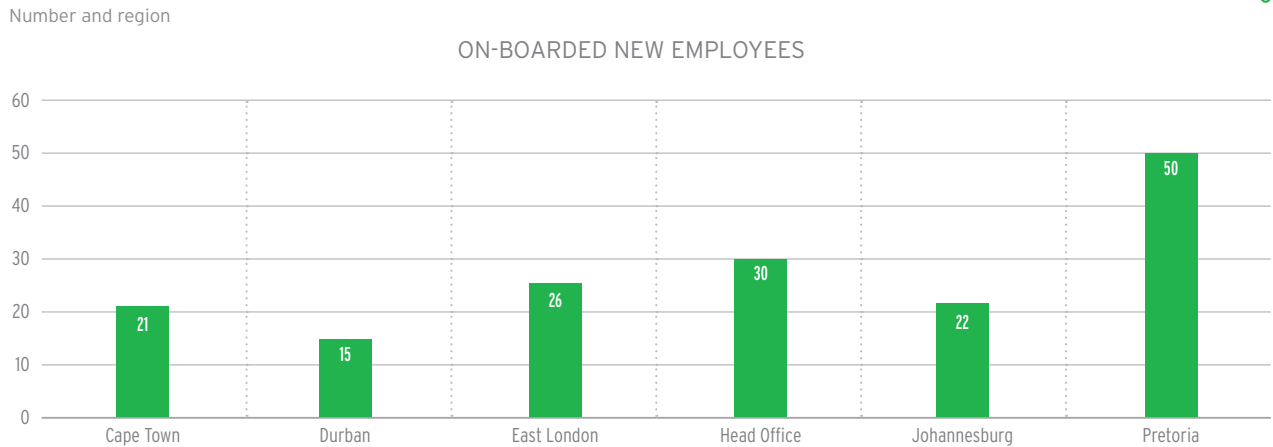
## 8.2 MICROSOFT PACKAGES (OUTLOOK, WORD, EXCEL AND POWERPOINT)

This training is aimed at empowering staff by enabling them to navigate the system and equipping learners with the necessary skills to deliver their tasks in a professional and competent manner.

## 8.3 ON-BOARDING OF NEW EMPLOYEES

The On-boarding Programme introduces new employees into the RAF. It is a two-day programme which includes a meet-and-greet with the ACEO and a comprehensive programme of introduction to the various departments within the RAF.

**GRAPH 27: On-boarding of new employees per region - 2019/20**



## 8.4 LEARNERSHIP AND INTERNSHIP PROGRAMME

This programme is in line with the National Skills Development (NSD) Plan in terms of which the RAF offers unemployed youth and graduates an opportunity to acquire workplace skills and experience. 111 interns and 45 learners were employed in the 2019/20 financial year.

## 8.5 SAP SYSTEM TRAINING

SAP training is aimed at ensuring that all learners are equipped to deal with the end-to-end processes on the SAP system relating to their field of expertise within the SAP environment.

## 8.6 LITIGATION MANAGEMENT SYSTEM

This relates to the correspondence and monitoring system between the RAF and attorneys. Various documents are uploaded onto the system, including all other documentation attached to the litigation process.



## 8.7 WRITS MANAGEMENT SYSTEM

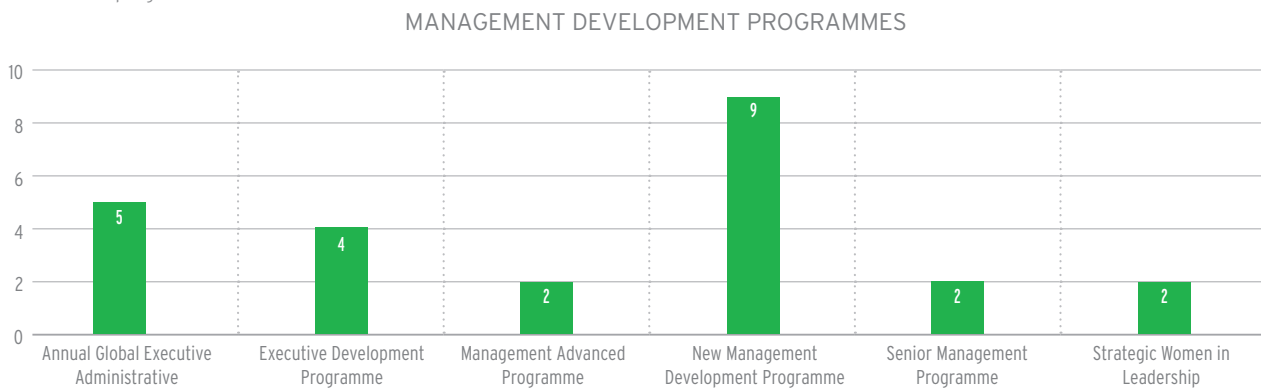
This system enables employees who deal with writs to keep track of the various processes that are involved with the serving, verification and authorisation of payment and monitoring of writs.

## 8.8 DOCUMENT MANAGEMENT SYSTEM

This system enables employees in Document Services who receive claims application documents. The system allows users to scan all documents pertaining to claims for validation and registration purposes.

**GRAPH 28: Management Development Programmes - 2019/20**

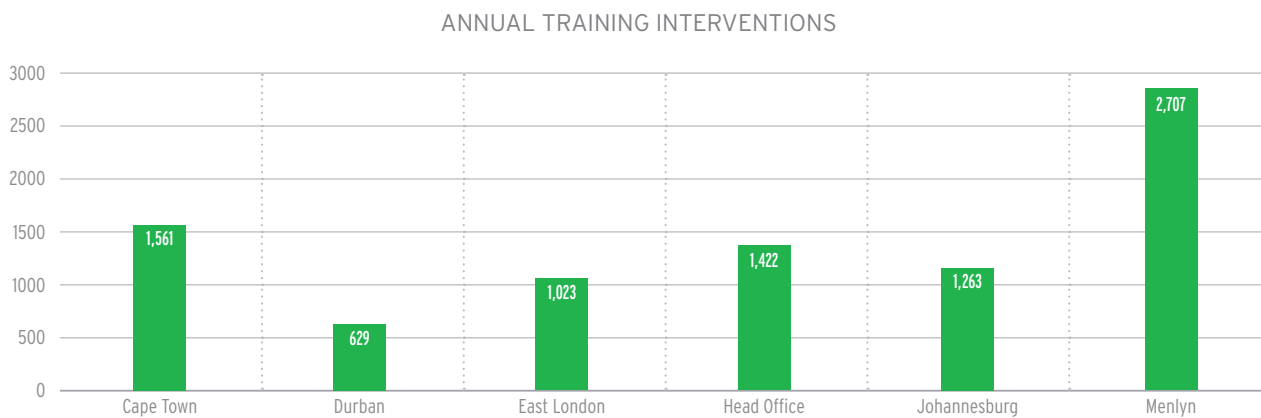
Number and programmes



The emphasis is placed on leadership development for the various levels of Management. Staff members continue to attend leadership learning interventions with various institutions.

**GRAPH 29: Number of learning interventions per employee per region for the period 1 April 2019 - 31 March 2020**

Number and region



## 9 CENTRE OF EXCELLENCE

As part of the approved Remuneration and Employee Recognition Programme...

*701 (34%) employees were recognised for living the RAF values.*

The Centre of Excellence plays an important role in making the RAF an employer of choice by establishing a culture of performance through the Recognition and Reward System.

### 9.1 EMPLOYEE RECOGNITION

As part of the approved Remuneration and Employee Recognition Programme, a total of 701 (34%) employees were recognised for living the RAF values.

### 9.2 RECOGNITION AND REWARD OF PERFORMERS

A total of 701 staff members were recognised in the 2019/20 financial year in the form of Spot, Monthly, Quarterly and Annual Awards for living the RAF values in the daily execution of their duties.

### 9.3 ANNUAL SALARY BENCHMARKING

The RAF participated in various salary benchmark surveys to ensure that its salaries and benefits are in line with the marketplace. The results of these surveys were used to enhance remuneration practices in 2019/20.

### 9.4 COMPENSATION SYSTEM INTEGRATION

The RAF procured and developed the SAP Enterprise Compensation Module, which integrates optimally with the Performance Management and Payroll SAP Modules. The system has resulted in improved control measures and a move away from manual processes to fully integrated automated processes.

### 9.5 PAY PROGRESSION

The RAF has implemented a Pay Progression Policy which allows employees to progress through the different salary scales based on their performance, new qualifications obtained, and tenure. Excellent or above average performance, i.e. having achieved a score of 3.5 or more, qualifies the employee for pay progression based on tenure or other pay progression categories.

The Pay Progression Policy has, however, been rescinded in March 2020 in response to the Finance Minister's comment during the 2019 Budget Speech on employee costs. All employees that have already qualified and are in the current cycle, will be processed and adjusted accordingly. The rescindment will be phased out over the next two years and no new employees will be considered henceforth.

The table below provides the breakdown and number of employees who qualified in each category, as well as the qualifying cycle.

Category/Period	2016 - 2018	2017 - 2019
Performance	1,726	4,420
Qualifications	112	33
Tenure	141	127
<b>Total Pay Progression Adjustments</b>	<b>1,979</b>	<b>580</b>

*It should be noted that Performance is the key requisite to qualify for either Qualifications or Tenure or both. Thus, all qualifying employees above also received performance-based pay progression adjustments.*

## 9.6 MAINTENANCE OF INSTITUTIONAL KNOWLEDGE AND ENGAGEMENTS

The Knowledge Management (KM) team focused on advocating knowledge management within the RAF by ensuring that knowledge and information are shared among staff. Knowledge-sharing sessions and focus group discussions were facilitated for transformation and claims estimates throughout the RAF regional offices. The knowledge-sharing platforms were created for the promotion of best practices, lessons learned, and uniformity.

## 9.7 RAF EMPLOYEE AWARDS

The KM team facilitated and hosted the first-ever RAF Employee Awards. (See information above.) 33 staff members were recognised during the Regional Award ceremonies and nine staff members were recognised at the National Awards ceremony.

## 9.8 PUBLIC SPEAKING

The RAF promotes external public speaking by Senior Management in advocating the RAF and its processes and successes. These events have become popular with conference organisers and/or attendees who appreciate opportunities to hear about the Fund. During the reporting period, five public speaking opportunities were facilitated, and topics related mainly to human resources, women in leadership, ethics, fraud, compliance, and the organisational culture.

## 9.9 RAF LIBRARY

During the period under review, the RAF library conducted regional training sessions to upskill staff on the use of the online library catalogue, e-books and EBSCO Host. The purpose of the training was to ensure that staff can search the online library catalogue, reserve books and browse for full-text online journal articles they might need for work or study purposes. The RAF library provides an information service to all RAF staff and facilitates access to multiple online information resources, such as Lexis Nexis, Juta and EBSCO.

## 10 REGULATION AND COMPLIANCE

During the 2019/20 financial year, the RAF reviewed and enhanced best practice HC policies and SOPs to guide Managers and employees in the alignment of HC practices with the achievement of business objectives and goals.

## 11 EMPLOYEE WELLNESS SERVICES

EWS provides comprehensive health and wellness programmes and services to all RAF employees, with a mission to build and maintain a healthy workforce for increased productivity and excellent service delivery.

During the year under review, 959 walk-in employees were assisted at the respective regional EWS offices.

The HC Division is committed to provide employee health, safety and all-inclusive wellness programmes in promoting work-life balance to the broader RAF community.

### 11.1 OVERALL EWS PROGRAMMES: 2019/20

#### Preventative Programmes

The objective of the preventative programmes is to enhance the employee value proposition by promoting a culture of individual health and organisational wellness. The preventative services focus on the promotion of physical, social, emotional and occupational wellbeing, as well as individual finances.

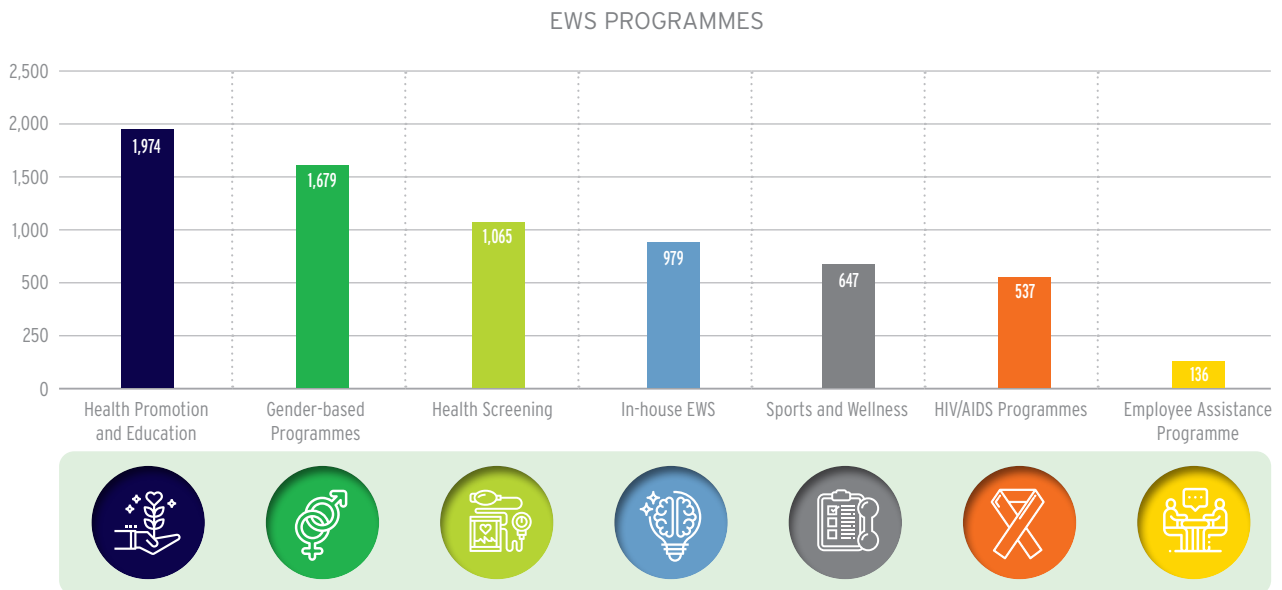
During 2019/20, the following services were provided:



- **SPORTS AND WELLNESS** to enhance physical wellness;
- **HEALTH EDUCATION AND PROMOTION** to enable employees to increase control over, and improve their own health. (Health talks, wellness campaigns and health information dissemination are among the methodologies utilised to promote health.)
- **HEALTH RISK ASSESSMENTS:** Preventative screening services to identify at-risk employees and engage them in appropriate interventions.
- **LIFESTYLE CHANGE PROGRAMMES:** Education, support and guidance with behaviour changes necessary to address lifestyle choices, disease and condition management, e.g. "The Biggest Loser" competition.
- **GENDER-BASED PROGRAMMES:** Promoting a change in gender norms and values by encouraging broader involvement in health issues.

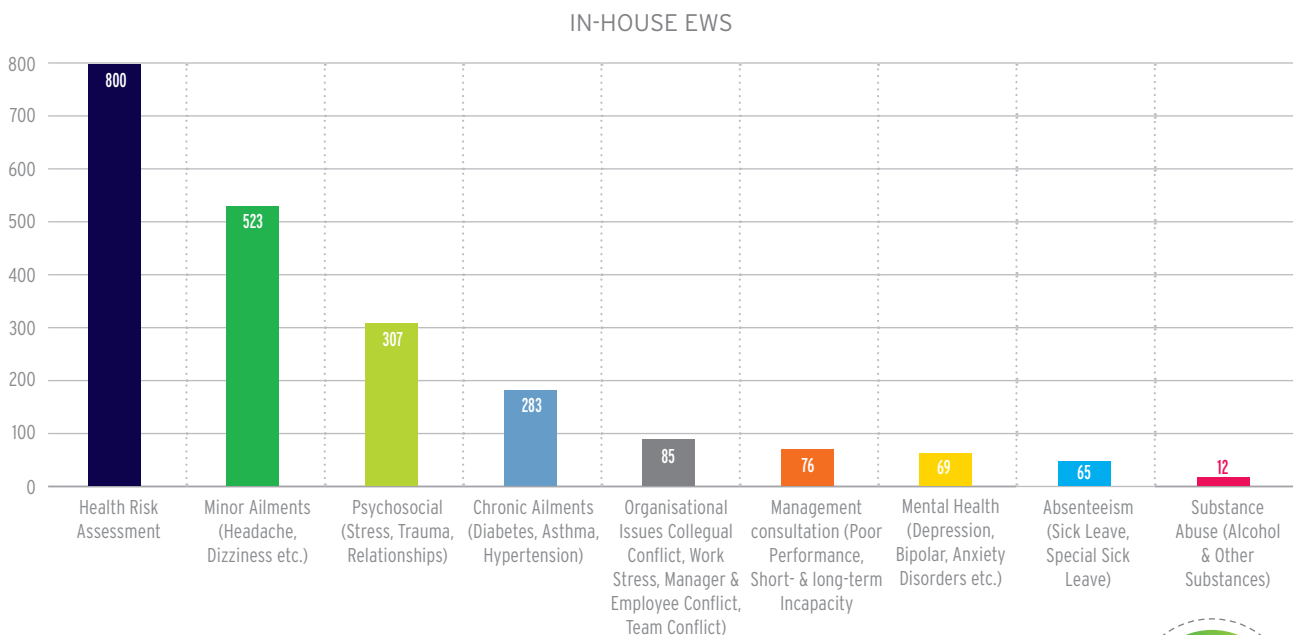
The graph below depicts the overall EWS utilisation in all regional offices during the year under review.

**GRAPH 30: Employee Wellness Programmes - 2019/20**



The graph below depicts the in-house utilisation in all the RAF regions.

**GRAPH 31: In-house EWS consultations - 2019/20**



## Reactive Programmes

### In-house Counselling and Support

In-house counselling, support and occupational health (limited scope) are aimed at empowering employees to resolve psychosocial and psychosomatic challenges to ensure a productive workforce. The services are available to ensure immediacy of problem resolution to curb absenteeism.

The in-house EWS furthermore supports employees with performance issues related to personal and/or family circumstances, and assists and guides staff in the management of short- and long-term incapacity. The service is also used as a management tool to curb absenteeism and productivity time loss.

### Employee Assistance Programme

This service is provided by an external service provider to supplement the internal services and ensure availability of professional counselling support beyond office hours. The service provider is contracted to provide:



24/7/365 DAYS  
TELEPHONIC  
COUNSELLING



UP TO EIGHT FACE-TO-  
FACE SESSIONS WITH  
A SOCIAL WORKER OR  
PSYCHOLOGIST



TRAUMA DEBRIEFING  
AND WORKPLACE  
CRITICAL INCIDENT  
DEBRIEFING



LEGAL AND  
FINANCIAL ADVICE

## 12 BENEFITS ADMINISTRATION

### 12.1 PENSION FUND

#### Enhancement of Funeral Benefits

The RAF offers a broad range of employment benefits to employees, among others, funeral cover. Due to increased funeral expenses globally, the HC Division embarked on a process to review funeral benefits in order to provide employees with an opportunity to purchase funeral cover for their parents and parents-in-law (now offered by Discovery Life Insurance effective 01 July 2019). The premium is due to increase annually owing to claims received with no change in benefit.

In addition, the department introduced a new cover for dependent adult children between the ages of 21-30 years.

New optional cover for adult children of this age group will work as follows: Premium per month contributed by employee, with six months waiting period for new children added two months after the implementation date.

The new funeral benefits are tabled below.

	Premium	Benefit
Parents/Parents-in-law	R83.44	R35,000
New cover for adult children (21 - 30)	R42.00	R35,000

The aim is to offer the best cover for employees at the lowest possible cost.

## 13 HUMAN CAPITAL SYSTEMS AUTOMATION

HC is continually scanning the environment for new HC innovations, such as automated HC processes, reporting and enhancement of Management information to ensure data accuracy and precise reporting.

As mentioned, the Enterprise Compensation Management Module was acquired. This module will assist the Remuneration and Reward Unit to improve their processes such as ASAs, annual performance bonuses, salary benchmarking, salary scale updates, and pay progression processes.

The SAP portal was enhanced to provide employees with the functionality to attach supporting documents when applying for leave, to improve compliance with the Leave Management Policy and safeguard them, so as to eliminate future audit findings. The SAP portal also provides employees with the opportunity to view and edit their personal information without completing manual forms in order to comply with the POPI Act and to ensure that employees' data is correct and up to date.

## 14 TALENT SOURCING

A total of 160 appointments was made during the year, of which 26% was internal and 74% was external. The staff turnover rate remains below 10% at 3.45%. The RAF vacancy rate during the reporting period stood at 4.11%, with 120 vacant positions still to be filled in the new financial year.

The Skills Audit (reported on in the last Annual Report) has enabled HC to identify key future skills requirements. Planning in terms of future demand and supply of skills internally and externally is underway.

Of late, the RAF's ability to attract and retain best talent is becoming a challenge due to competition for best talent in the market. The Policy on the Regulation of Working Hours will enable the RAF to create a work environment that is conducive to, and has some level of flexibility for employees to create work-life balance.

The RAF's ability to attract and retain best talent is attributed to its competitive and benchmarked remuneration practices, supported by an enabling and conducive working environment to retain our most valued asset. Our retention strategies are a balance between fixed and variable remuneration and a recognition system directly linked to the RAF's values. A working environment has been established within which employees can flourish and be developed through new learning opportunities.

## 15 PRIORITIES AND FUTURE PLANS

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

Priority Goal	Outcomes
Workforce Planning and Skills Audit for Future Requirements	<ul style="list-style-type: none"> <li>Future workforce and skills requirements assessed.</li> <li>Continue talent and succession management, thereby ensuring capacity availability of leaders to fill strategic and critical positions supported by continued implementation of Management and leadership development interventions.</li> </ul>
Talent and Change Management	<ul style="list-style-type: none"> <li>Capacitate the RAF's critical and strategic positions.</li> <li>Entrench change management through capable Line Managers leading and managing change.</li> </ul>
Organisational Structure Maintained	<ul style="list-style-type: none"> <li>The RAF will maintain its budgeted and approved positions (with no further plans for expansion) through an automated and integrated organisation modeller tool.</li> </ul>

## 16 HUMAN CAPITAL OVERSIGHT STATISTICS

### 16.1 PERSONNEL COST BY PROGRAMME

2019/20 Programme	Total Expenditure for the Entity	Personnel Expenditure (TEC) and Non-TEC HC-related Costs	Personnel Expenditure as a % of Total Expenditure	No. of Permanent Employees	Average Personnel Cost per Employee
	(R'000)	(R'000)	%	No	(R'000)
All	100,864,936	1,752,737	1.7%	2,789	628



## 16.2 PERSONNEL COST BY SALARY BAND (TEC)

2019/20 Level	Personnel Expenditure (TEC)	% of Personnel Expenditure to Total Personnel Cost	No. of Employees	Average Personnel Cost per Employee
	(R'000)	%	No	(R'000)
Top Management	0	0%	0	0
Senior Management	51,379	3%	23	2,233
Professional Qualified	437,917	28%	407	1,075
Skilled	845,771	54%	1,581	534
Semi-skilled	230,584	15%	762	302
Unskilled	2,879	0%	16	179
<b>Total</b>	<b>1,568,530</b>	<b>100%</b>	<b>2,789</b>	<b>562</b>

## 16.3 PERFORMANCE REWARDS

2019/20 Level	Performance Rewards	Personnel Expenditure (TEC)	% of Performance Rewards to Total Personnel Cost
	(R'000)	(R'000)	%
Top Management	0	0	0%
Senior Management	3,212	51,379	6.25%
Professional Qualified	40,098	437,917	9.16%
Skilled	59,229	845,771	7.00%
Semi-skilled	16,986	230,584	7.37%
Unskilled	197	2,879	6.82%
<b>Total</b>	<b>119,722</b>	<b>1,568,530</b>	<b>7.63%</b>

## 16.4 TRAINING COSTS

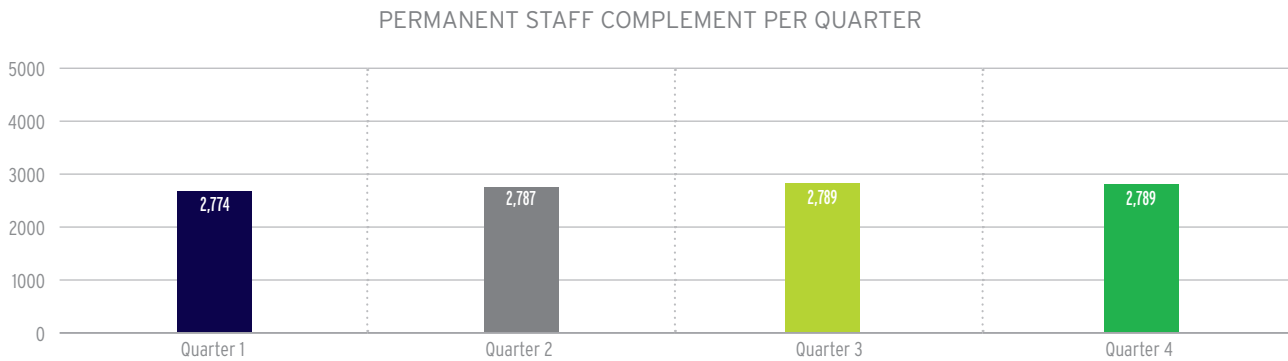
2019/20 Business unit	Personnel Expenditure (TEC-related Costs)	Training Expenditure	Training Expenditure as a % of Personnel Cost	No. of Employees Trained	Average Training Cost per Employee
	(R'000)	(R'000)	%	No	
RAF Learning and Development	1,568,530	30,040	1.92%	2,670	R11,251

## 16.5 EMPLOYMENT AND VACANCIES

Level	No. of Employees	Approved Posts	No. of Employees	Vacancies	Vacancies
	2018/2019	2019/2020	2019/2020	2019/2020	%
Top Management	0	1	0	1	100.00%
Senior Management	27	30	23	7	23.33%
Professional Qualified	413	444	407	37	8.33%
Skilled	1,561	1,644	1,581	63	3.83%
Semi-skilled	760	783	762	21	2.68%
Unskilled	15	17	16	1	5.88%
<b>Total</b>	<b>2,776</b>	<b>2,919</b>	<b>2,789</b>	<b>130</b>	<b>4.45%</b>

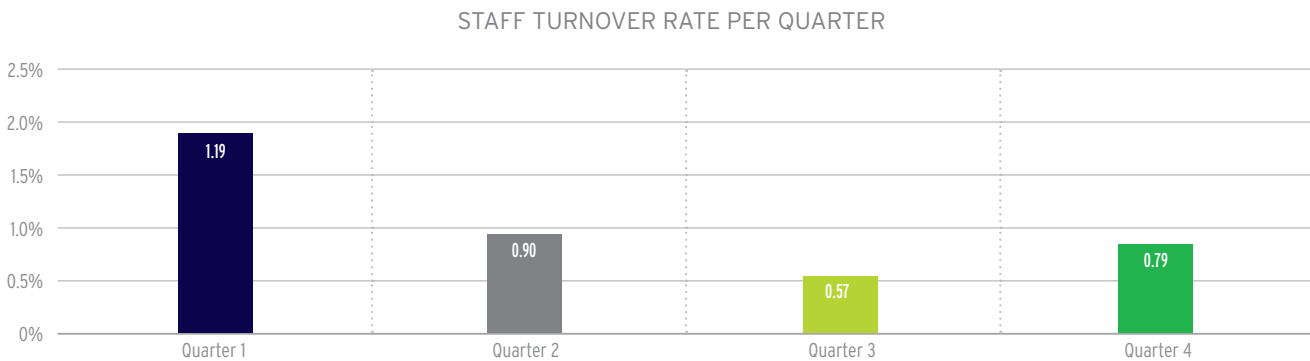
**GRAPH 32: Permanent staff complement per quarter - 2019/20**

Number and quarter



**GRAPH 33: Staff turnover rate per quarter - 2019/20**

Rate and quarter



## 16.6 STAFF MOVEMENT

The RAF strives to attract and retain competent and capable staff for the attainment of its objectives. Emphasis is placed on candidates who will enhance equitable representation in the organisation in terms of the National Economically Active Population (NEAP) guidelines.

On the other hand, there are employee retention programmes and mechanisms in place to ensure that critical and scarce skills are retained in the organisation.

2019/20 Level	Employment at beginning of period	Appointments Internal	Appointments External	Terminations	Employment at end of the period
Top Management	0	0	0	0	0
Senior Management	27	0	0	4	23
Professional Qualified	413	7	8	17	407
Skilled	1,561	32	72	66	1,581
Semi-skilled	760	2	37	26	762
Unskilled	15		2	1	16
<b>Total</b>	<b>2,776</b>	<b>41</b>	<b>119</b>	<b>114</b>	<b>2,789</b>

## 16.7 REASONS FOR STAFF LEAVING

Below is a table depicting employees exiting the organisation during the reporting period.

2019/20	Number	% of total no. of staff leaving
Death	7	7%
Resignation	72	74%
Dismissal	10	10%
Retirement	7	7%
Ill Health	1	1%
Expiry of Contract	1	1%
Other	0	0%
<b>Total</b>	<b>98</b>	<b>100%</b>

## 16.8 MISCONDUCT AND DISCIPLINARY ACTION

Nature of Disciplinary Action	Number 2018/19	Number 2019/20
Verbal Warning	17	36
Written Warning	28	37
Final Written Warning	7	15
Dismissal	6	5
<b>Total</b>	<b>58</b>	<b>93</b>

# 17 EMPLOYEE RELATIONS

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

## 17.1 INCIDENTS AND GRIEVANCES

53 grievances were lodged during the year under review.

## 17.2 EMPLOYMENT EQUITY

Equity Target and Employment Equity Status.

Levels 2019/20	Male							
Permanent Employees	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	1	0	0	0	0
Senior Management	10	8	1	1	1	0	1	1
Professional Qualified	156	145	13	17	10	5	29	18
Skilled	548	518	52	66	24	21	29	67
Semi-skilled	269	264	33	33	9	11	6	34
Unskilled	0	0	0	1	0	0	0	0
<b>Total</b>	<b>983</b>	<b>935</b>	<b>99</b>	<b>119</b>	<b>44</b>	<b>37</b>	<b>65</b>	<b>120</b>

Levels 2019/20	Female							
Permanent Employees	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	9	10	0	1	0	0	1	1
Professional Qualified	160	157	12	19	9	5	18	18
Skilled	731	602	63	72	64	21	70	69
Semi-skilled	381	305	36	36	13	11	15	35
Unskilled	15	7	1	1	0	0	0	0
<b>Total</b>	<b>1,296</b>	<b>1,081</b>	<b>112</b>	<b>129</b>	<b>86</b>	<b>37</b>	<b>104</b>	<b>123</b>

Employees living with Disabilities 2019/20	Race							
	African		Coloured		Indian		White	
	Male	Female	Male	Female	Male	Female	Male	Female
	21	25	2	5	0	4	6	5



COMPASSION • ACCOUNTABILITY • RESPECT • EXCELLENCE • INTEGRITY



*I care*

## **PART E** *Annual Financial Information*

---

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

Report of the Auditor-General to Parliament on the Road Accident Fund	<b>166</b>
Report of the Audit Committee	<b>170</b>
Statement of Responsibility by the Board	<b>174</b>
Report of the Board	<b>175</b>
Company Secretary's Certification	<b>182</b>
Statement of Financial Position	<b>183</b>
Statement of Financial Performance	<b>184</b>
Statement of Changes in Net Assets	<b>185</b>
Cash Flow Statement	<b>186</b>
Statement of Comparison of Budget and Actual Amounts	<b>187</b>
Accounting Policies	<b>188</b>
Notes to the Financial Statements	<b>208</b>

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE ROAD ACCIDENT FUND

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

1. I have audited the Financial Statements of the Road Accident Fund set out on pages 183 to 251 under Part E, which comprise the Statement of Financial Position as at 31 March 2020, Statement of Financial Performance, Statement of Changes in Net Assets, Cash Flow Statement and Statement of Comparison of Budget and Actual for the year then ended, as well as the Notes to the Financial Statements, including a summary of significant Accounting Policies.
2. In my opinion, the Financial Statements present fairly, in all material respects, the financial position of the Road Accident Fund as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act (PFMA) of South Africa, 1999 (Act no. 1 of 1999).

### Basis for Opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the Financial Statements section of this Auditor's Report.
4. I am independent of the public entity in accordance with sections 290 and 291 of the *Code of Ethics for Professional Accountants* and parts 1 and 3 of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* of the International Ethics Standards Board for Accountants (IESBA codes), as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

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

### Material Uncertainty relating to Going Concern

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.
7. I draw attention to the Financial Statements, which indicate that the public entity incurred a net deficit of R59,624,456,000 during the year ended 31 March 2020 and, as of that date, the public entity's total liabilities exceeded its total assets by R321,734,873,000. As stated in Note 34 to the Financial Statements, these events or conditions, along with other matters as set forth in Note 34, indicate that a material uncertainty exists that may cast significant doubt on the public entity's ability to continue as a going concern.

### Emphasis of Matter

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

### Subsequent Events

9. I draw attention to Note 35 in the Financial Statements, which deals with subsequent events and specifically the possible effects of the future implications of COVID-19 on the public entity's performance and cash flows.

### Responsibilities of Accounting Authority for the Financial Statements

10. The Accounting Authority is responsible for the preparation and fair presentation of the Financial Statements in accordance with GRAP and the requirements of the PFMA, and for such internal control as the Accounting Authority determines is necessary to enable the preparation of Financial Statements that are



free from material misstatement, whether due to fraud or error.

11. In preparing the Financial Statements, the Accounting Authority is responsible for assessing the Road Accident Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going-concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

### Auditor-General's Responsibilities for the Audit of the Financial Statements

12. My objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
13. A further description of my responsibilities for the audit of the Financial Statements is included in the Annexure to this Auditor's Report.

## REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

### Introduction and Scope

14. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the Annual Performance Report. I performed procedures to identify material findings, but not to gather evidence to express assurance.
15. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the

completeness and appropriateness of the performance indicators included in the planning documents.

My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the Annual Performance Report of the public entity for the year ended 31 March 2020:

Objectives	Pages in the Annual Performance Report
Objective 1 - Efficient Claims Processing	60 - 65 under Part B

17. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. I did not identify any material findings on the usefulness and reliability of the reported performance information for Objective 1 - Efficient Claims Processing.

### Other Matters

19. I draw attention to the matters below.

### Achievement of Planned Targets

20. Refer to the Annual Performance Report on pages 60 to 78 under Part B for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a significant number of targets.

## Adjustment of Material Misstatements

21. I identified material misstatements in the Annual Performance Report submitted for auditing. These material misstatements were in the reported performance information of Objective 1: Efficient Claims Processing. As Management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

## REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

### Introduction and Scope

22. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings, but not to gather evidence to express assurance.
23. I did not identify any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

### OTHER INFORMATION

24. The Accounting Authority is responsible for the other information. The other information comprises the information included in the Annual Report Foreword by the Chairperson of the Board, the Acting CEO's Overview, the Audit Committee's Report and the Company Secretary's Certificate. The other information does not include the Financial Statements, the Auditor's Report and those selected objectives presented in the Annual Performance Report that have been specifically reported in this Auditor's Report.
25. My opinion on the Financial Statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
26. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether

the other information is materially inconsistent with the Financial Statements and the selected objectives presented in the Annual Performance Report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

27. If, based on the work I have performed on the other information obtained prior to the date of this Auditor's Report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### INTERNAL CONTROL DEFICIENCIES

28. I considered internal control relevant to my audit of the Financial Statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

### OTHER REPORTS

29. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the public entity's Financial Statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the Financial Statements or my findings on the reported performance information or compliance with legislation.
30. At the date of this report an investigation is being carried out by the Public Protector relating to alleged maladministration and improper conduct. The impact, if any, on the Financial Statements of the Road Accident Fund can only be determined once the investigation has been concluded.

*Auditor-General*

4 November 2020



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# ANNEXURE - AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the Financial Statements and the procedures performed on reported performance information for selected objectives and on the public entity's compliance with respect to the selected subject matters.

## FINANCIAL STATEMENTS

2. In addition to my responsibility for the audit of the Financial Statements as described in this Auditor's Report, I also:
  - Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit 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 public entity's internal control.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors, which constitutes the Accounting Authority.
  - Conclude on the appropriateness of the Accounting Authority's use of the concern basis of accounting

in the preparation of the Financial Statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Road Accident Fund to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my Auditor's Report to the related disclosures in the Financial Statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the Financial Statements. My conclusions are based on the information available to me at the date of this Auditor's Report. However, future events or conditions may cause a public entity to cease operating as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and determine whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

3. I communicate with the Accounting Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the Accounting Authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

# REPORT OF THE AUDIT COMMITTEE

The Audit Committee is pleased to present its report for the financial year ended 31 March 2020.

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

## AUDIT COMMITTEE TERMS OF REFERENCE

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

## AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee consists of five independent, non-executive Board members. It meets at least four times per year, as specified in terms of the Audit Committee Charter.

The Chairperson of the Board, Chief Executive Officer, Chief Financial Officer, Chief Audit Executive, external auditors and other assurance providers (Legal, Compliance, Risk, Health and Safety) attend meetings by invitation only.

During the year under review, a total of five meetings were held. Four meetings were held under the tenure of the Interim Board which ended on 3 December 2019. The sub-committees of the new Board were elected on 17 January 2020, and thus, only one meeting was held by the new committee before the financial year-end. (Apologies were rendered for meetings not attended.)

## AUDIT COMMITTEE MEETINGS HELD FROM 17 JANUARY 2020 TO 31 MARCH 2020

Name of Member	25 February 2020	Total
Mr H Daniels (Chairperson)	✓	1
Mr L Mulaudzi	✓	1
Mr KM Mothobi	✓	1
Ms LZ Francois	✓	1
Mr LM Nyama	X	-

X Apologies were rendered for meetings not attended.

**AUDIT COMMITTEE MEETINGS HELD FROM 1 APRIL 2019 TO 3 DECEMBER 2019**

Name of Member	25 April 2019	20 May 2019	19 July 2019	25 October 2019	Total
MS D Molefe (Chairperson)	✓	✓	✓	X	3
Dr NB Mabuya-Moloele	✓	✓	✓	✓	4
Dr MC Peenze	✓	✓	✓	✓	4
Mr KM Mothobi	✓	✓	✓	✓	4

**DIRECTOR-GENERAL'S REPRESENTATIVE**

Ms MC Maleho	X	✓	X	X	1
--------------	---	---	---	---	---

X Apologies were rendered for meetings not attended.

**ROLES AND RESPONSIBILITIES**

The Audit Committee's roles and responsibilities include its statutory duties as per the PFMA, 1999 (Act No. 1 of 1999), as well as the NT Regulations issued in terms of the PFMA and the responsibilities assigned to it by the Board.

The committee was responsible for performing its duties as set out in the Audit Committee Charter, which included reviewing the following:

- The effectiveness of the RAF's internal control systems;
- The risk areas of the RAF's operations to be covered in the scope of the internal and external audits;
- The accounting and auditing concerns identified as a result of the internal or external audits;
- The RAF's compliance with legal and regulatory provisions, the Road Accident Fund Act, 1996 (Act No. 56 of 1996) (RAF Act); the Road Accident Fund Amendment Act, 2005 (Act No. 19 of 2005) (RAF Amendment Act); the PFMA, as well as NT Regulations;
- The activities of the Internal Audit function, including its work programmes, coordination with the external auditors, the reports of significant investigations, and the responses of Management to specific recommendations;
- The independence and objectivity of the external auditors;
- The Financial Statements with specific attention to:
  - Underlying accounting policies or changes thereto;
  - Major estimates and Managerial judgements;
  - Significant adjustments flowing from the year-end audit;
  - Compliance with effective South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), the PFMA, IFRS 4 and other statutory precepts; and
  - The appropriateness of the going-concern assumption.

The Audit Committee also undertook the following activities during the year under review:

- Reviewing and recommending the Internal Audit Department's Charter for approval by the Board;
- Reviewing and approving the Internal Audit Plan;
- Requesting investigations to be performed within its Terms of Reference; and
- Encouraging communication between members of the Board, Senior and Executive Management, the Internal Audit Department, and the external auditors.

## EXTERNAL AUDITORS

During the year, the Audit Committee met with the external auditors and with the Chief Audit Executive (CAE) without Management being present. The Audit Committee is satisfied that it complied with its legal, regulatory and other responsibilities.

The Audit Committee, in consultation with Executive Management, agreed to the Engagement Letter, terms, Audit Plan and budgeted audit fees for the financial year ended 31 March 2020.

## FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

The Audit Committee evaluated the Accounting Policies and Annual Financial Statements of the RAF for the year ended 31 March 2020 and concluded that they comply, in all material respects, with the requirements of the PFMA, and were prepared in accordance with the effective SA Standards of GRAP issued by the Accounting Standards Board (ASB).

The Audit Committee has established a process to receive and deal appropriately with any concerns and complaints relating to the reporting practices of the RAF. No matters were raised in the past financial year.

## IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

The Audit Committee is satisfied with the processes in place to detect and disclose irregular and fruitless and wasteful expenditure. Any irregular and fruitless and wasteful expenditure that exceeds the materiality limit of 5% of the total asset value, as documented in the Materiality Framework, will be disclosed. For the year under review, there was no such expenditure which breached the materiality limit of R532,843,283, either individually or in aggregate.

## OVERALL INTERNAL CONTROLS

Based on the quarterly review of Management Accounts by Internal Audit and recommended by the Audit Committee to the Board for approval for submission to the NT and the DoT, internal financial controls in place form a sound basis for the preparation of reliable Annual Financial Statements.

## WHISTLE-BLOWING

The Audit Committee receives and deals with any concern or complaint, whether from within or outside the RAF, relating to the accounting practices and Internal Audit of the RAF, the content or auditing of the RAF's Annual Financial Statements, the internal financial controls of the RAF and related matters.

The predominant sources of information in respect of concerns raised to the Audit Committee in relation to these matters are the reports issued by the Internal Audit Department, the Management and Audit Report of the AGSA, as well as quarterly reports provided by the Combined Assurance Forum discussed below. Reporting mechanisms, such as hotlines, are also in place to enable employees to report suspected non-compliance and other matters to the various departments constituting the Combined Assurance Forum.

## REPORTING AND COMBINED ASSURANCE

The Audit Committee fulfils an oversight role regarding the RAF's Annual Report and the reporting process, including the system of internal financial control. Furthermore, the committee oversees cooperation between the internal and external auditors and other service providers. A Combined Assurance Forum has been formed, which is chaired by the General Manager: Risk, and reports to the Audit Committee on a quarterly basis.

## GOING CONCERN

The Audit Committee reviewed a documented assessment by Management of the going-concern premise before agreeing that the adoption of the going-concern premise is appropriate in preparing the Annual Financial Statements (refer to the Report of the Board as it pertains to the section on "going concern").

## GOVERNANCE OF RISK

The Board has assigned oversight of the RAF's Risk Management function to the Risk, Governance and Actuarial Committee.

The Audit Committee fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud and IT risks as they relate to financial reporting.

## INTERNAL AUDIT

The Audit Committee is responsible for ensuring that the RAF's Internal Audit function is independent and has the necessary resources, standing and authority within the RAF to enable it to discharge its duties. Its duties are focused on the evaluation and improvement of the effectiveness of risk management, control and governance processes.

The Internal Audit function reports centrally, with responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all the RAF's operations. The CAE is responsible for reporting the findings of the internal audit work against the agreed Internal Audit Plan to the Audit Committee on a regular basis.

The CAE has a functional reporting line to the Audit Committee, primarily through its Chairperson, and reports administratively to the Acting Chief Executive Officer (ACEO). The Audit Committee is also responsible for the assessment of the performance of the CAE and the Internal Audit function.

## EVALUATION OF THE EXPERTISE AND EXPERIENCE OF THE ACTING CHIEF FINANCIAL OFFICER AND FINANCE FUNCTION

The assessment of the Finance function was performed as part of a larger exercise carried out by the Remuneration and Human Resources Committee. The committee raised a concern regarding the SCM Unit, and it supports the view that the Unit needs to be capacitated, including the appointment of a Chief Procurement Officer.

The Audit Committee is satisfied that it complied with its legal, regulatory and other responsibilities, as per its Terms of Reference during the year under review.



**MR H DANIELS**

*Chairperson of the Audit Committee*

*Date: 28 October 2020*

# STATEMENT OF RESPONSIBILITY BY THE BOARD

The Annual Financial Statements have been prepared in accordance with SA Standards of GRAP, including any interpretations, guidelines and directives issued by the ASB.

The PFMA requires the Accounting Authority to ensure that the RAF keeps full and proper records of its financial affairs. The Financial Statements should fairly present the state of affairs of the RAF, its financial results, its performance against predetermined objectives and its financial position at the end of the financial year in terms of the effective SA Standards of GRAP.

The Annual Financial Statements are the responsibility of the Board. The external auditors are responsible for independently auditing and reporting on the Annual Financial Statements.

To enable the Board to meet the above-mentioned responsibilities, the RAF Board sets standards and oversees systems of internal control. The controls are designed to provide cost-effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed.

Policies, procedures, structures and approval frameworks provide direction, accountability and division of responsibilities, and contain self-monitoring mechanisms. The controls throughout the RAF focus on the critical risk areas identified by operational Risk Management and confirmed by Executive Management. Both Management and the Internal Audit Department closely monitor the controls and actions taken to correct deficiencies as they are identified.

Based on the information and explanations provided by Management and based on independent reviews of quarterly Management Accounts by the Internal Audit function, which are recommended by the Audit Committee to the Board for approval to the NT and the DoT, internal financial controls form a sound basis to ensure that the financial records may be relied upon for preparing reliable Annual Financial Statements.

Nothing significant has come to the attention of the Board to indicate that any material breakdown has occurred in the functioning of these controls, procedures and systems during the year under review.

In the opinion of the Board, based on the information available, the Annual Financial Statements fairly present the financial position of the RAF as at 31 March 2020 and the results of its operations and cash flow information for the year.

The RAF faces material cash flow constraints. The RAF adopted a Cash Management Strategy that seeks to manage the cash resources in an optimal way. The funds received from the fuel levy on an annual basis are not sufficient to pay all debts that arise annually. The cash resources of the RAF are not sufficient to pay the entire outstanding claims liability.

On an annual basis, following the Minister of Finance's Budget Speech in Parliament, the Taxation Amendment Act indicates what the RAF Fuel Levy will be for the applicable financial year. The RAF Fuel Levy for the 2019/20 financial year was 198 c/l. This rate was increased by 9 c/l to 207 c/l with effect from 1 April 2020.

The Annual Financial Statements of the RAF for the year ended 31 March 2020, which have been prepared on the going-concern basis (refer to the Report of the Board as it pertains to the section on "going concern") have been approved by the Board and signed on its behalf by:



**MS TN MSIBI**

*Acting Chairperson of the Board*

*Date: 28 October 2020*



# REPORT OF THE BOARD

## INTRODUCTION

The Board presents its report, which forms part of the Annual Financial Statements of the RAF, for the year ended 31 March 2020 to the Minister of Transport, who is the Executive Authority in terms of section 55(1)(d) of the PFMA.

The RAF, as established by the RAF Act, is listed as a National Public Entity in accordance with schedule 3A of the PFMA and operates in the Republic of South Africa. The Board acts as the Accounting Authority in terms of the PFMA.

## BOARD

The current Board was appointed by Cabinet on 4 December 2019.

The Board members who held office during the year under review are as follows:

### NON-EXECUTIVE BOARD MEMBERS: 4 DECEMBER 2019 TO 31 MARCH 2020

Adv GJ Rasethaba (Chairperson, resigned 17 June 2020)  
 Ms TN Msibi (Vice Chairperson, appointed Acting Chairperson 17 June 2020)  
 Mr LM Nyama (re-appointed)  
 Dr NB Mabuya-Moloele (re-appointed)  
 Mr TS Tshabalala (re-appointed)  
 Mr KM Mothobi (re-appointed)  
 Dr MC Peenze (re-appointed)  
 Mr L Mulaudzi  
 Dr DP du Plessis (resigned 4 March 2020)  
 Mr H Daniels  
 Ms LZ Francois  
 Mr A Moemi (DG's representative, appointed 10 July 2020)

### NON-EXECUTIVE BOARD MEMBERS: 1 APRIL 2019 TO 3 DECEMBER 2019

Dr MP Mathebula (Chairperson)  
 Ms MRV Mashigo-Mokgalong (Vice-Chairperson)  
 Dr HF Bale  
 Mr LM Nyama  
 Dr NB Mabuya-Moloele  
 Mr TS Tshabalala  
 Ms D Molefe  
 Dr MF Randerla  
 Mr KM Mothobi  
 Dr MC Peenze  
 Ms MC Maleho (DG's representative) \*

*\*The Director-General of the Department of Transport or any other Senior Officer in the Department of Transport, designated by him or her for a purpose, serves as an ex officio member of the Board.*

### CHIEF EXECUTIVE OFFICER

Mr CP Letsoalo (Acting from 9 September 2019, appointed permanently on 6 August 2020)  
 Ms L Xingwana-Jabavu (Acting from 1 July 2017 to 6 September 2019)

### CHIEF FINANCIAL OFFICER

Mr VM Songelwa (Acting from 30 August 2018 to 1 June 2020)  
 Ms B Mabusela (Acting from 2 June 2020)

### COMPANY SECRETARY

Ms JR Cornelius

# ANNUAL FINANCIAL INFORMATION

## PURPOSE AND OBJECTIVE OF THE RAF

The object of the RAF is the payment of compensation in accordance with the Road Accident Fund Act for loss or damage wrongfully caused by the driving of motor vehicles.

## SOLVENCY AND GOING CONCERN

We draw attention to the fact that as at 31 March 2020, the entity had an accumulated deficit of R321,832,514,000 and that the entity's total liabilities exceeded its assets by R321,734,873,000.

The RAF has been technically insolvent for a considerable amount of time. The effect of the Turnaround Strategy implemented in the 2012/13 financial year has seen a substantial increase in the ability of the entity to finalise claims and the resultant reduction in the number of open claims previously accumulated over many years. As a result, and following the depletion of historic cash reserves, the available funding to pay claims is currently limited to the annual RAF Fuel Levy received, a levy that bears no reference to the historic or forecasted claims profile, the value of claims finalised, or the operational capacity the entity has to finalise claims.

Over the course of this financial year, the RAF continued to complete and finalise more claims than it could honour from available funding. As a result, the RAF continued to experience material cash flow constraints for the past five years, to the extent that "going concern" is deemed to be under a continued and significant threat.

It is, however, worth noting that in the past the RAF received additional financial support from the NT in the form of cash injections over and above the normal RAF Fuel Levy income, as and when it faced liquidity problems. During the 2006 financial year, it received a cash injection of R2.5 billion and in the 2009 financial year it received R2.5 billion. On 1 April 2015, an *ad hoc* 50 c/l increase to the RAF Fuel Levy became effective (adding approximately R10 billion to the annual Fuel Levy received). More recently, a 30 c/l increase was approved to be effective 1 April 2018, which added a further R6 billion to the annual RAF Fuel Levy.

### Increases in the Fuel Levy since 2016

Year ended 31 March	2019	2018	2017	2016
Total RAF Fuel Levy received	R43bn	R37bn	R33bn	R33bn
Fuel Levy increase	R6bn	R4bn	None	R10bn
Fuel Levy per litre	R1.93	R1.63	R1.54	R1.54
Fuel Levy increase per litre	30 cents	9 cents	None	50 cents

In the current year, a 9 c/l increase was approved which was effective from 1 April 2020, compared to a 5 c/l increase in the financial year ended 31 March 2020.

Though the recent increase in the RAF Fuel Levy, to a large extent, succeeded in reducing the gap between productivity and funding on a monthly basis, it will unfortunately not contribute to reducing the backlog in claims requested for payment but not yet paid (RNYP) that had accumulated since the cash flow constraints became a reality in the latter part of 2014. The backlog amounted to R8.6 billion on 30 June 2015 when the first tranche of the additional funding was received.

The pressure on available funding remains given the inflationary pressures on the Heads of Damages, the preference for

the more expensive claims by plaintiff attorneys and the consistently higher claims registration patterns observed. We are not hopeful that the 9c/l increase will reduce our accounts payable, which are currently approximately R14.9 billion as at 31 March 2020.

The assessment and the assumptions used to conclude on the continued appropriateness of the application of “going concern” as a basis for the preparation of the Annual Financial Statements are explored below. The assessment and assumptions inform mitigation measures being implemented.

### Assessment:

Professional opinions obtained during the 2014/15 financial year still believed to be relevant:

- The legal opinion obtained on what it means for the RAF to be considered “insolvent”, whether it can be classified as a “going concern”, what processes would have to be followed for the RAF to be wound up, how the RAF was to deal with creditors where it could not pay them, what exposure the RAF had were it not in a position to pay claimants, the recourse of such claimants and the personal liability of the RAF’s Board and officials were all viewed as a case to be made for financial mismanagement.
- The technical opinion on “going concern” from one of its panel of internal audit firms with regard to the basis on which the Financial Statements of the RAF should be prepared and how the institution should mitigate the risk of obtaining a qualified audit opinion given the threat to the “going concern” status.

Initiatives put in place during the 2014/15 financial year that were maintained in the 2018/19 financial year:

- Updated cash flow forecasts were prepared on a daily, weekly and monthly basis;
- Extensive reporting mechanisms were put in place to monitor cash flows on a real-time basis and to report relevant information to the various affected parties and stakeholders, as well as to develop a proactive response to the extent possible.
- Writs instances and the processes followed in responding thereto were actively monitored and tracked by

Operations and the Finance Treasury Department, whilst being supported by the Corporate Legal Department.

- The risk against the risk-bearing capacity of the entity was assessed and responded to accordingly.
- The Fund continuously considered the fact that the RAF Act contemplates that the RAF may be “unable” to pay its claims and may be insolvent, but to liquidate the Fund is not possible under the said Act. To wind up the business of the RAF will require an Act of Parliament. Section 21 of the Act provides for the revival of the common law claim of the person injured in a road crash, or the dependants of the person killed because of the injuries sustained in a road crash, to sue the wrongdoer. Should section 21 of the RAF Act be “triggered” by the RAF’s inability to pay claimants, the implications for the public and the State would be dire.

It thus remains clear that the RAF cannot stop making payments, despite its cash flow constraints.

The RAF developed and implemented the following actions:

- A Cash Management Strategy was designed, reviewed and implemented to ensure available funding was distributed in an equitable and fair manner. This has since evolved to cash management in the ordinary course of business, and is reviewed in response to the business environment, where necessary.
- An extensive, multipronged Communication Strategy remains in place to ensure that all service providers are kept abreast of developments in a transparent and frank manner.
- The entity, on a continuous basis, seeks to optimise its own cost base. Any funds that are not committed due to general savings or delays in the procurement of goods and services are allocated to the settlement of claims.
- Extensive engagements with stakeholders - NT, DoT and other relevant parties and forums - are ongoing to ensure awareness, to present status updates and to seek solutions.
- Indemnity will again be sought from the Shareholders (NT and DoT).
- In addition, when confronted with the increasing prevalence of bank attachments in the past financial year, the response plan to the ongoing cash flow constraints further evolved to identify, research and implement measures to minimise the interruptions caused by these attachments.

## Assumptions:

In the context of the above, and consistent with the reporting in previous financial years, Management takes the following assumptions into consideration in its assessment of the threat to the “going concern” of the RAF:

- The ability of the RAF to continue as a going concern cannot be considered, primarily because it is not a commercial enterprise. The RAF is, as its name implies, a Fund. It is a receptacle of all monies procured from the NT pursuant to section 5(1) of the RAF Act, from which all claims for damages arising from bodily injuries are to be paid. The Fund, therefore, has no realistic alternative other than to continue to operate in accordance with the above-said legislation.
- The RAF is incapable of being liquidated. To wind up the business of the RAF will require an intervention through an Act of Parliament. The winding-up process will, however, not absolve the RAF from the debts that it would have incurred as at the time of the culmination of such a process. There is currently no indication of any intention to repeal the Act.
- Cash flow forecasts for the next 12 months indicate that the extent to which net liabilities exceed net assets is expected to increase, because of the projected growth in the liability for outstanding claims.
- The RNYP liability showed early signs of having stabilised at levels of roughly R10 billion. As at 31 March 2020, the value of RNYP claims was R14.9 billion indicating that new factors were impacting the cash flow management of the Fund. Bank attachments disrupted the cash management of the Fund, making it difficult to effectively plan for the payment of claims. It is, however, inevitable that the value of the RNYP claims will increase in the same manner as the IBNR and OCR claims due to inflationary pressures on the Heads of Damages and the consistently higher claims registration patterns observed.

To mitigate the cash flow risk embedded in the RNYP claims, Management has included in the 2020-2025 Strategic Plan an objective to secure a finance facility which can be used to settle the backlog of finalised claims included in the RNYP claims. This debt restructuring initiative will provide relief in the form of more stable cash outflows and, dependent on

the rate negotiated, relief in the form of reduced interest costs. Execution orders will also be prevented, alleviating the administrative burden of processing bank attachments and preventing the incurrence of Sheriff and writ costs.

Management has also included the following strategic objectives in the 2020-2025 Strategic Plan (among others) in an effort to reduce costs:

- A revised operating model to replace the current litigation model, which has proven to incur significant legal costs. Objectives, such as decreasing the settlement period of claims and reducing the validation time of claims, will assist in decreasing the legal costs incurred through lengthy litigation processes.
- The development of RAF medical tariffs and RAF medical treatment protocols to reduce medical costs incurred.

The direct focus on reducing the cost to settle claims will achieve significant savings in the medium to long term. (In the interim, there is no indication that the RAF Fuel Levy will not be received or that the operations of the entity will cease due to the inability to continue service delivery.) As a result, Management is not of the view that material uncertainties exist that will cast significant doubt upon the entity's ability to continue as a going concern for the next 12 months.

The power to levy rates or taxes enables the RAF to be considered a “going concern” even though it may operate with negative net assets. Support from its stakeholders, repeatedly expressed and visibly actioned in the past and more recently, continues. Continuous reporting and implementation of actions in response, proactively where possible, also assist. Engagements with NT and the DoT will continue with status updates and to support expectations communicated, as and when required.

As mentioned before, the RAF faces material cash flow constraints. To counter this, the RAF adopted a Cash Management Strategy that seeks to manage the cash resources in an optimal way. The funds received from the RAF Fuel Levy on an annual basis are not sufficient to pay all debts that arise annually. Therefore, the cash resources of the RAF are not sufficient to pay the entire outstanding claims liability.

Based on the above, it is the opinion of the Management of the RAF that, though the concept of “going concern” may not be applicable to the RAF, it is nonetheless the appropriate basis for the presentation of the Financial Statements for the year ended 31 March 2020.

The table below depicts the total assets and liabilities of the RAF over the past five years. From this table, it is evident that the RAF has not been solvent for many years.

The accumulated deficit increased by R59,624,456,000 in the 2019/20 financial year.

Financial Year ended 31 March	2020	2019	2018	2017	2016
	R'000	R'000	R'000	R'000	R'000
<b>Total assets</b>	<b>10,656,866</b>	11,219,768	9,806,313	9,198,494	9,795,762
<b>Total liabilities</b>	<b>(332,391,739)</b>	(273,334,498)	(216,146,893)	(189,191,419)	(155,047,854)
<b>Total net liabilities</b>	<b>(321,734,873)</b>	(262,114,730)	(206,340,580)	(179,992,925)	(145,252,092)

## EVENTS AFTER REPORTING DATE

### Impact of the COVID-19 Crisis

The impact of the COVID-19 pandemic on the entity as at 31 March 2020 is discussed in Note 35 to the Annual Financial Statements.

Although it is expected that future revenues will be impacted by the pandemic, there is no significant impact on the recognition and measurement of revenue, expenses, assets or liabilities of the entity presented in the Statement of Financial Position and Statement of Financial Performance.

## OTHER EVENTS AFTER REPORTING DATE

No further undisclosed material events have taken place between the Statement of Financial Position date and the authorisation of the Annual Financial Statements.

## ACCOUNTING POLICIES

The Annual Financial Statements were prepared in accordance with the prescribed SA Standards of GRAP issued by the ASB as the prescribed framework by NT. During the current financial year, GRAP 20 *Related Party Disclosures* and GRAP 108 *Statutory Receivables* were applied for the first time. There is no significant impact on the Annual Financial Statements resulting from the adoption of these standards for the first time.

## MATERIALITY FRAMEWORK

A Materiality Framework was developed for reporting losses through criminal conduct and irregular, fruitless and wasteful expenditure, or for significant transactions that require approval by the Executive Authority, as envisaged in section 54(2) of the PFMA.

The framework was finalised by the RAF and approved by the Board on 6 February 2014. The Board is currently in the process of reviewing the Materiality Framework.

## IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

### Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure of R15,352,941 (2018/19: R18,214,291) relating to administrative, interest, Sheriff and writ costs, has been disclosed in Note 25 of the Annual Financial Statements.

### Interest, Sheriff and Writ Costs

**Interest cost** is the cost paid for late payment of the claim compensation, as agreed to in a settlement agreement or order of the court, and taxed legal bills settled through taxation, as these costs are due immediately. The interest is charged under the Prescribed Rate of Interest Act of 1975 at 10.25% as per *Government Gazette No. 42179*, issued on 22 January 2019 until 27 March 2020; thereafter, at 9.75% as per *Government Gazette No. 43146*, issued on 27 March 2020.

**Sheriff cost** is the cost paid to the Sheriff for its service regarding serving the warrants of execution (writs) on the Fund.

As per the definition in the PFMA, fruitless and wasteful expenditure means "expenditure which was made in vain and could have been avoided had reasonable care been exercised". The amounts listed below are costs incurred in the settlement process of claims influenced by external legal processes and time limits legally enforced on the RAF in respect of the settlement of claims.

The total value of claims-related fruitless and wasteful expenditure included in the Annual Financial Statements for the year ended 31 March 2020 is R15,333,805 (2018/19: R17,724,334) representing a 13.49% decrease. This, as a percentage of claims expenditure, is 0.01% (2018/19: 0.02%). The total value of claims-related fruitless and wasteful expenditure, had it not been reduced for the current cash position and Cash Management Strategy, would have been R257,736,563 (2018/19: R318,767,360).

Reporting and adherence to the Writs SOP will continue.

Legal costs create operational constraints, as there are no legal obligations for plaintiff attorneys to submit their bills within any stipulated time frames. The majority of legal cost bills are disputed, because the content, or the items billed, are incorrect or invalid. The process of taxation of legal cost bills through the Office of the Taxation Master is the only option to settle these disputes.

The taxation of legal cost bills exposes the RAF to a risk of non-compliance with court processes, despite an Instruction Note from NT that all payments arising from legal settlements must be paid within 30 days from the date of settlement. Court rules require that taxed bills must be paid immediately after taxation, and plaintiff attorneys issuing writs (i.e. immediately after settlement).

As a result, payments may comply with the PFMA, but not the court rules.

The following information relates to the legal cost bills settled through taxation for 2019/20:

- Number of bills settled through taxation: 23,225 (2018/19: 29,322) - decreased by 21%.
- Number of bills where a saving was made through taxation: 23,022 (2018/19: 28,970) - decreased by 10%.
- Amount saved through taxation: R5,367,236,482 (2018/19: R3,920,201,412) - increased by 37%.
- The success rate in terms of savings on legal cost bills was 99% (2018/19: 99%).

As highlighted above, the number of taxed legal cost bills decreased by 21%. This decrease can be attributed to initiatives to settle claims with plaintiff attorneys before a summons was issued, and to offer cost contributions to avoid taxing of legal cost bills.

Furthermore, the total amount saved through taxation increased significantly, even though the number of bills taxed decreased. This increase in savings was due to the average bill value submitted by attorneys increasing significantly more than the increase in the average bill payment. This points to attorneys overreaching when drawing up bills, which equates to higher bills, and when taxed, results in higher savings. Moreover, these savings are realised through the appointment of cost consultants, who strive to realise higher savings as their fees are determined by the saving.

RAF officials are required to diligently apply the process of the legal cost bills assessments. Writs SOPs are in place to ensure that all taxed bills are paid timeously to minimise the impact of the interest cost at a rate of 9.75%.

The number of writs received in the 2019/20 financial year was 8,740 (2018/19: 9,964). It was 12.3% lower than in 2018/19 and was a result of the continued management of stakeholders and cash available to settle claims.

Fruitless and wasteful expenditure is monitored closely by the Executive Management and the Board. There are processes in place to ensure that this risk is mitigated.

Fruitless and wasteful expenditure relating to administrative costs totalled R19,136 (2018/19: R489,957) and comprised of additional travel costs, and interest paid which could have been avoided.

Disciplinary action was taken against staff members because of negligence resulting in the payment of Sheriff and interest costs, as well as duplicate payments and administrative costs. During the financial year, 11 staff members received counselling, and 21 verbal warnings and 33 written warnings were issued. No dismissals were necessary. (These figures were obtained from the Writs and Financial Misconduct Registers.)

### Irregular Expenditure

Irregular expenditure of R3,733,766 (2018/19: R6,884,209) was reported during the financial year and is disclosed in Note 26 of the Annual Financial Statements.

Irregular expenditure arose as a result of non-compliance with SCM legislation and acts that contravened or failed to comply with provisions of the PFMA.

A total of two instances to the value of R3,733,766 was identified and reported during the 2019/20 financial year. This represents a 60% reduction in the number of instances of irregular expenditure from the five instances totalling R6,884,209 reported in the 2018/19 financial year. Further details regarding the actions taken by Management to prevent irregular expenditure are disclosed under Note 26 of the Annual Financial Statements.

Any employee who committed an act that undermined the financial management and internal control systems of the RAF, as required by relevant legislations and policies, was dealt with in terms of the Disciplinary Policy.

In 2019/20, three employees were dismissed and one employee was counselled as a result of irregular expenditure where the employees were found to have contravened provisions of the Act.

### ADDRESSES

#### Business Address:

Eco Glades Office Park 2  
420 Witch-hazel Avenue  
Centurion  
0046

#### Postal address:

Private Bag X178  
Centurion  
0046

#### Website:

[www.raf.co.za](http://www.raf.co.za)

### APPROVAL

The Annual Financial Statements, which have been prepared on the going-concern basis, were approved by the Board on 28 October 2020 and were signed on its behalf by:



#### MR CP LETSOALO

Chief Executive Officer

Date: 28 October 2020



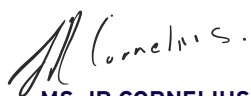
#### MS TN MSIBI

Acting Chairperson of the Board

Date: 28 October 2020

## CORPORATE SECRETARY'S CERTIFICATION

I hereby certify that the RAF has lodged all returns as required by the Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended by Act No. 29 of 1999.



**MS JR CORNELIUS**

*Corporate Secretary*

*Date: 28 October 2020*



## STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	Note(s)	2020 R '000	2019 R '000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	1,351,455	908,002
Receivables from non-exchange transactions	4	8,852,457	9,851,359
Receivables from exchange transactions	5	2,912	6,451
Other financial assets	6	197,843	175,658
Consumable stock	7	4,586	5,867
		<b>10,409,253</b>	<b>10,947,337</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	188,629	206,092
Intangible assets	9	58,984	66,339
		<b>247,613</b>	<b>272,431</b>
<b>TOTAL ASSETS</b>		<b>10,656,866</b>	<b>11,219,768</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Payables from exchange transactions	10	117,123	210,019
Other financial liabilities	11	31,046	51,988
Claims liabilities	12	59,584,784	40,624,352
Other provision	13	1,548,378	1,092,115
Operating lease liability	15	741	2,201
		<b>61,282,072</b>	<b>41,980,675</b>
<b>NON-CURRENT LIABILITIES</b>			
Claims liabilities	12	271,055,328	231,290,230
Employee benefit obligation	14	53,246	63,107
Operating lease liability	15	1,093	486
		<b>271,109,667</b>	<b>231,353,823</b>
<b>TOTAL LIABILITIES</b>		<b>332,391,739</b>	<b>273,334,498</b>
<b>NET LIABILITIES</b>		<b>(321,734,873)</b>	<b>(262,114,730)</b>
<b>NET LIABILITIES</b>			
<b>RESERVES</b>			
Revaluation reserve		97,641	93,328
Accumulated deficit		(321,832,514)	(262,208,058)
<b>TOTAL NET LIABILITIES</b>		<b>(321,734,873)</b>	<b>(262,114,730)</b>

## STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2020

	Note(s)	2020 R '000	2019 R '000
<b>REVENUE</b>			
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>			
Other income	17	25	1,400
Investment revenue	18	62,784	99,153
<b>TOTAL REVENUE FROM EXCHANGE TRANSACTIONS</b>		<b>62,809</b>	<b>100,553</b>
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>			
<b>TRANSFER REVENUE</b>			
Net fuel levies	16	41,177,671	43,138,770
<b>TOTAL REVENUE</b>		<b>41,240,480</b>	<b>43,239,323</b>
<b>EXPENDITURE</b>			
Claims expenditure	19	(98,264,139)	(96,404,834)
Depreciation and amortisation		(52,258)	(50,527)
Employee costs	21	(1,752,737)	(1,735,302)
Finance costs	22	(236,803)	(291,126)
Reinsurance premiums	20	(23,965)	(21,761)
Loss on disposal of assets and liabilities		(578)	(470)
General expenses	23	(534,456)	(515,183)
<b>TOTAL EXPENDITURE</b>		<b>(100,864,936)</b>	<b>(99,019,203)</b>
<b>DEFICIT FOR THE YEAR</b>		<b>(59,624,456)</b>	<b>(55,779,880)</b>

## STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2020

	Revaluation Reserve	Accumulated Deficit	Total net Assets
	R '000	R '000	R '000
<b>BALANCE AT 1 APRIL 2018</b>	87,598	(206,428,178)	(206,340,580)
Changes in net assets			
Revaluation of land	2,700	-	2,700
Revaluation of building	3,030	-	3,030
Deficit for the year	-	(55,779,880)	(55,779,880)
Total changes	5,730	(55,779,880)	(55,774,150)
<b>BALANCE AT 1 APRIL 2019</b>	93,328	(262,208,058)	(262,114,730)
Changes in net assets			
Revaluation of land	300	-	300
Revaluation of building	4,013	-	4,013
Deficit for the year	-	(59,624,456)	(59,624,456)
Total changes	4,313	(59,624,456)	(59,620,143)
<b>BALANCE AT 31 MARCH 2020</b>	<b>97,641</b>	<b>(321,832,514)</b>	<b>(321,734,873)</b>

**CASH FLOW STATEMENT**

FOR THE YEAR ENDED 31 MARCH 2020

	Note(s)	2020 R '000	2019 R '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>RECEIPTS</b>			
Fuel levies		42,632,836	41,890,191
Interest income		66,323	98,931
Other income		25	1,400
		<b>42,699,184</b>	<b>41,990,522</b>
<b>PAYMENTS</b>			
Employee costs		(1,752,737)	(1,735,302)
Claims paid		(39,538,609)	(39,793,076)
Finance costs		(236,803)	(291,126)
Reinsurance premiums		(23,965)	(21,761)
Other expenditure		(679,912)	(733,891)
		<b>(42,232,026)</b>	<b>(42,575,156)</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	27	<b>467,158</b>	<b>(584,634)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	8	(7,197)	(37,007)
Purchase of other intangible assets	9	(16,513)	(37,546)
Proceeds on sale of property, plant and equipment	6	6	-
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(23,704)</b>	<b>(74,553)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at the beginning of the year		908,002	1,567,189
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	3	<b>1,351,455</b>	<b>908,002</b>

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 31 MARCH 2020

	Approved Budget	Adjustments	Final Budget	Actual Amounts on Comparable Basis	Difference between Final Budget and Actual	Note
	R '000	R '000	R '000	R '000	R '000	
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>						
<b>REVENUE</b>						
Revenue from exchange transactions						
Other income	-	-	-	25	25	36
Investment revenue	98,850	-	98,850	62,784	(36,066)	36
<b>TOTAL REVENUE FROM EXCHANGE TRANSACTIONS</b>	<b>98,850</b>	<b>-</b>	<b>98,850</b>	<b>62,809</b>	<b>(36,041)</b>	
Revenue from non-exchange Transactions						
Transfer revenue						
Net fuel levies	43,360,004	-	43,360,004	41,177,671	(2,182,333)	
<b>TOTAL REVENUE</b>	<b>43,458,854</b>	<b>-</b>	<b>43,458,854</b>	<b>41,240,480</b>	<b>(2,218,374)</b>	
<b>EXPENDITURE</b>						
Employee costs	(2,164,520)	-	(2,164,520)	(1,752,737)	411,783	36
Claims expenditure	(84,304,220)	-	(84,304,220)	(98,264,139)	(13,959,919)	36
Depreciation and amortisation	(55,937)	-	(55,937)	(52,258)	3,679	
Finance costs	(302,107)	-	(302,107)	(236,803)	65,304	36
Reinsurance premiums	(27,123)	-	(27,123)	(23,965)	3,158	36
General expenses	(726,362)	-	(726,362)	(534,456)	191,906	36
<b>TOTAL EXPENDITURE</b>	<b>(87,580,269)</b>	<b>-</b>	<b>(87,580,269)</b>	<b>(100,864,358)</b>	<b>(13,284,089)</b>	
<b>OPERATING DEFICIT</b>	<b>(44,121,415)</b>	<b>-</b>	<b>(44,121,415)</b>	<b>(59,623,878)</b>	<b>(15,502,463)</b>	
Loss on disposal of assets and liabilities	-	-	-	(578)	(578)	36
<b>DEFICIT FOR THE YEAR</b>	<b>(44,121,415)</b>	<b>-</b>	<b>(44,121,415)</b>	<b>(59,624,456)</b>	<b>(15,503,041)</b>	

# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2020

## 1. PRESENTATION OF FINANCIAL STATEMENTS

The Annual Financial Statements have been prepared in accordance with the SA Standards of GRAP, issued by the ASB in accordance with section 91(1) of the PFMA,1999 (Act No. 1 of 1999).

Where the SA Standards of GRAP are not available, the International Financial Reporting Standards (IFRS) have been applied. The IFRS applied are detailed below.

### IFRS 4 Insurance Contracts

In accordance with a directive issued to the RAF by the ASB in the 2014/15 financial year, IFRS 4 Insurance Contracts have been applied in the recognition, measurement, presentation and disclosure of claims liabilities. The standard was adopted for the first time in the 2014/15 financial year.

### IFRS 7 Financial Instruments: Disclosures

The Standard has only been applied to disclosures of claims liabilities where required in accordance with IFRS 4 Insurance Contracts.

These Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specified otherwise. It is presented in South African rand and rounded to the nearest thousand rand.

A summary of the significant Accounting Policies applied in the preparation of these Annual Financial Statements is disclosed below and is consistent with those applied in the prior period.

### 1.1 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the Annual Financial Statements, Management is required to make estimates and assumptions that affect

the amounts represented in the Statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the Annual Financial Statements as new information becomes known, circumstances change or more experience is obtained. The RAF recognises the effect of these changes in accounting estimates prospectively, by including the effects in surplus or deficit in the period of the change if the change affects that period only, or in the period of the change and future periods, if the change affects both. Significant judgements include:

#### Impairment Testing

A cash-generating or non-cash-generating asset is impaired when the carrying amount of the asset exceeds its recoverable service amount. These calculations require the use of estimates and assumptions.

The RAF reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

#### Liability for Outstanding Claims Reported (OCR) and Incurred But Not Yet Reported (IBNR)

The estimation of the ultimate liability arising from claims incurred but not settled at the reporting date is the RAF's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the amount that the RAF will ultimately pay for such claims. The liability for outstanding claims is actuarially determined on an annual basis.

The measurement of the obligations in respect of this liability requires actuarial estimates and valuations. An actuary is engaged to perform these calculations. More detail on the actuarial assumptions can be found in Note 12 - Claims Liabilities.

### Post-retirement Benefits

The RAF provides a defined benefit post-retirement medical plan to some of its employees. The measurement of the obligations (and assets) in respect of this liability requires actuarial estimates and valuations. An actuary is engaged to perform these calculations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 14.

### Impairment of Financial Assets Held at Amortised Cost

Financial assets held at amortised cost include receivables from exchange transactions, receivables from non-exchange transactions and other financial assets held at amortised cost. On the financial assets, an impairment loss is recognised in surplus or deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition. Additional information is disclosed in Notes 6 and 23.

### Revenue Recognition on the RAF Fuel Levy

With effect from 1 April 2006, the responsibility for the collection of the RAF Fuel Levy was devolved from the Central Energy Fund (CEF) to the South African Revenue Service (SARS).

The changes to the Customs and Excise Act, 1964 (Act No. 91 of 1964) have introduced new provisions that require fuel companies to pay 50% of the RAF Fuel Levy at the end of the month following the month of removal of the fuel from the refinery, and the remaining 50% at the end of the following month.

The effect of these provisions is that cash receipts of RAF Levies do not correspond with the accrual of fuel levy revenue by the RAF. This particularly impacts the year-end revenue receivable raised from the RAF Fuel Levy. To correctly accrue for the revenue for the period, RAF Management makes an estimate as to what the expected RAF Fuel Levy income should be based on historical evidence. Additional information is disclosed in Notes 4 and 16.

### Diesel Refunds

Diesel refunds are concessions deducted from the RAF Fuel Levy received. Diesel concessions are granted to certain sectors of the economy based on the level of use by the diesel consumer in primary production activities.

In terms of section 5(2) of the RAF Act, after being amended by the Revenue Laws Amendment Act, 2005 (Act No. 31 of 2005), the RAF receives the RAF Fuel Levy net of diesel refund after it has been collected by SARS.

Diesel refunds affect the amount of revenue to be recognised and cannot be measured accurately at the point of revenue recognition.

Consequently, estimates are made by Management as to what the value of the diesel refunds will be. The estimates are based on historical evidence, and Management formulates a percentage that is applied to the RAF Fuel Levy. The average percentage for diesel refunds for the current year was 10.48% of the gross RAF Fuel Levy for the year. Additional information is disclosed in Notes 13 and 16.

### Revaluation of Land and Buildings

Land and buildings held for administrative purposes are carried at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are performed by an independent valuer on a yearly basis, such that the carrying amounts do not differ materially from those that would be determined using fair values at the reporting date. The fair value of land and buildings, measured using the Valuation Model, is based on

market values. The market value of property is determined by taking into account the market rentals that are paid in the immediate area. The applicable relevant market rental is used to determine potential income. Thereafter, the relevant expenditure is deducted to determine the net income and with a relevant capitalisation rate, the market value is calculated.

Additional information is disclosed in Note 8.

## 1.2 PROPERTY, PLANT AND EQUIPMENT

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

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

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

Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Cost includes costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by Management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of 'property, plant and equipment'.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses, except for land and buildings, which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

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



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

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

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

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

Item	Depreciation Method	Average Useful Life
Buildings	Straight line	30 years
Office furniture	Straight line	15 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	10 years
IT equipment	Straight line	7 years
Leasehold improvements	Straight line	3 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life. The depreciable amount of an asset is allocated on a systematic basis over its useful life. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset has changed since the

preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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

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

### 1.3 INTANGIBLE ASSETS

An asset is identifiable if it either:

- Is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- Arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the RAF or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the RAF; and
- The cost or fair value of the asset can be measured reliably.

## ANNUAL FINANCIAL INFORMATION

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- It is technically feasible to complete the asset so that it will be available for use or sale;
- There is an intention to complete and use or sell it;
- There is an ability to use or sell it;
- It will generate probable future economic benefits or service potential;
- There are available technical, financial and other resources to complete the development and to use or sell the asset; and
- The expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets, amortisation is provided on a straight-line basis over their useful life.

Amortisation commences when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by Management. Amortisation ceases at the date that the asset is derecognised.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally, generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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

Item	Useful Life
Computer software	5 years

Intangible assets are derecognised:

- On disposal; or
- When no future economic benefits or service potential is expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised (unless the SA Standard of GRAP on leases requires otherwise on a sale and lease-back).

### 1.4 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of

allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, an entity should estimate cash flows considering all contractual terms of the financial instrument (e.g. prepayment, call and similar options), but should not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the SA Standard of GRAP on Revenue from Exchange Transactions), transaction costs and all other premiums or discounts.

There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably.

However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity should use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is either cash, a residual interest of another entity, a contractual right to receive cash or another financial asset from another entity, or exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the RAF.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the RAF.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in

market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that the entity designates at fair value at initial recognition, or holds for trading.

### Classification

The RAF has the following types of financial assets in terms of classes and category, as reflected in the Statement of Financial Position or the Notes thereto:

Class	Category
Advance payment in respect of suppliers' claims	Financial asset measured at amortised cost
Employee debtors	Financial asset measured at amortised cost
Sundry debtors	Financial asset measured at amortised cost
Claims debtors	Financial asset measured at amortised cost
Other deposits	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Rent-a-Captive insurance	Financial asset measured at amortised cost

Advance payment in respect of suppliers' claims represents a payment made to a third party to settle claims on the RAF's behalf. Though all the ring-fenced claims have been settled, an overall debtor remains. Claims debtors represent overpayments, duplicate payments and wrong payments made to claimants. These items are financial assets and do not meet the criteria of an insurance asset, as defined in IFRS 4.

The entity has the following types of financial liabilities (classes and category), as reflected in the Statement of Financial Position or the Notes thereto:

Class	Category
Trade and other creditors	Financial liability measured at amortised cost

## Initial Recognition

The RAF recognises a financial asset or a financial liability in its Statement of Financial Position when the entity becomes a party to the contractual provisions of the instrument.

The RAF recognises financial assets using trade date accounting.

## Initial Measurement of Financial Assets and Financial Liabilities

The RAF measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

## Subsequent Measurement of Financial Assets and Financial Liabilities

The RAF measures all financial assets and financial liabilities after initial recognition using the category "financial instruments at amortised cost".

All financial assets measured at amortised cost are subject to an impairment review.

## Impairment and Uncollectability of Financial Assets

At the end of each reporting period the RAF assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Objective evidence of impairment includes:

- Amounts not recovered or no instalments received within 90 days of recognition of the financial asset or the previous instalment received;
- Information received about the debtor indicating their inability to settle the financial asset; or
- Legal action has been instituted to recover the amount receivable.

## Financial Assets Measured at Amortised Cost

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit. When a receivable is uncollectable, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

## Derecognition

### Financial Assets

The RAF derecognises financial assets using trade date accounting.

The RAF derecognises a financial asset only when:

- The contractual rights to the cash flows from the financial asset expire, are settled or waived;
- The entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- The entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the RAF:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

### Financial Liabilities

The entity removes a financial liability, or a part of a financial liability, from its Statement of Financial Position when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled, waived, or expires.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

## Presentation

A financial asset and a financial liability are only offset and the net amount presented in the Statement of Financial Position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## 1.5 TAX

### Tax Expenses

The RAF is exempt from taxation in terms of the provision of section 10(1)(cA)(i) of the Income Tax Act, 1962 (Act No. 58 of 1962) and section 16 of the RAF Act, 1996 (Act No. 56 of 1996).

## 1.6 LEASES

A lease is classified as a “finance lease” if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an “operating lease” if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes land and building elements, the entity assesses the classification of each element separately.

### Operating Leases - Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

## 1.7 CONSUMABLE STOCK

Consumable stock is recognised as an asset if, and only if, (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and (b) the cost of the consumable stock can be measured reliably.

Consumable stock is initially measured at cost except where it is acquired through a non-exchange transaction, then its costs represent its fair value as at the date of acquisition.

## ANNUAL FINANCIAL INFORMATION

Subsequently, consumable stock is measured at the lower of cost and net realisable value.

Consumable stock is measured at the lower of cost and current replacement cost where it is held for distribution at no charge, or for a nominal charge.

Current replacement cost is the cost the RAF incurs to acquire the asset on the reporting date.

The cost of consumable stock comprises all costs of purchase, conversion and other costs incurred in bringing it to its present location and condition.

The cost of consumable stock is assigned using the weighted average cost formula. The same cost formula is used for all consumable stock which has a similar nature and use to the RAF.

When consumable stock is utilised, the carrying amounts of the consumable stock are recognised as an expense in the period in which the stock is distributed. The amount of any write-down of consumable stock to net realisable value or current replacement cost and all losses of consumable stock are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of consumable stock, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of consumable stock recognised as an expense in the period in which the reversal occurs.

### 1.8 IMPAIRMENT OF CASH-GENERATING ASSETS

“Cash-generating assets” are assets managed with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

“Impairment” is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

“Carrying amount” is the amount at which an asset is recognised in the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A “cash-generating unit” is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use, that are largely independent of the cash inflows from other assets or groups of assets.

“Costs of disposal” are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

“Depreciation (amortisation)” is the systematic allocation of the depreciable amount of an asset over its useful life.

“Fair value less costs to sell” is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties less the costs of disposal.

“Recoverable amount of an asset or a cash-generating unit” is the higher of its fair value less costs to sell and its value in use.

“Useful life” is either:

- The period of time over which an asset is expected to be used by the RAF; or
- The number or production of similar units expected to be obtained from the asset by the RAF.

### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The RAF assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the RAF estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the RAF also tests a cash-generating intangible asset with an indefinite useful life, or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset is initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

## Reversal of Impairment Loss

The RAF assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the RAF estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation), had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount less its residual value (if any) on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit *pro rata* with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- Its recoverable amount (if determinable); and
- The carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated *pro rata* to the other assets of the unit.

## 1.9 IMPAIRMENT OF NON-CASH-GENERATING ASSETS

"Non-cash-generating assets" are assets other than cash-generating assets.

### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The RAF assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the RAF also tests a non-cash-generating intangible asset with an indefinite useful life, or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset is initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

### Value in Use

"Value in use" of non-cash-generating assets is the present value of the non-cash-generating assets' remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

### Depreciated Replacement Cost Approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition.

An asset may be replaced either through reproduction (replication) of the existing asset, or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated based on such cost to reflect the already consumed or expired service potential of the asset.

The replacement and reproduction costs of an asset are determined on an “optimised basis”. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset.

“Overdesigned assets” contain features that are unnecessary for the goods or services the asset provides. “Overcapacity assets” are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

### Restoration Cost Approach

“Restoration cost” is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

### Service Units Approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

### Recognition and Measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss, which is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount less its residual value, if any, on a systematic basis over its remaining useful life.

### Reversal of an Impairment Loss

The RAF assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist, or may have decreased. If any such indication exists, the RAF estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase represents a reversal of an impairment loss.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.



After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount less its residual value (if any) on a systematic basis over its remaining useful life.

## 1.10 EMPLOYEE BENEFITS

Employee benefits represent all forms of consideration given by an entity in exchange for service rendered by employees.

### Short-term Employee Benefits

"Short-term employee benefits" are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- Wages, salaries and social security contributions;
- Short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 months after the end of the reporting period in which the employees render the related employee service;
- Bonus, incentive and performance-related payments payable within 12 months after the end of the reporting period in which the employees render the related service; and
- Non-monetary benefits (e.g. medical care and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the RAF recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as:

- A liability (accrued expense) after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the RAF recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- An expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The RAF measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonuses, incentives and performance-related payments when the RAF has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the RAF has no realistic alternative but to make the payments.

### Post-employment Benefits

"Post-employment benefits" are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the staff concerned.

The RAF contributes towards the Employees' Pension Fund administrated by ABSA Consultants and Actuaries (Pty) Limited, the cost of which is recognised in surplus or deficit in the year that it is paid.

### Post-employment Benefits: Defined Medical Benefit Plans

"Defined benefit plans" are post-employment benefit plans other than defined contribution plans. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes

in actuarial assumptions. In measuring its defined benefit liability, the RAF recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a benefit fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits. These assets are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity unless either the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity, or the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

“Current service cost” is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

“Interest cost” is the increase during a period in the present value of a defined benefit obligation, which arises because the benefits are one period closer to settlement.

“Past service cost” is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the introduction of, or changes to post-employment benefits or other long-term employee benefits in the current period. Past service cost may be either positive, i.e. when benefits are introduced or changed so that the present value of the defined benefit obligation increases, or negative, i.e. when existing benefits are changed so that the present value of the defined benefit obligation decreases.

In measuring its defined benefit liability, the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

“Plan assets” comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets comprises interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation), and less any tax payable by the plan itself.

The RAF accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the RAF's informal practices. Informal practices give rise to a constructive obligation where the RAF has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the RAF's informal practices could cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- The present value of the defined benefit obligation at the reporting date;
- Minus the fair value at the reporting date of plan assets (if any) from which the obligations are to be settled directly;
- Plus any liability that may arise as a result of a minimum funding requirement.

The amount determined as a defined benefit liability may be negative (i.e. an asset). The RAF measures the resulting asset at the lower of the amount determined above, or the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate that reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The RAF determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity, such that the amounts recognised in the Annual Financial Statements do not differ materially from the amounts that would be determined at the reporting date.

The RAF recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- Current service cost;
- Interest cost;
- The expected return on any plan assets and on any reimbursement rights;
- Actuarial gains and losses;
- Past service cost;
- The effect of any curtailments or settlements; and
- The effect of applying the limit on a defined benefit asset (i.e. a negative defined benefit liability).

The RAF uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (also known as the Accrued Benefit Method Pro-rated on Service, or as the Benefit/Years of Service Method) sees each period of service as giving rise to an additional unit of benefit entitlement, and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the entity should attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the entity should attribute benefit on a straight-line basis from:

- The date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- The date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

## Actuarial Assumptions on the Post-Retirement Medical Scheme

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations at the reporting date for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money are consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- Estimated future salary increases;
- The benefits set out in terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- Estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan if, and only if, either:
  - those changes were enacted before the reporting date; or
  - history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, e.g. in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take into account estimated future changes in the cost of medical services resulting from both inflation and specific changes in medical costs.

## Termination Benefits

Termination benefits are recognised as an expense when the RAF is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the RAF has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

## 1.11 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- The RAF has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money will affect the decisions of the users of the Annual Financial Statements, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The “discount rate” is the rate before tax that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when:

- It is literally certain that reimbursement will be received if the entity settles the obligation;
- The reimbursement is treated as a separate asset; and
- The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised.

Contingencies are disclosed in Note 33.

## 1.12 PAYABLES

Liabilities are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

Provisions can be distinguished from other liabilities, such as payables and accruals, because there is uncertainty about the timing or amount of the future expenditure required in settlement.

By contrast:

- Payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier (and include payments in respect of social benefits where formal agreements for specified amounts exist); and
- Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees (e.g. amounts relating to accrued leave pay).

Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much less than for provisions. The RAF reports accruals as part of “Trade and Other Creditors and Other Financial Liabilities”.

## Recognition

The RAF recognises payables in accordance with GRAP 19.

The recognition criteria for accruals are similar to those of the provisions, except that the amount of the obligation is not estimated.

The amount recognised is accurately determined using the relevant report, contract or invoice.

In most instances, the system is used to derive these amounts.

## Measurement

The amount recognised as a provision should be the best estimate of the expenditure required to settle the present obligation at the reporting date.

It will often be impossible or prohibitively expensive to settle or transfer an obligation at the reporting date. However, the estimate of the amount that the RAF would rationally pay to settle or transfer the obligation gives the best estimate of the expenditure required to settle the present obligation at the reporting date.

The estimates of outcome and financial effect are determined by the judgement of the Management of the RAF, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date.

The RAF measures the accruals based on the actual amount as per internal and external reports, including contracts and invoices.

The risks and uncertainties that inevitably surround many events and circumstances are considered in reaching the best estimate of a provision.

Regarding accruals, there is little to no risk and uncertainty as compared to provisions, as actual amounts are used.

## 1.13 REVENUE FROM EXCHANGE TRANSACTIONS

“Revenue” is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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

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

### Measurement

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

### Income

Income arising from the use by others of entity assets yielding interest, reinsurance income and other income is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the RAF, and the amount of the revenue can be measured reliably.

“Investment revenue” comprises interest received and is recognised in surplus or deficit using the effective interest rate method.

“Reinsurance income” comprises income received in terms of high-value claims insured by reinsurance companies and commutation offers received from same.

“Other income” comprises fees that are collected for published tenders, vending machines and parking fees received from employees and other immaterial inflows not related to the mandate of the RAF.

## 1.14 REVENUE FROM NON-EXCHANGE TRANSACTIONS

“Non-exchange transactions” are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly providing approximately equal value in exchange, or provides value to another entity without directly receiving approximately equal value in exchange.

“Transfers” are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is depicted as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the RAF satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction likened to an asset, it reduces the carrying amount of the liability identified, and recognises an amount of revenue equal to that reduction.

### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the RAF.

The main income received by the RAF is a levy that is based on fuel sales known as the “RAF Fuel Levy”. The RAF Fuel Levy income is a charge levied on fuel throughout the country and the quantum of the RAF Fuel Levy per litre is determined by NT. The RAF Fuel Levy amendments are communicated through the Budget Speech.

The RAF recognises revenue from fuel levies when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the RAF.

Revenue is measured at the fair value of the consideration received or receivable (net of the diesel rebate).

## 1.15 FINANCE COSTS

Finance costs are recognised as an expense in the period in which they are incurred.

## 1.16 TRANSLATION OF FOREIGN CURRENCIES

### Foreign Currency Transactions

A foreign currency transaction is recorded on initial recognition in rand, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition, during the period or in previous Annual Financial Statements, are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in rand by applying to the foreign currency amount the exchange rate between the rand and the foreign currency at the date of the cash flow.

## 1.17 CLAIMS PAYMENTS

An “insurance contract” is defined as a contract under which the insurer accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. The RAF does not have any insurance contracts, but does however accept insurance risk as it is mandated by legislation to compensate victims of road accidents for injuries suffered as a result of motor vehicle accidents.

### Claims Incurred

“Claims incurred” comprise claims and related expenses incurred and paid during the year and changes in the claims finalised but not yet paid at year-end and liabilities for OCR and IBNR, including related external expenses together with any other adjustments to claims from previous years.

### Liability for Outstanding Claims Recorded

Provision is made at year-end for the estimated cost of claims incurred, but not yet settled at the reporting date.

Claims outstanding are determined as accurately as possible on the basis of a number of factors, which include previous experience in claims and claims settlement patterns.

Further, the liability for OCR is calculated taking the following estimates into account:

- Estimates of additional claim payments that may be required on claims that have already been reported to the RAF and are still open;
- Estimates of additional claim payments that may be required on claims that have already been reported to the RAF and are closed, but could be reopened in the future; and
- Estimates of external claims handling expenses, i.e. legal and medical experts, assessors and other experts - excluding the RAF’s overhead administrative costs.

The liability for OCR is reflected in the Financial Statements at a discounted value, based on expected monetary values at the expected time of payment of those claims. The “discount rate” is the rate before tax that reflects current market assessments of the time value of money and the risks specific to the liability. Reserves for internal or indirect claims handling expenses (e.g. administration costs) are specifically excluded from the estimates.

### Liability for Incurred but Not Yet Reported (IBNR) Claims

Provision is made at year-end for the cost of claims incurred but not yet reported (commonly referred to as “Claims IBNR”).

This liability represents claims which are deemed to have happened before the valuation date, but which are not yet registered on the claims system.

An adjusted Bornheutter Fergusson Method is used to determine the number of IBNR claims. This requires two separate estimates to be made of ultimate expected claims per accident year. The two estimates are based on the Chain Ladder Method and an independent estimate respectively. The Chain Ladder Method is very sensitive to small movements in the most recent accident quarters. A small number of claims reported to date are grossed up to the ultimate number and, as such, a small change in claims reported to date will have a large impact on the result. Therefore, an independent estimate for the more recent quarters is used to provide stability. The extent to which the independent estimate is used reduces based on how far an accident quarter has run off. For older accident quarters, the Chain Ladder result alone would be applied, while for more recent quarters the independent estimate is given more weight.

A best estimate of the amount that the RAF would rationally pay to settle its claims obligation has been calculated. As the claims received every month are funded by the RAF Fuel Levy received each month, there is no unexpired risk exposure. Therefore, the total claims liabilities are considered to be adequate.

## Reinsurance Contracts Held

The RAF procures reinsurance cover for the purposes of limiting its net loss potential. The Reinsurance Policies do not release the RAF from its direct obligations to its claimants, as the duty to compensate the claimants remains with the RAF although reinsurance cover has been procured.

The contracts entered into by the RAF with reinsurers, under which the RAF is compensated for losses on one or more “contracts” issued by the Fund, and that meet the classification requirements for the insurance contracts above, are classified as “reinsurance contracts held”. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

Reinsurance premiums are charged to the Statement of Financial Performance over the period that the reinsurance cover is provided based on the expected pattern of the reinsured risks.

## Claims Requested for Payment and Not Paid at Year-End

Claims requested for payment, which have not been paid at the reporting date, are recognised as an insurance liability in the Statement of Financial Position when the value of the claim has been determined and the payment of the claim has been requested.

At initial recognition, claims requested for payment but not yet paid at year-end are measured at fair value. The “fair value of a claim” is the amount payable by the RAF to extinguish its obligation in respect of the claim and represents the future cash flows arising from the request for the claim to be paid.

The claims requested for payment but not paid at year-end are subsequently measured at amortised cost. These liabilities are considered to be short-term, as they will be settled within 12 months of the reporting date and are therefore not discounted.

## 1.18 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless expenditure, as defined in section 1 of the PFMA, is “expenditure which was made in vain and could have been avoided had reasonable care been exercised.”

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 1.19 IRREGULAR EXPENDITURE

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

- This Act; or
- The State Tender Board Act, 1968 (Act No. 86 of 1968), or any Regulations drafted in terms of the Act; or
- Any provincial legislation providing for procurement procedures in that provincial government.

NT Practice Note No. 4 of 2008/09, which was issued in terms of sections 76(1) to 76(4) of the PFMA, requires the following (effective from 1 April 2008):

- Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year-end and/or before finalisation of the Financial Statements must also be recorded appropriately in the Irregular Expenditure Register. In such an instance, no further action is required except for updating the Notes to the Financial Statements.
- Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year-end must be recorded in the Irregular Expenditure Register. No further action is required except for updating the Notes to the Financial Statements.



- Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the Register and the Disclosure Notes to the Financial Statements must be updated with the amount(s) condoned.
- Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the NT or the relevant authority must be recorded appropriately in the Irregular Expenditure Register. If the liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the Accounting Officer or Accounting Authority may write off the amount as debt impairment and disclose such in the relevant Note to the Financial Statements. The Irregular Expenditure Register must also be updated accordingly.
- If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/ expenditure item, be disclosed as such in the Notes to the Financial Statements and updated accordingly in the Irregular Expenditure Register.

## 1.20 BUDGET INFORMATION

Entities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which are given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by an entity should provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 1 April 2019 to 31 March 2020.

The Annual Financial Statements and the budget are prepared on the same basis of accounting. Therefore, a comparison with the budgeted amounts for the reporting period has been included in the Statement of Comparison of Budget and Actual Amounts. Material movements will be explained in the Statement of Comparison of Budget and Actual Amounts, and movements of greater than 10% will be assumed material.

## 1.21 RELATED PARTIES

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control or joint control.

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

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

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by that Management in their dealings with the RAF. As a minimum, a person is considered to be a close member of the family of another person if they:

- are married or live together in a relationship similar to a marriage; or
- are separated by no more than two degrees of natural or legal consanguinity or affinity.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

## 2. NEW STANDARDS AND INTERPRETATIONS

### 2.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

The entity has applied the following Standards and Interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 1 April 2019 or later periods:

#### **GRAP 20: Related Parties**

The objective of this Standard is to ensure that a reporting entity's Annual Financial Statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents Financial Statements under the accrual basis of accounting (in this Standard referred to as the reporting entity) shall apply this Standard in:

- Identifying related party relationships and transactions;
- Identifying outstanding balances, including commitments between an entity and its related parties;
- Identifying the circumstances in which disclosure of the items above is required; and
- Determining the disclosures to be made about those items.

This Standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate Financial Statements of the reporting entity in accordance with the SA Standard of GRAP on Consolidated and Separate Annual Financial Statements. This Standard also applies to individual Annual Financial Statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The effective date of the Standard has been set by the Minister as 01 April 2019.

The RAF applied IPSAS 20: Related Party Disclosures before GRAP 20 became effective. The entity will now apply GRAP 20 for the current financial year and comparative figures. The following additional disclosures in terms of GRAP 20: Related Parties have been adopted to ensure compliance with the additional disclosure requirements of GRAP 20: Related Parties:

As per paragraph .27 of the Standard, subject to the exemptions in paragraph .32, if a reporting entity has had related party transactions during the period covered by the Financial Statements, it shall disclose the nature of the related party relationships as well as information about those transactions and outstanding balances, including commitments necessary for users to understand the potential effect of the relationships on the Financial Statements. These disclosure requirements are in addition to those in paragraph .35 to disclose remuneration of Management. At a minimum, disclosures shall include:

- a) The amount of the transactions;
- b) The amount of outstanding balances, including commitments; and
  - (i) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and
  - (ii) details of any guarantees given or received;
- c) Provisions for doubtful debts related to the amount of outstanding balances; and
- d) The expense recognised during the period in respect of bad or doubtful debts due from related parties.

### GRAP 108: Statutory Receivables

The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the Standard has been set by the Minister as 01 April 2019.

The following disclosures are required by the Standard for statutory receivables:

As per paragraph .34 of the Standard, an entity shall disclose a description of:

- a) How the transaction arises, with specific reference to applicable legislation, supporting regulations, or similar means;
- b) How the transaction amount is determined;
- c) Interest or other charges levied (where applicable), including the basis and rate used;
- d) The basis used to assess and test whether a statutory receivable is impaired, including how receivables are grouped and assessed for collective impairment; and
- e) The discount rate applied to the estimated future cash flows, where applicable, and how it was determined.

The above information has already been disclosed in the Notes to the Annual Financial Statements in prior periods and thus this Standard does not have a material impact on the Annual Financial Statements.

In addition, paragraph .35 of the Standard requires the carrying amount of statutory receivables to be disclosed separately in the Notes to the Financial Statements, clearly distinguishing statutory receivables from receivables which are financial assets and other receivables.

The Annual Financial Statements include statutory receivables as a category of "Receivables from Non-exchange Transactions" in Note 4.

## 2.2 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

Standards and Interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 1 April 2020 or later periods, have been reviewed and found not to be relevant to the operations or Annual Financial Statements of the RAF.

## ANNUAL FINANCIAL INFORMATION

### 3. CASH AND CASH EQUIVALENTS

	<i>2020</i>	<i>2019</i>
	R '000	R '000
Cash and cash equivalents include the following:		
Short-term deposits	1,348,405	880,585
Current accounts	3,028	27,372
Cash on hand	22	45
	<b>1,351,455</b>	<b>908,002</b>

The effective interest rate on call deposits in 2019/20 was 6.43% and 6.43% in 2018/19.

### 4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	<i>2020</i>	<i>2019</i>
	R '000	R '000
<b>STATUTORY RECEIVABLES</b>		
Fuel Levy receivable	8,852,457	9,851,359

The RAF Fuel Levy is recovered directly from the oil refineries by SARS and is paid into the National Revenue Fund. SARS pays the funds into the National Revenue Fund after certain deductions are made in terms of section 47 of the Customs and Excise Act, 1964 (Act No. 91 of 1964), section 5 of the RAF Act, as well as Schedule No. 6 of the Customs and Excise Act, 1964. NT then pays these levies from the National Revenue Fund to the RAF.

Approximately 50% of the levies due are payable by the refineries at the end of the month following the month of removal from the refinery, and the remaining 50% at the end of the following month.

This amount is reduced by any bad debts that the refineries have sustained that need to be refunded by the RAF.

### 5. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	<i>2020</i>	<i>2019</i>
	R '000	R '000
Interest receivable from short-term investments	2,912	6,451

## 6. OTHER FINANCIAL ASSETS

	<i>2020</i>	<i>2019</i>
	R '000	R '000
<b>AT AMORTISED COST</b>		
Refunds receivable i.r.o. supplier claims and other	70,151	60,424
Employee debtors	2,726	1,134
Sundry debtors	3,486	4,130
Rent-a-Captive insurance	128,355	121,214
Other deposits	160	87
Claims debtors	22,886	11,682
	<b>227,764</b>	198,671
Impairments of claims, employee and sundry debtors and refunds receivable	<b>(29,921)</b>	(23,013)
	<b>197,843</b>	175,658
<b>FINANCIAL ASSETS AT AMORTISED COST</b>		
<b>FINANCIAL ASSETS AT AMORTISED COST PAST DUE BUT NOT IMPAIRED</b>		
Financial assets which are past due but are not considered to be impaired amount to R4,816,377 as at 31 March 2020 and R2,008,043 as at 31 March 2019.		
<b>The breakdown of amounts past due but not impaired is as follows:</b>		
Claims debtors (greater than 90 days)	1,345	1,442
Employee debtors (greater than 90 days)	618	89
Sundry debtors (greater than 90 days)	2,853	477
	<b>4,816</b>	2,008
<b>FINANCIAL ASSETS AT AMORTISED COST IMPAIRED</b>		
Claims, advance payments, employees and sundry debtors that are impaired were R29,921,228.46 and R23,013,033.02 as at 31 March 2019.		
<b>The breakdown of amounts is as follows:</b>		
Employee debtors	776	381
Sundry debtors	536	227
Claims debtors	15,826	9,622
Refund receivable in respect of supplier claims and other	12,783	12,783
	<b>29,921</b>	23,013

## ANNUAL FINANCIAL INFORMATION

### 6. OTHER FINANCIAL ASSETS (CONTINUED)

	<i>2020</i>	<i>2019</i>
	R '000	R '000
<b>RECONCILIATION OF PROVISION FOR IMPAIRMENT OF FINANCIAL ASSETS AT AMORTISED COST</b>		
<b>EMPLOYEE DEBTORS</b>		
Opening balance	381	-
Provision for impairment	395	462
Amounts written off as uncollectable	-	(81)
	<b>776</b>	<b>381</b>
<b>SUNDRY DEBTORS</b>		
Opening balance	227	210
Provision for impairment	309	17
Unused amounts reversed	-	-
	<b>536</b>	<b>227</b>
<b>CLAIMS DEBTORS</b>		
Opening balance	9,622	6,890
Provision for impairment	6,253	2,776
Amounts written off as irrecoverable	(49)	(44)
Amounts recovered	-	-
	<b>15,826</b>	<b>9,622</b>
<b>REFUND RECEIVABLE IN RESPECT OF SUPPLIER CLAIMS AND OTHER</b>		
Opening balance	12,783	13,074
Unused amounts reversed	-	(291)
Amounts recovered	-	-
	<b>12,783</b>	<b>12,783</b>

The creation and release of provision for impairment receivables have been included in Note 23: General Expenses.

The impairment of financial liabilities was estimated using the factors set out in the Accounting Policies.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The RAF does not hold any collateral as security.

## 7. CONSUMABLE STOCK

	<i>2020</i>	<i>2019</i>
	R '000	R '000
Consumable stock	4,586	5,867

Included in consumable stock is printing paper, printer cartridges and stationery.

## 8. PROPERTY, PLANT AND EQUIPMENT

	<i>2020</i>			<i>2019</i>		
	Cost / Valuation	Accumulated Depreciation and Impairment	Carrying Value	Cost / Valuation	Accumulated Depreciation and Impairment	Carrying Value
	R '000	R '000	R '000	R '000	R '000	R '000
Land	19,200	-	19,200	18,900	-	18,900
Buildings	79,100	-	79,100	78,500	-	78,500
Office furniture	46,244	(29,812)	16,432	45,529	(27,393)	18,136
Motor vehicles	204	(204)	-	204	(173)	31
Office equipment	32,173	(24,397)	7,776	32,259	(23,147)	9,112
IT equipment	253,762	(187,769)	65,993	267,073	(185,893)	81,180
Leasehold improvements	17,433	(17,305)	128	17,433	(17,200)	233
<b>TOTAL</b>	<b>448,116</b>	<b>(259,487)</b>	<b>188,629</b>	459,898	(253,806)	206,092

## RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2020

<i>2020</i>	Opening balance	Additions	Disposals	Transfers	Revaluations	Accumulated depreciation on disposals	Depreciation	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Land	18,900	-	-	-	300	-	-	19,200
Buildings	78,500	-	-	-	4,013	-	(3,413)	79,100
Office furniture	18,136	1,532	(817)	-	-	699	(3,118)	16,432
Motor vehicles	31	-	-	-	-	-	(31)	-
Office equipment	9,112	693	(779)	-	-	726	(1,976)	7,776
IT equipment	81,180	4,972	(18,283)	-	-	17,870	(19,746)	65,993
Leasehold improvements	233	-	-	-	-	-	(105)	128
<b>TOTAL</b>	<b>206,092</b>	<b>7,197</b>	<b>(19,879)</b>	-	<b>4,313</b>	<b>19,295</b>	<b>(28,391)</b>	<b>188,629</b>

# ANNUAL FINANCIAL INFORMATION

## 8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2019

<i>2019</i>	Opening	Additions	Disposals	Transfers	Revaluations	Accumulated	Depreciation	Total
	Balance					on Disposals		
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Land	16,200	-	-	-	2,700	-	-	18,900
Buildings	78,900	-	-	-	3,030	-	(3,430)	78,500
Office furniture	19,432	2,863	-	-	-	-	(4,159)	18,136
Motor vehicles	66	-	-	-	-	-	(35)	31
Office equipment	8,480	3,157	(2,193)	-	-	2,129	(2,461)	9,112
IT equipment	68,781	30,670	(5,957)	-	-	5,551	(17,865)	81,180
Leasehold improvements	-	317	-	-	-	-	(84)	233
<b>TOTAL</b>	<b>191,859</b>	<b>37,007</b>	<b>(8,150)</b>	<b>-</b>	<b>5,730</b>	<b>7,680</b>	<b>(28,034)</b>	<b>206,092</b>

The carrying amount of fully depreciated property, plant and equipment that are still in use is as follows:

	<i>2020</i>	<i>2019</i>
	R '000	R '000
Cost	271,140	177,016
Accumulated depreciation	(271,122)	(176,998)
Carrying amount	<b>18</b>	<b>18</b>

### REPAIRS AND MAINTENANCE

The following repairs and maintenance were performed on property, plant and equipment during the financial year.

	<i>2020</i>	<i>2019</i>
	R '000	R '000
Buildings	6,875	9,563
IT equipment	6,488	2,649



## 8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### Revaluations

The effective date of the revaluations was 31 March 2020. Revaluations were performed independently by Mr TP Mokhuwa (Reg. No. 7006/9), professional valuer of Black Dot Property Consultants (Pty) Ltd. Neither the valuer nor Black Dot Property Consultants (Pty) Ltd are related parties of the RAF.

Land and buildings are revalued independently every year in terms of the RAF Policy.

The valuation was performed using the Income Capitalisation Method to determine the market value by discounting the future cash flows to a present value. A capitalisation rate of 9.3% (2018/19: 9.5%) was applied to the first year's net income to arrive at the capitalised value.

The RAF purchased the vacant land from SANRAL and erected an office building for its staff on this property. Registration of the land in the name of the RAF has not yet taken place due to circumstances beyond the control of the Fund. The Deed of Sale specifically states that all risks and rewards incidental to ownership pass to the RAF upon signature of the Deed of Sale. In the meantime, economic benefits are flowing to the entity in the form of use of the land, as well as any appreciation in value. The cost of the land was measured reliably at recognition as the consideration paid for the purchase of the property. The asset has therefore been recognised in the Annual Financial Statements in accordance with the definition of an asset, as set out in GRAP 1 *Presentation of Financial Statements*, and recognition criteria, as set out in GRAP 17 *Property, Plant and Equipment*.

On 27 February 2020, the Board resolved to terminate the Deed of Sale, as legal title had not yet passed to the RAF, and to lease the building from SANRAL for five years. A settlement agreement is currently being negotiated with SANRAL for the repayment of the purchase price, including interest after deducting monthly rentals for the period the RAF has occupied the building. At the date of approval of the Annual Financial Statements, the settlement agreement had not yet been finalised.

## ANNUAL FINANCIAL INFORMATION

### 9. INTANGIBLE ASSETS

	<i>2020</i>			<i>2019</i>		
	Cost /	Accumulated	Carrying	Cost /	Accumulated	Carrying
	Valuation	Amortisation and Impairment	Value	Valuation	Amortisation and Impairment	Value
	R '000	R '000	R '000	R '000	R '000	R '000
Computer software	218,650	(159,666)	58,984	202,152	(135,813)	66,339

#### RECONCILIATION OF INTANGIBLE ASSETS - 2020

<i>2020</i>	Opening Balance	Additions	Disposals	Accumulated Amortisation on Disposals	Amortisation	Total
	R '000	R '000	R '000	R '000	R '000	R '000
Computer software	66,339	16,513	(7)	7	(23,867)	58,984

#### RECONCILIATION OF INTANGIBLE ASSETS - 2019

<i>2019</i>	Opening Balance	Additions	Transfers	Amortisation	Total
	R '000	R '000	R '000	R '000	R '000
Computer software	51,286	37,546	-	(22,493)	66,339

### 10. PAYABLES FROM EXCHANGE TRANSACTIONS

	<i>2020</i>	<i>2019</i>
	R '000	R '000
Accrual for overtime	4,464	7,987
Accrual for leave	94,862	64,177
Accrual for 13th cheque	17,797	17,689
Accrual for performance bonuses	-	120,166
<b>TOTAL</b>	<b>117,123</b>	<b>210,019</b>

## 11. OTHER FINANCIAL LIABILITIES

	<i>2020</i>	<i>2019</i>
	R '000	R '000
<b>AT AMORTISED COST</b>		
Trade and other creditors	31,046	51,988

## 12. CLAIMS LIABILITIES

	<i>2020</i>	<i>2019</i>
	R '000	R '000
Liability for outstanding claims recorded	212,827,000	173,559,000
Liability for claims incurred but not yet reported	102,955,000	87,124,000
Liability for hand-over costs	-	-
Claims requested for payment but not paid at year-end	14,858,112	11,231,582
	<b>330,640,112</b>	<b>271,914,582</b>
Claims liabilities are classified as follows:		
Non-current liabilities	271,055,328	231,290,230
Current liabilities	59,584,784	40,624,352
	<b>330,640,112</b>	<b>271,914,582</b>

### Liability for Outstanding Claims Reported (OCR) and Incurred But Not Yet Reported (IBNR) Claims

No adjustments have been made to the methodology used in the valuation of the OCR and IBNR liabilities for the year ended 31 March 2019 in the current year valuation.

The total claims liability in respect of OCR and IBNR claims as at 31 March 2020 was estimated to be R315,782,000,000 (2018/19: R260,683,000,000). The R315,782,000,000 should be interpreted as the expected monetary amount that, together with notional investment income on this amount, would be sufficient to cover future payments in respect of accidents that occurred prior to 1 April 2020. The estimate of the total claims liability increased by R55,099,000,000 from the March 2019 estimate due to a sharp increase in the level of newly reported claims (increasing both IBNR and outstanding reported claims) and interest.

Claims registered represent an insurance liability. However, what is not certain is when it will be paid and how much will be paid based on the environment within which the RAF operates. Hence, the valuation amount relating to reported claims is classified as a liability for OCR and, as such, is recognised in the Statement of Financial Position for the reporting period. The liability amount recognised in the Statement of Financial Position as at 31 March 2020 amounted to R212,827,000,000 (2019/20: R173,559,000,000).

## 12. CLAIMS LIABILITIES (CONTINUED)

With regard to the IBNR claims, a claim has not been lodged nor has an assessment been made in terms of the RAF Act to determine whether the RAF has an obligation or not. The validity of a claim depends on the assessments being done in terms of the RAF Act. This uncertainty has been accounted for in the actuarial valuation of the IBNR liability of R102,955,000,000 as at 31 March 2020 (2018/19: R87,124,000,000).

It was further estimated that, had the Amendment Act not been introduced, the liability would have been approximately R61,281,155,000 higher (i.e. a total liability of approximately R377,063,380,000). If the actual future experience is as expected, the liability for OCR is expected to increase at a lower rate than claims inflation over the next five years, as the effects of the Amendment Act filter through. Thereafter, it is expected to increase with claims inflation, as well as any increase in the number of accidents.

### Method Used in Determining the Liability for OCR and IBNR Claims

The calculation of the liability for OCR and IBNR was divided into the following components:

- Personal claims (Pre- and Post-Amendment Act); and
- Undertakings.

### Method Used to Estimate the Liability for Personal Claims

Non-undertaking, non-supplier claims were subdivided into the following groups:

- Group A: Nil claims: Claims with no compensation payments and no expense payments.
- Group B: Small claims: Claims with no compensation, but some expenses.
- Group C: Injury claims, further split into the following:
  - Group C1: No general damages.
  - Group C2: General damages, but no loss of earnings.
  - Group C3: General damages, with some loss of earnings.
- Group D: Death claims, further split into the following:
  - Group D1: Death claims with loss of support.
  - Group D2: Death claims with only funeral costs, but no loss of support.

The reason for subdividing non-supplier claims into these groups was to obtain homogeneous groups. Claims in the different groups have very different characteristics. Estimates of future payments based on historical data are more accurate if homogeneous groups are used.

The liability in respect of personal claims was estimated as follows:

- Firstly, the number of ultimate claims and hence, the number of outstanding claims for each accident interval was estimated.
- Secondly, it was estimated how many of the outstanding non-supplier claims (both reported and IBNR) are expected to fall into each group.
- The average amount expected to be paid on outstanding claims in each group was estimated taking into account that past experience showed that, on average, larger claims in each group took longer to finalise than smaller claims.
- The outstanding liability was then estimated by multiplying the estimated number of outstanding claims in each group by the average amounts for the respective groups for each accident year.

- Amounts already paid in respect of open claims were then deducted and further amounts payable in respect of finalised claims were then estimated and added. These additional payments were also taken into account in determining the average amounts.
- The liability of all open limited passenger claims that occurred prior to 1 August 2008 became unlimited (referred to as the Mvumvu liability) and was also added.
- The liability as a result of the Van Zyl judgements was also allowed for.

### Method Used to Estimate Liability for Undertakings

The conversion date of an undertaking is defined as the first date that an undertaking payment is made on a claim. Then, the liability is calculated as follows for each conversion year:

$$\text{Liability} = \text{Number of undertakings (UTs) converted} \times \text{Average future annual payments} \times \text{Life expectancy of recipients}$$

Each of these components is explained in more detail below.

### Number of Undertakings

From past data, it has been observed that about 80% of undertaking payments are in respect of claims in Group C3. Hence, by using basic Chain Ladder techniques, the ultimate number of undertakings per accident quarter is estimated as a % of the ultimate number of Group C3 claims expected for that quarter.

### Average Annual Payment per Undertaking

From past data, it has been observed that the annual cost of an undertaking is dependent on the time that has elapsed since the conversion date. Initially, payments are much higher, and as undertakings get older, on average, lower annual payments are made, as illustrated by the table below for undertakings that converted since the 2008 financial year.

Year Converted	Number of UTs	Average Annual Cost per Undertaking in Development Year (R'000)											
		1	2	3	4	5	6	7	8	9	10	11	12
2009	868	51.1	12.8	13.7	9.7	13.8	12.4	10.4	11.0	11.2	9.9	9.9	8.5
2010	746	53.2	22.1	21.8	21.1	23.5	17.9	17.3	19.3	19.2	17.2	17.1	
2011	515	66.9	23.9	26.2	28.1	21.5	23.6	17.3	27.3	22.9	20.2		
2012	1,003	66.0	30.7	26.0	21.7	25.2	27.7	24.6	25.2	21.6			
2013	1,932	51.3	27.7	22.1	21.4	20.3	18.9	22.2	20.4				
2014	1,887	73.7	41.7	28.6	27.4	26.8	28.0	28.4					
2015	2,210	69.0	39.5	35.0	34.0	34.8	33.5						
2016	2,012	82.0	49.5	39.0	40.3	37.5							
2017	2,149	98.6	60.9	48.8	45.1								
2018	1,847	108.5	70.3	49.1									
2019	2,110	114.3	66.4										
2020	1,919	129.9											

## ANNUAL FINANCIAL INFORMATION

### 12. CLAIMS LIABILITIES (CONTINUED)

An important feature of the data above is that the annual average cost of undertakings seems to stabilise after many years, and the assumption is made that this level of average payment will continue for the expected future lifetime of the recipients.

Using the data above, we arrive at the following overall future average cost per undertaking, leading to the liability as shown:

	Number of UTs	Average Annual Cost	Life Expectancy	Liability (R'million)
<b>TOTAL</b>	<b>48,397</b>	<b>26,818</b>	<b>23.7</b>	<b>30,747</b>

#### Discounted and Undiscounted Liabilities

The method outlined above leads to an estimate of R315,782,000,000 (in March 2019 monetary terms) in respect of accidents prior to 1 April 2020. The table below summarises the overall results based on future claims inflation of 8% per year (2% above assumed CPI of 6%) and a discount rate of 8% per year (2% above assumed CPI of 6%) - further assuming past payment patterns will be repeated in future. (Note that the undiscounted liability for undertakings is shown in March 2020 terms without allowing for future inflation. This is done because the RAF is of the opinion that an undiscounted liability in respect of undertakings is meaningless, considering the long-term nature of undertakings).

In respect of the discount rate, it is assumed that CPI will be 6%. The level of CPI is less important than the "gap" between claims inflation and the discount rate. When amounts are adjusted to reflect time value at a different date, CPI + 2% is used. There is justification for this in the calculation bases used by actuaries in determining loss-of-earnings/loss-of-support claims and the historic differential between CPI, salary inflation and medical inflation. This is the same assumption used when projecting claims into the future (for purposes of determining the discounted and undiscounted liabilities). Real yields (as implied by the yield on inflation-linked bonds) suggest that the discount rate should be CPI + 2%, which is what was used in the basis. It was therefore assumed that, had the liability for outstanding claims been backed by actual assets, these assets would have earned investment returns of CPI + 2%.

The discounted liability for supplier claims included in the table below is R2,168,882,000 (2018/19: R1,949,393,000).

	March 2019 Monetary Terms	Discounted Liability	Undiscounted Liability
	R'million	R'million	R'million
Pre-Amendment Act	4,364	4,364	5,412
Post-Amendment Act	280,671	280,671	400,197
Undertakings	30,747	30,747	30,747
<b>TOTAL</b>	<b>315,782</b>	<b>315,782</b>	<b>436,356</b>

## ASSUMPTIONS

The assumptions that have the greatest effect on the measurement of the liability for OCR and IBNR claims are:

- The proportion of the number of claims falling into each of the defined groups (considering that some groups take on average longer to finalise) will remain similar to past experience;
- The average amount payable per claim in each defined group (considering that larger claims take on average longer to finalise) will remain similar to past experience, allowing for claims inflation of 2% above price inflation;
- Payments in respect of undertakings will follow similar patterns as in the recent past;
- The life expectancy assumed for individuals receiving undertakings; and
- The estimate of future claims inflation.

Movement in Outstanding Claims Liability including IBNR	Notes	Personal: Old Act	Personal: New Act	Undertakings	Supplier	Total
		R'million	R'million	R'million	R'million	R'million
Opening balance		4,929	221,186	32,619	1,949	260,683
Unwinding	<b>1</b>	394	17,695	2,610	156	20,855
Payments	<b>2</b>	(1,811)	(39,347)	(941)	(1,867)	(43,966)
Accidents since 31 March 2019	<b>3</b>	-	63,686	4,337	2,463	70,486
Impact of reporting	<b>4a</b>	170	11,906	1,756	(532)	13,300
Impact of averages	<b>4b</b>	680	3,378	(9,634)	-	(5,576)
<b>CLOSING BALANCE</b>		<b>4,363</b>	<b>278,504</b>	<b>30,747</b>	<b>2,169</b>	<b>315,782</b>

## NOTES

- Note 1:** This represents interest credited to the liability at the rate of 8% per annum for 12 months (our assumption for future investment returns).
- Note 2:** The RAF expects actual claim payments made during the inter-valuation period to result in a corresponding release in the liability.
- Note 3:** This represents the expected new claims for accidents that happened during the 12-month inter-valuation period.
- Note 4:** This is the amount required in addition to the items above, to add up to the newly calculated liability (on a similar basis). For personal claims, the unexpected increase was a result of the net effect of the following factors:
- Note 4a:** The recent increase in the number of claims reported has caused the IBNR estimate to increase by more than what was expected. The large increase in the number of claims reported also led to an increase in the number of open claims on the system (considering the number of claims that was closed).
- Note 4b:** Over the past year, average claim settlement amounts increased at a rate lower than the expected inflationary increase of 8%. Undertaking average payment assumptions have reduced.

## 12. CLAIMS LIABILITIES (CONTINUED)

### SENSITIVITY ANALYSIS

Where variables are considered to be immaterial, no impact has been assessed for insignificant changes to these variables.

Particular variables may not be considered material at present. However, should the materiality level of an individual variable change, an assessment of reasonable possible changes to that variable in the future may be required.

The RAF believes that the stated discounted liability of R315,782,000,000 is reasonable. This was calculated on a best-estimate basis. The actual payments will differ from the estimated liability, as the estimate was based on certain variables and assumptions.

The sensitivity of some of the assumptions is shown below.

Assumption	Sensitivity	Change in Provision R'billion
Number of A claims in transition matrix	<b>1</b> Reduce A claims by 10%	11.1
Number of C3 claims in transition matrix	<b>2</b> Increase C3 claims by 10%	16.1
New Act average claim: period included	<b>3</b> Including 12 quarters instead of 6 quarters	(0.6)
Average undertaking cost assumption	<b>4</b> Increase by 10%	3.1
Life expectancy assumption	<b>5</b> Increase by 10%	3.1
Future claims inflation	<b>6</b> Currently CPI + 2%, change to CPI + 3%	9.1

**Note 1:** Since no payments are made on A claims, the assumption in respect of the number of claims to be settled as A claims, is an important one. If this assumption is reduced by 10% (increasing the number of claims to be settled in the other groups proportionately), the liability increases by R11.1 billion.

**Note 2:** Similarly, claims settling in the C3 group is the most expensive. In addition, the number of undertakings is assumed to be driven by the number of ultimate C3 claims. Hence, the assumption regarding the proportion of claims settling, as C3 has a significant impact on the liability. If this assumption is increased by 10% (decreasing the number of claims to be settled in the other groups proportionately), the liability increases by R16.1 billion.

**Note 3:** The New Act average claim amount assumption is based on settlements over six quarters, excluding the most recent two quarters. If the assumption is instead based on the past 12 quarters (still excluding the most recent two quarters), the provision decreases by R0.6 billion.

**Note 4:** Increasing the assumed future cost per undertaking by 10% results in a R3.1 billion increase in the liability.

**Note 7:** Increasing the future life expectancy assumption by 10% increases the undertaking liability by R3.1 billion.

**Note 8:** In the valuation, it is assumed that future inflation will be equal to future investment returns, assumed to be equal to CPI + 2%. If assumed that inflation will instead equal CPI + 3%, still assuming investment returns of CPI + 2%, the liability will increase by R9.1 billion.



## RECONCILIATION OF OTHER CLAIMS LIABILITIES

The claims requested for payment but not paid at year-end increased significantly from the prior period. This is due to the ability of the RAF to settle claims being limited to the net RAF Fuel Levy received. For further discussion on the RAF's ability to settle claims, see Note 34.

The movement in other claims liabilities not detailed above is set out below.

<i>2020</i>	Opening Balance	Estimate Adjustment	Claims Paid	Claims Requested for Payment	Closing Balance
	R '000	R '000	R '000	R '000	R '000
Claims requested for payment but not paid at year-end	11,231,582	-	(39,538,609)	43,165,139	14,858,112

<i>2019</i>	Opening Balance	Estimate Adjustment	Claims Paid	Claims Requested for Payment	Closing Balance
	R '000	R '000	R '000	R '000	R '000
Claims requested for payment but not paid at year-end	9,061,346	-	(39,793,076)	41,963,312	11,231,582
Liability for hand-over costs	24,478	(24,478)	-	-	-
	9,085,824	(24,478)	(39,793,076)	41,963,312	11,231,582

## 13. OTHER PROVISIONS

	<i>2020</i>	<i>2019</i>
	R '000	R '000
<b>MOVEMENT IN OTHER PROVISION</b>		
Opening balance	1,092,115	313,664
Increase in the provision charged to surplus or deficit	4,818,436	3,483,929
Provision utilised	(4,362,173)	(2,705,478)
<b>TOTAL</b>	<b>1,548,378</b>	<b>1,092,115</b>

In terms of legislation, the RAF has an obligation to refund a portion of the RAF Fuel Levy, 198 c/l (2018/19: 193 c/l), relating to the diesel usage in other economic sectors where vehicles are not used. The provision is calculated based on actual claims from these sectors processed through SARS. The provision is settled on a quarterly basis with the provision at year-end being based on the last quarter's results. These results are generally finalised after year-end and after all rebates have been taken into account.

# ANNUAL FINANCIAL INFORMATION

## 14. EMPLOYEE BENEFIT OBLIGATION

### DEFINED BENEFIT PLAN

#### *Post-retirement Medical Aid Plan*

The RAF operates a post-employment medical benefit scheme that covers employees who were appointed prior to 1 May 1988.

The latest valuation of the RAF's liability in respect of post-retirement medical benefits for the financial year-end was performed on 31 March 2020 and it will be valued at annual intervals thereafter.

36 pensioners qualify for this benefit and 111 employees are prospectively entitled to this benefit. The initial liability and future increases or decreases thereof are charged to surplus or deficit.

No plan assets are shown, as the medical benefits are unfunded.

	<b>2020</b>	<b>2019</b>
	R '000	R '000
<b>CHANGES IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION ARE AS FOLLOWS:</b>		
Opening balance	63,107	65,500
Contributions by plan participants	(1,317)	(1,002)
Net expense/(gain) recognised in the Statement of Financial Performance	(8,544)	(1,391)
	<b>53,246</b>	<b>63,107</b>
<b>NET (GAIN)/EXPENSE RECOGNISED IN THE STATEMENT OF FINANCIAL PERFORMANCE</b>		
Current service cost	1,598	1,915
Interest cost	6,545	6,178
Actuarial (gains) / losses	(16,687)	(9,484)
	<b>(8,544)</b>	<b>(1,391)</b>
<b>KEY ASSUMPTIONS USED</b>		
<b>ASSUMPTIONS USED AT THE REPORTING DATE:</b>		
Discount rates used	13.48%	10.35%
Healthcare cost inflation	9.47%	8.28%
Real discount rate	3.67%	1.91%
Spouse age gap	3	3
Expected average age of retirement	60	60
Normal retirement age	65	60
Proportion married at retirement	80%	80%
Continuation at retirement	100%	100%
Mortality: Pre-expected retirement age	SA85-90 light	SA85-90 light
Mortality: Post-expected retirement age	PA(90) - 1	PA(90) - 1

## EXPECTED RETURN ON ASSETS

There are currently no assets set aside in respect of the post-employment medical scheme liability. Therefore, no assumption specific to the assets has been made.

The expected contribution to the plan during the 2019/20 financial year is R2,281,000.

## SENSITIVITY ANALYSIS

Assumed healthcare cost trend rates have a significant impact on the amounts recognised in surplus or deficit. A percentage point change in assumed healthcare cost trend rates will have the following effects:

Amounts for the current and previous four years are as follows:

	One Percentage Point Increase	One Percentage Point Decrease
	R '000	R '000
Effect on the aggregate of the service cost and interest cost	7,340	(6,162)
Effect on defined benefit obligation	60,587	47,085

Amounts for the current and previous four years are as follows:

	2020	2019	2018	2017	2016
	R '000	R '000	R '000	R '000	R '000
Defined benefit obligation	53,246	63,107	65,500	58,117	53,821

## 15. OPERATING LEASE LIABILITY

Amounts for the current and previous year are as follows:

	2020	2019
	R '000	R '000
Current liability	741	2,201
Non-current liability	1,093	486
	1,834	2,687

The operating lease liability relates to the leasing of certain office buildings occupied by the RAF.

Refer to Note 32 for the disclosure of the minimum payments due in respect of operating leases.

## ANNUAL FINANCIAL INFORMATION

### 16. NET FUEL LEVIES

	<i>2020</i>	<i>2019</i>
	R '000	R '000
Gross fuel levies	45,996,107	46,622,699
Less: diesel rebate	(4,818,436)	(3,483,929)
<b>TOTAL</b>	<b>41,177,671</b>	<b>43,138,770</b>

### 17. OTHER INCOME

	<i>2020</i>	<i>2019</i>
	R '000	R '000
Recoveries	20	521
Foreign exchange gains	5	879
<b>TOTAL</b>	<b>25</b>	<b>1,400</b>

Recoveries relate to minor recoveries that do not form part of the normal business of the RAF, such as bad debts recovered, foreign exchange gains and SETA refunds.

### 18. INVESTMENT REVENUE

	<i>2020</i>	<i>2019</i>
	R '000	R '000
<b>INTEREST REVENUE</b>		
Interest received from short-term investments	55,477	90,542
Interest received from Rent-a-Captive insurance	7,307	8,611
<b>TOTAL</b>	<b>62,784</b>	<b>99,153</b>

## 19. CLAIMS EXPENDITURE

	<i>2020</i>	<i>2019</i>
	R '000	R '000
Claims paid	39,538,609	39,793,076
Claims liability as at 31 March	330,640,112	271,914,582
Reversal of prior year claims liability	(271,914,582)	(215,302,824)
<b>TOTAL</b>	<b>98,264,139</b>	<b>96,404,834</b>
<b>THE BREAKDOWN OF THE CLAIMS PAID IS AS FOLLOWS:</b>		
Claimant compensation (loss of earnings and support, general damages and funeral costs)	26,576,797	26,472,696
Claimant medical costs	3,233,598	3,521,144
Claimant and RAF legal and other costs	9,728,214	9,799,236
	<b>39,538,609</b>	<b>39,793,076</b>

## 20. REINSURANCE PREMIUMS

	<i>2020</i>	<i>2019</i>
	R '000	R '000
Paid to reinsurers during the year	23,965	21,761

## 21. EMPLOYEE COSTS

	<i>2020</i>	<i>2019</i>
	R '000	R '000
<b>TOTAL STAFF COSTS</b>	<b>1,752,737</b>	<b>1,735,302</b>
<b>INCLUDED IN STAFF COSTS ARE:</b>		
Contributions to post-retirement healthcare benefit	1,598	1,915
	<b>1,598</b>	<b>1,915</b>

As at 31 March 2020, 3,068 staff members (of which 2,789 permanent) were employed by the RAF (2018/19: 2,993 staff members of which 2,776 permanent).

## ANNUAL FINANCIAL INFORMATION

### 22. FINANCE COSTS

	<i>2020</i>	<i>2019</i>
	R '000	R '000
Foreign exchange losses	2	27
Interest charged by creditors	31	320
Interest charged on claims	236,770	290,779
<b>TOTAL</b>	<b>236,803</b>	<b>291,126</b>

Finance costs of R4,929,128 included in the amounts above have been considered as fruitless and wasteful expenditure and have been included in the disclosures in Note 25.

### 23. GENERAL EXPENSES

Included in general expenses are:

	<i>2020</i>	<i>2019</i>
	R '000	R '000
Advertising	33,629	40,440
Auditors' remuneration	9,232	6,459
Bad debts	6,957	3,422
Board members' expenses	2,073	1,519
Computer expenses	100,750	105,568
Consulting and professional fees	51,435	42,910
Electricity	16,302	13,642
Enterprise Supplier Development	3,274	5,348
Insurance	5,531	3,668
Lease rentals on operating lease	79,037	68,969
Legal costs	4,889	8,144
Marketing	49,385	48,842
Motor vehicle expenses	19,663	26,191
Operating costs	10,524	12,063
Printing and stationery	8,533	8,233
Repairs and maintenance	20,014	20,726
Security	11,916	10,584
Telephone and fax	18,208	18,612
Travel local	47,954	40,173
Travel overseas	6,298	1,072
	<b>505,604</b>	<b>486,585</b>

The expenses indicated above are viewed as significant and have therefore been separately disclosed.

## 24. TAXATION

In accordance with section 16(1) of the RAF Act, 1996 (Act No. 56 of 1996), the RAF is exempt from income tax and all customs, excise and stamp duties, as well as any liability for payment, withholding or collecting of any tax or duty.

## 25. FRUITLESS AND WASTEFUL EXPENDITURE

	<i>2020</i>	<i>2019</i>
	R '000	R '000
Opening balance	453	-
Fruitless and wasteful expenditure - relating to prior year	3	-
Fruitless and wasteful expenditure - relating to current year	15,350	18,214
Less: Amounts finalised	(15,798)	(17,751)
Less: Amounts transferred to receivables for recovery	(8)	(10)
<b>FRUITLESS AND WASTEFUL EXPENDITURE AWAITING RESOLUTION</b>	<b>-</b>	<b>453</b>
<b>RECONCILIATION OF FRUITLESS AND WASTEFUL EXPENDITURE RECOVERABLE</b>		
Opening balance	12	5
Recoverable fruitless and wasteful expenditure identified in the current year	8	10
Less: Amounts recovered	(10)	(3)
<b>FRUITLESS AND WASTEFUL EXPENDITURE RECOVERABLE</b>	<b>10</b>	<b>12</b>

### Analysis of current year's fruitless and wasteful expenditure

		<i>2020</i>
		R '000
<b>NATURE OF EXPENDITURE</b>	<b>DISCIPLINARY STEPS TAKEN</b>	
Claims-related expenditures	7 employees counselled, 18 verbal warnings and 33 written warnings issued	15,334
Additional travel costs	Recovery deemed appropriate action, two employees were counselled and three employees received verbal warnings	9
Interest paid	Recovery deemed appropriate action and two employees were counselled	10
		<b>15,353</b>

## 25. FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)

### Claims-related Expenditures

**Claims-related** fruitless and wasteful expenditure relates to interest, Sheriff and writ costs and wrong, duplicate and overpayments written off.

**Interest cost** is the cost paid for the late payment of the claim compensation as agreed to in a settlement agreement or an order of the court, and taxed legal bills settled through taxation, as these costs are due immediately. The interest is charged under the Prescribed Rate of Interest Act of 1975 at 10.25% as per *Government Gazette No. 42179*, issued on 22 January 2019 until 27 March 2020; thereafter, at 9.75% as per *Government Gazette No. 43146*, issued on 27 March 2020.

**Sheriff cost** is the cost paid to the Sheriff for its service with regard to serving the warrant of execution (writs) on the RAF.

As per the definition in the PFMA, fruitless and wasteful expenditure means “expenditure which was made in vain and could have been avoided had reasonable care been exercised.” The amounts listed below are costs incurred in the settlement process of claims influenced by external legal processes and time limits legally enforced on the RAF in the settlement of claims.

The total value of claims-related fruitless and wasteful expenditure included in the Annual Financial Statements for the year ended 31 March 2020 is R15,333,805 (2018/19: R17,724,334) representing a 13.49% decrease. This, as a percentage of claims expenditure, is 0.01% (2018/19: 0.02%). The total value of claims-related fruitless and wasteful expenditure, had it not been reduced for the current cash position and Cash Management Strategy, would have been R257,736,563 (2018/19: R318,767,360).

Reporting and adherence to the Writs SOPs will continue.

Legal costs create operational constraints as there are no legal obligations for plaintiff attorneys to submit their bills within any stipulated time frames. The majority of legal cost bills are disputed because their content or the items billed are incorrect or invalid. The process of taxation of legal cost bills through the Office of the Taxation Master is the only option to settle these disputes.

The taxation of legal cost bills exposes the RAF to a risk of non-compliance to court processes, despite an Instruction Note from NT that all payments from legal settlements must be paid within 30 days from the date of settlement. Court rules require that taxed bills must be paid immediately after taxation and plaintiff attorneys issue writs immediately after settlement.

As a result, payments may comply with the PFMA, but not the court rules.

The following information relates to the legal cost bills settled through taxation for 2019/20:

- Number of bills settled through taxation: 23,255 (2018/19: 29,322) - decreased by 21%.
- Number of bills where a saving was made through taxation: 23,022 (2018/19: 28,970) - decreased by 21%.
- Amount saved through taxation: R5,367,236,482 (2018/19: R3,920,201,412) - increased by 37%.
- The success rate in terms of savings on legal cost bills was 99% (2018/19: 99%).



As highlighted above, the number of taxed legal cost bills decreased by 21%. This decrease can be attributed to initiatives to settle claims with plaintiff attorneys before a summons was issued, and to offer cost contributions to avoid taxing of legal cost bills.

Furthermore, the total amount saved through taxation increased significantly, even though the number of bills taxed decreased. This increase in savings is due to the average bill value submitted by attorneys increasing significantly more than the increase in the average bill payment. This points to attorneys overreaching when drawing up bills, which equates to higher bills, and when taxed, results in higher savings. Moreover, these savings are realised through the appointment of cost consultants who strive to realise higher savings, as their fees are determined by the saving.

RAF officials are required to diligently apply the process of the legal cost bills assessment. Writs SOPs are in place to ensure that all taxed bills are paid timeously to minimise the impact of the interest cost at a rate of 9.75%.

The number of writs received in the 2019/20 financial year was 8,740 (2018/19: 9,964), 12.3% lower than in 2018/19, as a result of the continued management of stakeholders and cash available to settle claims.

### **Administrative Expenditure**

Fruitless and wasteful expenditure for the 2019/20 financial year relating to administrative costs totalled R19,136 (2018/19: R489,957) and comprised of additional travel costs, a salary overpayment and a wrongful arrest claim.

### **Consequence Management**

During the financial year, Management-maintained initiatives implemented in prior years continued to enhance the consequence management of the entity in respect of fruitless and wasteful expenditure. These included, among others:

- Enhancing the recording and reporting of financial misconduct transactions to better facilitate consequence management.
- Designing practical consequence management mechanisms to ensure that required corrective actions taken are appropriate and applicable to the nature of the transactions incurred. Details of disciplinary measures considered appropriate and completed are set out in the Analysis of the Current Year Fruitless and Wasteful Expenditure table above.
- Engaging with NT and the AGSA to address shortcomings in current practices and reporting mechanisms.

The most significant action taken, however, remains the taxation of legal cost bills resulting in a cost saving of R5,367,236,482 (2018/19: R3,920,201,412), as discussed under Claims-related Expenditure above.

# ANNUAL FINANCIAL INFORMATION

## 26. IRREGULAR EXPENDITURE

	<i>2020</i>	<i>2019</i>
	R '000	R '000
Opening balance	338,421	337,507
Add: Irregular expenditure - prior year	3,734	6,233
Add: Irregular expenditure - current year	-	651
Less: Amounts condoned	(160)	(5,970)
<b>IRREGULAR EXPENDITURE PENDING CONDONATION OR RECOVERY</b>	<b>341,995</b>	<b>338,421</b>

Details of irregular expenditure - prior year

		<i>2019</i>
		R '000
NATURE OF TRANSACTION	DISCIPLINARY STEPS TAKEN	
Non-compliance with the PFMA and NT Regulations	1 employee counselled and 3 employees dismissed	3,734
		<b>3,734</b>

### Consequence Management

Irregular expenditure arose as a result of non-compliance with the required Procurement legislation.

Any employee who commits an act which undermines the financial management and internal control systems of the RAF, as required by relevant legislations and policies, is dealt with in terms of the RAF Disciplinary Policy.

Two instances to the value of R3,733,766 were identified and reported during the 2019/20 financial year representing a 60% reduction in the number of instances of irregular expenditure from the five instances totalling R6,884,208 reported in the 2018/19 financial year.

In accordance with section 51(1)(b)(ii) of the PFMA, 1999 (Act No. 1 of 1999), Management implemented the following actions to enhance efficient prevention of irregular expenditure, which resulted in the reduction of the number of instances incurred:

- SCM compliance was enhanced by the effective implementation of a revised SCM Policy and Delegation of Authority within IT systems and various other mechanisms in the 2016/17 financial year;
- Training of employees and creating awareness of applicable SCM practices;
- The regular issue of Management Directives to guide business units and manage expectations, roles and responsibilities, as well as timelines;
- Skilled and experienced resources were appointed within the SCM Department;
- Processes informing the requests for extension of contracts have been significantly tightened; and
- Enhancing consequence management through implementation of initiatives discussed under Note 25 and ensuring individuals are held accountable when transgressions are identified.

## 27. CASH FLOWS FROM OPERATING ACTIVITIES

	<i>2020</i>	<i>2019</i>
	R '000	R '000
Deficit for the year	(59,624,456)	(55,779,880)
Depreciation and amortisation	52,258	50,527
Loss on sale or derecognition of assets	578	470
Movements in retirement benefit assets and liabilities	(9,861)	(2,393)
Movements in claims liabilities	58,725,530	56,611,758
Movement in diesel rebate provision	456,263	778,451
Movement in operating lease liability	(853)	(4,226)
<b>CHANGES IN WORKING CAPITAL</b>		
Consumable stock	1,281	(522)
Receivables from exchange transactions	3,539	(222)
Other receivables from non-exchange transactions	998,902	(2,027,030)
Other financial assets	(22,185)	(15,582)
Payables from exchange transactions	(113,838)	(195,985)
	<b>467,158</b>	<b>(584,635)</b>

## 28. RELATED PARTIES

### Related Party Relationships

The RAF is an entity created by statute, with the Minister of Transport being the Executive Authority representing the DoT and, by extension, the government of South Africa. The RAF is a Schedule 3A Public Entity in terms of the PFMA. The related party disclosures are in terms of the requirements of GRAP 20. The related parties of the RAF mainly consist of Departments, SOEs, other public entities in the national sphere of government and key Management personnel of the RAF, or its Executive Authority and close family members of related parties. The list of public entities in the national sphere of government is provided by NT on their website, [www.treasury.gov.za](http://www.treasury.gov.za). The NT also provides the names of subsidiaries of public entities.

### Related Party Transactions and Balances

During the financial year, the RAF transacted with the DoT in the form of the secondment of an ACEO and a General Manager: Special Projects from the DoT to the RAF. The salaries of the individuals were paid by the DoT on behalf of the RAF. As such, at 31 March 2020 the RAF owed the Department monies related to these secondments. All these transactions took place at arm's length. No amounts had been paid to the DoT as at 31 March 2020. Thus, the entire expense is included in Trade and Other Payables as a financial liability which is to be settled in the 2020/21 financial year.

	<i>2020</i>	<i>2019</i>
	R '000	R '000
<b>TRADE PAYABLES OWING TO RELATED PARTIES</b>		
Department of Transport	3,657	-
<b>TRANSACTIONS WITH RELATED PARTIES</b>		
<b>DEPARTMENT OF TRANSPORT</b>		
Reimbursement of salary expenses paid on behalf of the RAF	3,657	-

There were no further transactions with entities under the Minister of Transport during the 2019/20 financial year which represented the purchase of goods or services directly from any related entity.

Although the RAF transacted with other public entities within the national sphere of government, none of the related parties identified influenced, or was influenced by the RAF during the reporting period and therefore no related party transactions with other entities in the national sphere of government are disclosed. All these transactions took place at arm's length.

The following transactions were concluded with key Management of the RAF in terms of employment contracts entered into with the RAF (please refer to Note 29 - Board and Executive members' Emoluments for detailed information relating to compensation of Board members and other key Management staff). The value of key Management compensation disclosed below includes the employment cost of the seconded ACEO paid by the DoT on behalf of the RAF.

## 29. BOARD MEMBERS' AND EXECUTIVE MANAGEMENT'S EMOLUMENTS

	<i>2020</i>	<i>2019</i>
	R '000	R '000
<b>COMPENSATION TO MEMBERS AND OTHER KEY MANAGEMENT</b>		
Key Management compensation	24,670	28,886
Non-executive Board members	7,680	6,607
<b>COMPENSATION OWING TO MEMBERS</b>		
Non-executive Board members	365	-

### Non-executive Board Members

The Executive Authority approves the remuneration of the Board. Remuneration of non-executive members is benchmarked against the norms for organisations of a similar size and in line with the guidelines issued by the Executive Authority.

Non-executive Board members receive a fixed monthly remuneration. Remuneration is not determined by meeting frequencies and it is escalated by inflationary adjustments only.

### Executive Remuneration

The CEO makes recommendations to the Board concerning the remuneration of Executives (EXCO) and the Board approves the remuneration of EXCO members, including that of the CEO, in accordance with the approved Remuneration Policy. The RAF introduced performance-based remuneration for its Management staff by linking annual salary increases to individual contributions. Management receives an annual increase based on a combination of CPI and individual performance. The organisation conducts an annual Salary Survey/Benchmark to ensure that Management rewards and remuneration are market-related and kept at levels that will assist in retaining and attracting key leadership skills. The RAF aims to remunerate in line with the 50th percentile (median) of the market to recruit and retain the Management team to lead the organisation. Over and above the basic salary, staff members receive a performance incentive as a percentage of their total cost of employment.

All EXCO members are employed on fixed-term contracts of employment with the exception of the ACEO, who is seconded by the DoT to the RAF.

The tables below reflect amounts paid to the Board members and Executive remuneration.

## ANNUAL FINANCIAL INFORMATION

### 29. BOARD MEMBERS' AND EXECUTIVE MANAGEMENT'S EMOLUMENTS (CONTINUED)

The table below reflects amounts paid to the Board members and Executive remuneration:

<i>Executive 2020</i>	Salary	Leave Pay	Performance Bonus	Pension Contributions	Medical Contributions	Long Service Award	Acting Allowance	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Mr CP Letsoalo (Acting CEO from 9 September 2019)	2,917	-	-	62	-	-	-	2,979
Ms L Xingwana Jabavu (COO) (Acting CEO from 1 July 2017 to 6 September 2019)	2,933	-	-	338	63	-	574	3,908
Mr VM Songelwa (Acting CFO from 30 August 2018)	1,608	-	-	186	104	-	285	2,183
Ms M Kola (CSO) (Contract expired on 30 September 2019)	1,373	114	-	124	45	-	-	1,656
Mr P Lukhwareni (Acting CSO from 1 October 2019)	820	-	-	64	33	-	87	1,004
Mr PE Dhlomo (CMO) (Resigned on 30 June 2019)	534	39	-	52	11	-	-	636
Dr AL Taljaard (Acting CMO from 1 July 2019)	982	-	-	83	-	-	114	1,179
Ms JR Cornelius (CS)	2,158	-	-	253	-	-	-	2,411
Ms LP Gumbi (CHCO) (Resigned on 31 March 2020)	2,616	99	-	205	29	-	-	2,949
Ms D Thabede (Acting COO from 1 July 2017 to 9 September 2019)	826	-	-	88	21	-	147	1,082
Mr RP Komal (CIO)	2,212	-	-	247	64	-	-	2,523
Mr VK Sotshede (CAE)	1,924	-	-	151	85	-	-	2,160
<b>TOTAL</b>	<b>20,903</b>	<b>252</b>	<b>-</b>	<b>1,853</b>	<b>455</b>	<b>-</b>	<b>1,207</b>	<b>24,670</b>

*Executive 2019*

	Salary	Leave Pay	Performance Bonus	Pension Contributions	Medical Contributions	Long Service Award	Acting Allowance	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Ms L Jabavu (Acting CEO from 1 July 2017)	2,817	-	754	272	58	-	116	4,016
Mr R Gounden (CFO) (Resigned 31 January 2019)	2,605	191	792	-	-	-	-	3,587
Mr VM Songelwa (Acting CFO from 30 August 2018)	891	-	-	102	51	-	114	1,158
Ms M Kola (CSO)	2,618	-	588	248	86	-	-	3,540
Mr PE Dhlomo (CMO)	2,034	-	597	208	40	-	-	2,879
Ms JR Cornelius (CS)	2,037	-	589	239	-	-	-	2,864
Ms LP Gumbi (CHCO)	2,426	-	658	190	26	-	-	3,301
Ms D Thabede (Acting COO from 6 July 2017)	1,853	-	426	198	48	-	315	2,840
Mr RP Komal (CIO)	2,120	-	218	237	59	-	-	2,633
Mr VK Sotshede (CAE)	1,855	-	-	145	68	-	-	2,067
<b>TOTAL</b>	<b>21,255</b>	<b>191</b>	<b>4,622</b>	<b>1,838</b>	<b>435</b>	<b>-</b>	<b>545</b>	<b>28,886</b>

## 29. BOARD MEMBERS' AND EXECUTIVE MANAGEMENT'S EMOLUMENTS (CONTINUED)

<i>Non-Executive Board Members 2020</i>		Members' Fees
		R '000
Adv GJ Rasethaba (Chairperson of the Board) (Appointed 4 December 2019)		334
Ms TN Msibi (Vice-Chairperson) (Appointed 4 December 2019)		255
Mr L Mulaudzi (Appointed 4 December 2019)		235
Dr DP du Plessis (Appointed 4 December 2019, Resigned 4 March 2020)		167
Mr H Daniels (Appointed 1 January 2020)		239
Ms LZ Francois (Appointed 4 December 2019)		237
Dr MP Mathebula (Term expired 4 December 2019)		703
Ms MRV Mashigo-Mokgalong (Term expired 3 December 2019)		533
Dr HF Bale (Term expired 3 December 2019)		464
Ms D Molefe (Term expired 3 December 2019)		425
Dr NB Mabuya-Moloele (Re-appointed 4 December 2019)		751
Mr KM Mothobi (Re-appointed 4 December 2019)		741
Mr LM Nyama (Re-appointed 4 December 2019)		749
Dr MC Peenze (Re-appointed 4 December 2019)		684
Dr MF Randerla (Term expired 3 December 2019)		466
Mr TS Tshabalala (Re-appointed 4 December 2019)		697
<b>TOTAL</b>		<b>7,680</b>



*Non-Executive Board Members 2019*

## Members' fees

	R '000
Dr MP Mathebula (Chairperson of the Board) (Appointed 11 July 2018)	714
Ms MRV Mashigo-Mokgalong (Vice-Chairperson) (Appointed 11 July 2018)	549
Dr HF Bale (Appointed 11 July 2018)	473
Ms D Molefe (Appointed 11 July 2018)	475
Dr NB Mabuya-Moloele (Appointed 11 July 2018)	515
Mr KM Mothobi (re-appointed 11 July 2018))	587
Mr LM Nyama (Appointed 11 July 2018)	514
Dr MC Peenze (re-appointed 11 July 2018)	543
Dr MF Randeru (Appointed 11 July 2018)	475
Mr TS Tshabalala (Appointed 11 July 2018)	483
Dr NM Bhengu (Board dissolved 27 June 2018)	236
Mr D Coovadia (Board dissolved 27 June 2018)	121
Dr KLN Linda (Board dissolved 27 June 2018)	155
Mr T Masobe (Board dissolved 27 June 2018)	169
Mr AM Pandor (Board dissolved 27 June 2018)	116
Ms R Mokoena (Board dissolved 27 June 2018)	155
Dr TO Kommal (Board dissolved 27 June 2018)	156
Ms MS LUZ Rataemane (Board dissolved 27 June 2018)	171
<b>TOTAL</b>	<b>6,607</b>

## 30. RISK MANAGEMENT

### Overview

The RAF is exposed to a range of financial and insurance risks through its financial assets, financial liabilities and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of financial risk are credit risk, liquidity risk and market risk, which comprise interest rate risk, currency risk and other price risks. The risks that the RAF primarily faces due to the nature of its assets and liabilities are liquidity risk, interest rate risk and currency risk.

### Liquidity Risk

Liquidity risk is the risk that the RAF will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board, which has established an appropriate Liquidity Risk Management Framework for the management of the RAF's short-, medium- and long-term funding and liquidity management requirements.

Cash management is rigorously applied to manage the liquidity risk of the RAF, which ensures available funding is distributed in an equitable and fair manner. For further information on how the RAF manages liquidity risk, also refer to the Report of the Board.

Reinsurance is also used to manage liquidity risk.

The following table divides the RAF's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

<i>As at 31 March 2020</i>	Within 1 year	2 - 5 years	After 5 years	Total
	R '000	R '000	R '000	R '000
Trade and other creditors	31,046	-	-	31,046
Claims liabilities	59,584,784	189,738,730	81,316,598	330,640,112

<i>As at 31 March 2019</i>	Within 1 year	2 - 5 years	After 5 years	Total
	R '000	R '000	R '000	R '000
Trade and other creditors	51,988	-	-	51,988
Claims liabilities	40,624,352	161,903,161	69,387,069	271,914,582

## Credit Risk

The RAF has exposure to credit risk, which is the risk of financial loss to the RAF if a counterparty to a financial instrument fails to meet its contractual obligations. Key areas where the RAF is exposed to credit risk are:

- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from claims debtors;
- Amounts due with regard to study loans and bursaries (this risk is very minimal as the amounts are immaterial);
- Short-term call deposits;
- The ultimate amount due from the self-funding Claims Reinsurance Policy; and
- Fuel Levy debtor.

The nature of the RAF's exposure to credit risk, as well as the policies and processes for managing the credit risk have not changed significantly from the prior period.

Potential concentrations of credit risk consist mainly of short-term cash. Money market instrument operations are only entered into with well-established and reputable financial institutions.

It is the RAF's policy to grant bursaries, relevant only to its line of business, to employees.

The Rent-a-Captive insurance includes an amount set aside as a self-funding Claims Reinsurance Policy. This policy will be utilised to fund the first R100 million of the retention amount of the Claims Reinsurance Policy in the event of a catastrophic claim being instituted against the RAF. The deposit amount of R122,401,397 (2018/19: R121,213,518) represents the balance of the special experience account, an account the insurer maintains for the purposes of recording this policy. The insurer is a well-established and reputable financial institution.

Under the terms of reinsurance agreements, reinsurers agree to reimburse the settled amount in the event that a gross claim is paid. The RAF, however, remains liable to its claimants regardless of whether the reinsurer meets the obligations it has assumed. Consequently, the RAF is exposed to credit risk.

The RAF monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically.

The carrying amounts of financial assets included in the Statement of Financial Position represent the RAF's exposure to credit risk in relation to these assets. As at 31 March 2020, the RAF did not consider there to be a significant concentration of credit risk, which had not been adequately provided for.

## Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the RAF's income or the value of its holdings of financial instruments will bring about. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on investment.

The RAF is also exposed to foreign exchange fluctuations where claims from foreigners have been lodged, and damages for future medical expenses and loss of earnings or support are claimed in a foreign currency. When such claims are settled, the RAF pays the compensation as soon as possible after settlement date to minimise the risk of foreign exchange fluctuations.

## 30. RISK MANAGEMENT (CONTINUED)

### INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The RAF is exposed to interest rate risk, as it invests funds in the money market at floating interest rates.

As at 31 March 2020, no derivative financial instruments were used to manage the RAF's exposure to interest rate risk.

All liquid funds are invested with registered South African banking institutions with maturities of 90 days or less, thereby minimising interest rate risk.

Interest rates of interest-bearing debts are linked to the prime overdraft rate.

### Interest Rate Risk Sensitivity Analysis

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. For financial instruments and insurance contracts, the sensitivity is solely associated with the former, as the carrying amounts of the latter are not directly affected by changes in the interest rate.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the RAF's deficit for the year ended 31 March 2020 would decrease/(increase) by R12,545,000 (2018/19: decrease/(increase) by R13,544,000). This is mainly attributable to the RAF's exposure to interest rates on its floating-rate investments. The sensitivity analysis has been determined based on the exposure to interest rates for the RAF's non-derivative instruments at the financial reporting date. The analysis was prepared assuming that the investments at year-end were constant throughout the year. A 100-basis point increase or decrease is used when reporting interest rate risk internally to key Management personnel, and represents Management's assessment of the reasonably possible change in interest rates.

### Foreign Exchange Risk

The financial items that are exposed to currency risk at the reporting date are claims that have not been paid to foreign claimants yet. The engaging of forward cover is considered on a case-by-case basis if the period between making an offer and final payment is material. As at 31 March 2019, no derivative financial instruments were used to manage the RAF's exposure to foreign currency risk; only fixed-term forward cover contracts were utilised.

### The Carrying Amount of the RAF's Outstanding Foreign Currency Denominated Claims

Liabilities			2020	2019
			R '000	R '000
USD	4,564	2018/19: 6,981	101,230	47,696
GBP	464	(2018/19: 464)	9,109	7,652
Euro	1,011	(2018/19: 1,011)	19,990	18,713
<b>TOTAL</b>			<b>130,329</b>	<b>74,061</b>

The following table details the RAF's sensitivity to a 10% increase and decrease in the South African rand against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key Management personnel and represents Management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated claims at reporting date and adjusts their translation at the end of the period for a 10% change in foreign currency rates. The figures below indicate an increase in surplus or deficit where the presentation currency strengthens 10% against the relevant currency. For a 10% weakening of the presentation currency against the relevant currency, there would be an equal and opposite impact on the surplus or deficit, and the balances above would be negative.

	USD Impact	USD Impact	Euro Impact	All Foreign Currencies
	R '000	R '000	R '000	R '000
<b>2020</b>	10,123	910	1,999	13,032
<b>2019</b>	10,123	876	1,644	12,643

### 31. INSURANCE RISK MANAGEMENT

#### Overview

The RAF accepts insurance risk, as it is mandated by legislation to compensate victims of road accidents for injuries suffered as a result of motor vehicle accidents. The RAF is exposed to uncertainty surrounding the timing, frequency and severity of claims under these contracts.

This Note presents information about the RAF's exposure to insurance risk and the RAF's objectives, policies and processes for managing this risk.

The RAF has developed, implemented and maintained a sound and prudent Insurance Risk Management Strategy that encompasses all aspects of the RAF's operations, including the reinsurance risk retention limits. Key aspects of the processes established to mitigate insurance risk include:

- The maintenance and use of sophisticated management information systems, which provide reliable and up-to-date data on the risks to which the business is exposed at any given point in time.
- Actuarial models, using information derived from the management information systems, are used to monitor claims patterns. Past experience and statistical methods are used as part of the process.
- Catastrophic accidents are modelled, and the RAF's exposures are protected by arranging reinsurance to limit the losses arising from an individual event. The retention and limits are approved by the RAF's Board.
- Only reinsurers with credit ratings equal to "AA" or in excess of a minimum level determined by Management are accepted as participants in the RAF's reinsurance agreements.

#### Reinsurance Income

The RAF enters into reinsurance treaties with major international reinsurance companies to cover catastrophic accidents. No amounts were recovered from reinsurers during the current financial year in respect of claims settled by the RAF, as there were no claims in excess of the retention amount.

## 31. INSURANCE RISK MANAGEMENT (CONTINUED)

### Foreign Claims

The number of claims by foreign visitors to South Africa continues to rise as the volume of visitors to the country increases. As the bulk of these claims are paid in the applicable foreign currency and these claimants also enjoy unlimited benefits, foreigners' claims form a large proportion of high-value claims. At 31 March 2020, 2.7% (2018/19: 2.8%) of the value for notified claims in excess of R5,000,000 comprised claims by foreign nationals. It is important to note, however, that the actual claimed amount can exceed the estimated value of the claim.

### Claims Reinsurance

In terms of section 4(1)(d) of the RAF Act, 1996 (Act No. 56 of 1996), the RAF may procure reinsurance for any risk undertaken in accordance with this Act. Simultaneously, section 51(1)(a)(i) of the PFMA, 1999 (Act No. 1 of 1999) states as a condition that a public entity must ensure that it has and maintains effective, efficient and transparent systems of financial and risk management.

The RAF, through its reinsurance brokers, procures reinsurance cover and negotiates reinsurance treaties for the RAF. The RAF's reinsurance treaties are all in excess of loss agreements. Therefore, the reinsurers indemnify the RAF for that part of the ultimate net loss (total amount paid), which exceeds the retention amount, as per the relevant treaty subject to an indexation clause as contained in the treaties. The RAF will only accept terms provided by reinsurers with acceptable ratings. The ratings are done by Standard & Poor and AM & Best, which are international rating companies. The RAF currently places its limited reinsurance cover with a South African company, AIG SA, and the unlimited cover is placed with reinsurers based in London. The current limited cover has a set retention level of R100,000,000 and, in terms of the treaty, the reinsurer's liability is limited to paying up to R400,000,000 per any one loss occurrence event, on account of each and every loss occurrence. The unlimited cover placed in the London reinsurance market provides for cover in excess of R500,000,000 per any loss occurrence event, on account of each and every loss occurrence.

The RAF must report to reinsurers all losses (all claims arising from an accident) likely to exceed the notification amounts, as specified in the respective reinsurance treaties.

In terms of the reinsurance treaties, the reinsurers indemnify the RAF for that part of the ultimate net loss (total amount paid) which exceeds the retention amounts as specified in the treaties, subject to the indexation clause.

The following table illustrates the notification amounts and retention amounts for the respective annual reinsurance treaties:

Accident year	Notification amount	Retention amount
1984/85	500,000	1,500,000
1985/86	500,000	1,500,000
1986/87	3,000,000	5,000,000
1987/88	3,000,000	5,000,000
1988/89	1,000,000	2,500,000
1989/90	1,000,000	3,000,000
1990/91	1,000,000	3,000,000
1991/92	1,000,000	4,000,000
1992/93	1,000,000	4,500,000
1993/94	2,000,000	4,500,000
1994/95	2,000,000	5,000,000
1995/96	2,000,000	5,000,000
1996/97	2,000,000	10,000,000
1997/98	5,000,000	10,000,000
1998/99	5,000,000	10,000,000
1999/00	7,500,000	15,000,000
2000/01	15,000,000	20,000,000
2001/02	15,000,000	20,000,000
2002/03	15,000,000	50,000,000
2003/04	15,000,000	50,000,000
2004/05	15,000,000	50,000,000
2005/06	15,000,000	100,000,000
2006/07	15,000,000	100,000,000
2007/08 - 2019/20	75,000,000	100,000,000

The RAF monitors its reinsurance risk on a quarterly basis by reviewing and updating reports to reinsurers, which indicate the current status with regard to matters reported to reinsurers. Furthermore, regular reports are run against the RAF's database to identify potential reportable matters as a proactive measure.

### Board Members' and Officers' Liability Insurance

The RAF manages the risks that the Board members and Officers of the RAF are exposed to by way of Board Members' and Officers' liability insurance. The RAF's current Board members' and Officers' insurance cover is placed with two underwriters respectively. The total limit for the 2019/20 financial year of indemnity per claim was R500,000,000 and to all in the aggregate.

### Claims Development Table

The table below illustrates how estimates of cumulative claims have developed over time on a gross basis. The top half of the table shows the development of estimates of gross cumulative claims for each accident year. The lower half of the table shows the gross claims paid. The table has been categorised according to the nature of the claim.

	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>
	R'million	R'million	R'million	R'million
<b>ULTIMATE CLAIMS</b>				
<b>PERSONAL CLAIMS</b>				
At end of accident year	35,324	43,699	52,853	64,032
One year later	39,097	47,620	56,958	-
Two years later	42,654	51,785	-	-
Three years later	48,030	-	-	-
<b>SUPPLIER CLAIMS</b>				
At end of accident year	1,109	1,840	2,601	2,485
One year later	1,279	1,933	2,416	-
Two years later	1,371	1,983	-	-
Three years later	1,419	-	-	-
<b>UNDERTAKINGS</b>				
At end of accident year	2,390	3,151	4,794	4,298
One year later	2,667	4,051	3,752	-
Two years later	3,326	3,189	-	-
Three years later	2,806	-	-	-

## ANNUAL FINANCIAL INFORMATION

### 31. INSURANCE RISK MANAGEMENT (CONTINUED)

	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>
<b>PAID TO DATE</b>	R'million	R'million	R'million	R'million
<b>PERSONAL CLAIMS</b>				
At end of accident year	131	135	169	152
One year later	1,424	1,385	1,342	-
Two years later	5,576	5,461	-	-
Three years later	12,544	-	-	-
<b>SUPPLIER CLAIMS</b>				
At end of accident year	462	707	1,156	924
One year later	1,018	1,571	1,989	-
Two years later	1,260	1,840	-	-
Three years later	1,396	-	-	-
<b>UNDERTAKINGS</b>				
At end of accident year	6	15	32	-
One year later	54	71	132	-
Two years later	117	121	-	-
Three years later	178	-	-	-

	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	TOTAL
<b>SUMMARY OF LIABILITY</b>	R'million	R'million	R'million	R'million	R'million
<b>GROSS LIABILITIES IN RESPECT OF ACCIDENT YEARS</b>					
2017 - 2020	38,136	49,536	59,663	69,739	217,074
Pre - 2017	-	-	-	-	98,708
<b>TOTAL</b>	<b>38,136</b>	<b>49,536</b>	<b>59,663</b>	<b>69,739</b>	<b>315,782</b>



### 32. COMMITMENTS

The commitments below for property, plant and equipment and intangible assets represent unrecognised contractual commitments that exist on executory contracts entered into by the RAF at the reporting date, as well as future purchases of property, plant and equipment which have been approved but not yet contracted for at the reporting date.

The commitments in respect of operating expenses relate to unrecognised contractual commitments on non-cancellable (or only cancellable at significant cost) executory contracts for non-claims, administrative expenditures (not related to the routine, steady, state business of the RAF) that exist as at the reporting date, as well as non-claims, administrative expenditures which have already been approved, but not yet contracted for.

	<i>2020</i>	<i>2019</i>
	R '000	R '000
<b>ALREADY CONTRACTED FOR BUT NOT PROVIDED FOR</b>		
Property, plant and equipment	-	-
Intangible assets	-	-
Operating expenditure	<b>81,183</b>	115,207
	<b>81,183</b>	115,207
<b>NOT YET CONTRACTED FOR AND AUTHORISED</b>		
Property, plant and equipment	100	8,000
Intangible assets	<b>25,787</b>	1,587
Operating expenditure	<b>152,321</b>	28,113
	<b>178,208</b>	37,700
<b>TOTAL COMMITMENTS</b>		
Already contracted for but not provided for	<b>81,183</b>	115,207
Not yet contracted for and authorised by members	<b>178,208</b>	37,700
	<b>259,391</b>	152,907
<b>OPERATING LEASES - AS LESSEE (EXPENSE)</b>		
<b>MINIMUM LEASE PAYMENTS DUE</b>		
- within one year	<b>8,835</b>	65,705
- in second to fifth year inclusive	<b>227</b>	11,081
	<b>9,062</b>	76,786

## ANNUAL FINANCIAL INFORMATION

### 32. COMMITMENTS (CONTINUED)

Operating lease payments represent rentals payable by the RAF for certain of its office properties. The terms and escalation clauses of the significant lease agreements are set out below. No renewal rights are included in the contracts.

	Escalation per Year	Remaining Terms in Months
<b>LEASE</b>		
Office space rental - Head Office	6.5%	55
Office space rental - Cape Town	8%	5
Office space rental - Johannesburg	6%	60

### 33. CONTINGENCIES

#### OTHER CONTINGENCIES

There are a number of outstanding corporate legal matters. These are as follows:

	<i>2020</i>	<i>2019</i>
DESCRIPTION	R '000	R '000
Litigation by/against service providers	14	10
Constitutional challenges	16	15
Other litigation/disputes	30	28
<b>TOTAL LEGAL MATTERS OUTSTANDING</b>	<b>60</b>	<b>53</b>

The RAF is involved in commercial and labour-related litigious matters. The total value of the contingent liability in respect of the above legal matters and their related legal costs is estimated at R106,951,571 (2018/19: R87,967,329).

#### Guarantees

The guarantee exposure as at 31 March 2020 was R Nil (2018/19: R1,442,000). The guarantees related to the leasing of office space were in place for the duration of the lease contracts.

	<i>2020</i>	<i>2019</i>
DESCRIPTION	R '000	R '000
Columbia Falls Properties (Pty) Ltd	-	77
Faerie Glen Waterpark (Pty) Ltd	-	1,365
<b>TOTAL</b>	<b>-</b>	<b>1,442</b>

### 34. GOING CONCERN

The RAF draws attention to the fact that at 31 March 2020, the entity had an accumulated deficit of R321,832,514,000 and that the entity's total liabilities exceeded its assets by R321,734,873,000.

The RAF is incapable of being liquidated. To wind up the business of the RAF will require an intervention through an Act of Parliament. The winding-up process will, however, not absolve the RAF from the debts that it would have incurred as at the time of the culmination of such a process. There is currently no indication of any intention to repeal the Act.

The RAF Fuel Levy is not consistently informed by the RAF's productivity, nor by the longstanding liability for claims incurred under the RAF Act, which was R315.8 billion as at 31 March 2020. As at 31 March 2020, the total claims liabilities amounted to R330.7 billion.

The liability, as well as the historic mismatch between the Fund's income and expenditure, continues to result in a significant threat to the going-concern basis for the preparation of the Financial Statements of the Fund.

Though the recent Fuel Levy increase in April 2019 to a large extent succeeded in reducing the gap between productivity and funding on a monthly basis, it will not contribute to reducing the backlog in claims requested for payment but not yet paid (accounts payable) that have accumulated since the cash flow constraints became a reality in the latter part of 2014.

The pressure on available funding is further increasing, given the inflationary pressures on the Heads of Damages, the preference for the more expensive claims by representing firms, and the consistently higher claims registration patterns observed. The 9c/l increase will not reduce the Fund's accounts payable, which are currently approximately R14.9 billion as at 31 March 2020.

The going-concern basis was nonetheless used for the preparation of the Annual Financial Statements despite the cash flow challenges faced by the RAF - a basis that presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The RAF faces material cash flow constraints. The RAF adopted a Cash Management Strategy that seeks to manage the cash resources in an optimal way. The funds received from the fuel levy on an annual basis are not sufficient to pay all debts that arise annually. The cash resources of the RAF are not sufficient to pay the entire outstanding claims liability.

Based on the above, it is the opinion of the Management of the RAF that, though the concept of "going concern" may not be applicable to the RAF, it is nonetheless the appropriate basis for the presentation of the Financial Statements for 31 March 2020 based on this assessment.

### 35. EVENTS AFTER THE REPORTING DATE

#### Impact of the COVID-19 Crisis

The nationwide lockdown that came into effect on 27 March 2020 as a result of the COVID-19 pandemic has had a significant impact on the South African economy. The significant reduction in economic activity and limitation of movement of people resulted in a significant decrease in the use of South African roads during the lockdown period. As the use of roads is the main driver of the revenue and expenditure of the RAF, it is necessary to assess the impact of the COVID-19 crisis on the RAF and the information presented in the Annual Financial Statements.

#### Review of Accounting Policies

Management has reviewed the accounting policies applied in the Annual Financial Statements and has determined that they are still appropriate.

#### Impact on the Components of the Annual Financial Statements

##### *Revenue from Non-Exchange Transactions*

Fuel Levy revenue is recognised through the gross collections of the Fuel Levy by the SARS. As the revenue is recognised on actual collections, there is no impact on the revenue recognised in the Annual Financial Statements for the 2019/20 financial year.

## ANNUAL FINANCIAL INFORMATION

In the 2020/21 financial year, the impact of the COVID-19 crisis is more evident when comparing the projected revenue cash inflows made prior to the crisis and the current projected revenue cash inflows for the 2020/21 financial year.

As at 30 September 2020, revenue cash inflows were R7.92 billion (34%) lower than projected prior to the COVID-19 crisis.

Assuming that economic recovery will be slower, GDP growth increasing gradually to 65% of pre-COVID levels in the period July to December and 70% for the period January to March, the revenue cash inflows are projected to be R14.57 billion (31%) lower than what was projected prior to the COVID-19 crisis for the 2020/21 financial year.

### **Expenditures**

While additional pressures will be experienced by certain Departments and SOEs as a result of increased spend on government programmes, the expenditure of the RAF remains relatively unaffected.

Due to the lag in the reporting of incurred claims, typically stretching over three years, the impact of the COVID-19 crisis on future expenditures is not yet determinable.

### **Assets**

There is no impact on the measurement of the Fuel Levy receivable disclosed under Receivables from Non-exchange Transactions. The amount recognised as receivable as at 31 March 2020 has already been received in cash and no impairment is required.

No impact was identified in the measurement of the carrying value of tangible assets or on the estimates used at arriving at the carrying value of the assets recognised in the Annual Financial Statements.

### **Liabilities**

No additional obligations were identified as a result of the crisis. Relief measures implemented by government do not place any constructive obligations on the RAF and thus no additional liabilities are required to be recognised.

### **Impact on Going Concern**

Although the lockdown resulted in a significant drop of petrol and diesel sales in the 2019/20 financial year, the RAF continued to execute its mandate and will continue to settle and pay claims to the extent that the Fuel Levy revenue received allows. Refer to the Report of the Board and Note 34 for further information concerning the appropriateness of preparing the Annual Financial Statements on a going-concern basis.

### **Other Events after the Reporting Date**

No further undisclosed material events have taken place between the Statement of Financial Position date and the authorisation of the Annual Financial Statements, as disclosed in the Report of the Board.

## **36. BUDGET DIFFERENCES**

### **Material Differences between Budget and Actual Amounts**

A material difference between the Approved Budget and Actual Amounts is considered to be any variance larger than 10%. The material differences can be explained as follows:

#### **Other Income**

Other income is not budgeted for, because it is incidental and does not represent a recurring revenue stream.

#### **Investment Revenue**

The average interest earned on the actual cash holdings throughout the financial year was 6.43%, which was higher than the projected average yield of 6%. The unfavourable variance resulted from actual cash holdings being lower than expected throughout the year as a result of attachments on the bank accounts of the RAF.

#### **Claims Expenditure**

The variance is mainly triggered by a greater increase in the liabilities for OCR and IBNR claims. The expected increase in these liabilities was R43 billion; however, the actual increase in these liabilities was R55 billion.

***Employee Costs***

The variance is due to vacancies which were not filled during the financial year. The expected employee costs related to these positions were included in the 2019/20 financial year budget. In addition, the Fund has not paid or approved performance bonuses for the 2019/20 financial year.

***Reinsurance Premiums***

The favourable variance is due to the fact that the final negotiated premiums were less than what were budgeted for.

***Finance Costs***

Due to payment arrangements entered into with attorneys, no interest was charged on the late payment of claims. The actual interest paid on late claims was slightly lower than projected in the budget.

***General Expenses***

The favourable variance in general expenses was the result of underspending during the financial year due to delays in the expenditure finalisation process.

***Loss on Disposal of Assets and Liabilities***

The loss on disposal of assets and liabilities was not budgeted for due to it being incidental and not representing a recurring expenditure that requires an allocation of funds.





*I care*

**PART F**  
*Appendix A*

---

# APPENDIX A

## CONTACT DETAILS

### HEAD OFFICE

Eco Glades 2  
420 Witch-Hazel Avenue, Centurion, 0046  
Private Bag X178, Centurion, 0046  
Tel: +27 12 621 1600

### REGIONAL OFFICES

#### Pretoria

Road Accident Fund Building, 38 Ida Street, Menlo Park, Pretoria, 0081  
PO Box 2743, Pretoria, 0001  
Tel: +27 12 429 5000

#### Johannesburg

Marble Towers (29th floor), 212 Jeppe Street  
(Cnr Jeppe and Von Wielligh Streets), Johannesburg, 2001  
Private Bag X02, Johannesburg, 2000  
Tel: +27 11 223 0000

#### East London

Metropolitan Building (4th floor),  
(Cnr Drury Lane and Caxton Streets), East London, 5200  
Private Bag X9000, East London, 5200  
Tel: +27 43 702 7800

#### Durban

The Embassy Building (12th floor),  
199 Anton Lembede Street (previously Smith Street), Durban, 4001  
Private Bag X54371, Durban, 4000  
Tel: +27 31 365 2800

#### Cape Town

1 Thibault Square (7th floor), Long Street, Cape Town, 8001  
PO Box 2443, Cape Town, 8000  
Tel: +27 21 408 3300



## OTHER CONTACT DETAILS

**Customer Care Share Call Number:** 0860 23 55 23  
**Anonymous Fraud Hotline:** 0800 00 59 19  
**Website:** [www.raf.co.za](http://www.raf.co.za)  
**Facebook:** [www.facebook.com/RoadAccidentFund](https://www.facebook.com/RoadAccidentFund)  
**Twitter:** @RAF\_SA  
**Instagram:** @raf\_road

RP440/2020 | ISBN: 978-0-621-49048-0







**Road  
Accident  
Fund**



**Head Office**

2 Eco Glades Office Park,  
420 Witch-hazel Avenue, Centurion  
Private Bag X178, Centurion, 0046

**Customer Care Number**

0860 235 523

[www.raf.co.za](http://www.raf.co.za)

 [www.facebook.com/RoadAccidentFund](https://www.facebook.com/RoadAccidentFund)

 @RAF\_SA

 RAF\_ROAD

RP440/2020 | ISBN: 978-0-621-49048-0