MINES AND WORKS COMPENSATION FUND

ANNUAL REPORT 2019/2020

health

Department:
Health
REPUBLIC OF SOUTH AFRICA

health

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Health
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Mines and Works Compensation Fund
Annual Report
for the year ended 31 March 2020

RP216/2022
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Contents

The reports and statements set out below comprise the annual report presented to the parliament:

Part A - General information

1.1. Entity's legal form and domicile

The Occupational Diseases in Mines and Works Act, No. 78 of 1973 (ODMWA) prescribes that the Minister of Health shall appoint, an officer to be called the Compensation Commissioner for Occupational Diseases (CCOD). The CCOD operates under the provisions of ODMWA.

The ODMWA provides for the establishment of a fund to be called the Mines and Works Compensation Fund (Fund). In terms of the ODMWA, the CCOD is responsible for controlling and administering the Fund.

The ODWMA provides for the establishment of the Medical Bureau for Occupational Diseases (MBOD).

1.2. Address

The CCOD and MBOD have one national office based in Johannesburg that covers South Africa and the region. The physical address is:

144 De Korte Street
Braamfontein
Johannesburg
2001

1.3. Postal address

PO Box 4566
Johannesburg
2000

1.4. Contact information

Contact number: 011 356 5600

1.5. External Auditors

Auditor-General of South Africa (AGSA)

1.6. List of Abbreviations

Terms	Definitions
AGSA	Auditor-General of South Africa
AIDS	Acquired Immune Deficiency Syndrome
AMCU	The Association of Mineworkers and Construction Union
ASSA AIDS Model	Actuarial Society of South Africa HIV/AIDS model
BEASSA	Bond Exchange and Actuarial Society of South Africa
BME	Benefit Medical Examination
CCOD	The Compensation Commissioner for Occupational Diseases in Mines and Works
CCMS	Compensation Claims Management System
COVID-19	Coronavirus Disease
CPD	Corporation for Public Deposits
Fund	The Mines and Works Compensation Fund
DMRE	National Department of Mineral Resources and Energy
GRAP	Generally Recognised Accounting Practice
IBNR	Incurred but not yet reported
MBOD	Medical Bureau for Occupational Diseases
MCS	Mineworker’s Compensation System
Minister	Minister of the National Department of Health
NDOH	National Department of Health
NUM	National Union of Mineworkers
NUMSA	National Union of Metal Workers of South Africa
ODMWA	Occupational Diseases in Mines and Works Act, No. 78 of 1973
PFMA	Public Finance Management Act, No. 1 of 1999
SADC	Southern African Development Community
SCOPA	Standing Committee on Public Accounts
SEIFSA	The Steel and Engineering Industries Federation of Southern Africa
SLA	Service level agreement
TB	Tuberculosis of the cardio-respiratory organs of a person who has worked in a risk shift in a controlled mine or works

1.7. Statement of Responsibility and Confirmation of the accuracy of the Annual Report

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in this Annual Report is consistent with the Annual Financial Statements of the Fund, audited by the AGSA.

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

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

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

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

The Accounting Officer 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 (AGSA) are engaged to express an independent opinion on the Annual Financial Statements.

In my opinion, this Annual Report fairly reflects the review of operations, the Performance Information and Human Resources information of the CCOD, and the financial affairs of the Fund for the financial year ended 31 March 2020

Dr MB Kistnasamy
Compensation Commissioner for Occupational Diseases

Part A - General Information

1.8. Minister's statement

The CCOD is a subprogramme of the National Department of Health (NDOH), responsible for controlling and administering the Fund. The mandate of the CCOD is to ensure that there are effective and efficient processes of claims management and compensation of workers and ex-workers in controlled mines and works in terms of the ODMWA. The CCOD also collects revenue for the Fund based on levies per risk shift per commodity. The NDOH provides oversight on the CCOD and provides funds from the fiscus for the administration of the Fund.

The Fund has again made progress in the 2019/2020 financial year with the submission of the Annual Financial Statements of the Fund for the 2016/2017 financial year to the AGSA. Subsequent to the 2019/2020 financial year-end the annual reports for the 2014/2015, 2015/2016, 2016/2017 and 2017/2018 financial years were submitted to Parliament. It is envisaged that the backlog in submission of annual reports to parliament will be cleared by the 2021/2022 financial year.

The Fund paid on average 607 claimants per month totalling R214,5 million for the 12 months to 31 March 2020, compared to an average of 781 claimants per month totalling R207,4 million in the 2018/2019 financial year. The reduction in the number of payments was due to industrial action at the CCOD and MBOD for two months during the year. The Certification Committees of the MBOD conducted on average 1 156 certifications per month for the 12 months to 31 March 2020, compared to 859 per month in the 2018/2019 financial year.

The CCOD, supported by the Minerals Council South Africa, Gold Mining companies and social partners continued with the initiatives on tracking and tracing unpaid claimants and provision of decentralised services. The One Stop Service Centres within South Africa and neighbouring countries which were established in prior years assessed 5,661 current and ex-workers in the 12 months to 31 March 2020. The one stop service centres have assisted with decentralised delivery of services. Due to budget constraints the establishment of additional One Stop Service Centres throughout South Africa could not be pursued.

The CCOD implemented various actions and addressed the revenue qualification in the Annual Financial Statement for the year ended 31 March 2020. The project included the compilation of a complete schedule of all gazetted controlled mines and works, which continued from prior years. Through various actions the controlled mines and works were evaluated to establish if active risk work is being performed. As at 31 March 2020, 81 controlled mines and works were inspected during the course of the year. The inspections undertaken have contributed to more accurate submission of risk shift information and payments of levies by these mines and works.

A full bench of the South Gauteng High Court on 26 July 2019 approved the class action settlement on Silicosis and TB in the gold mining sector. The Tshiamiso Trust has been set up to implement the settlement agreement and will work closely with the CCOD.

Dr MJ Phaahla, MP
Minister of Health

Part A - General Information

1.9. Accounting officer's report

Mandate of the CCOD

The Fund compensates workers and ex-workers, in controlled mines and works, for impairment or diseases of the cardio-respiratory system and reimbursement for loss of earnings incurred during TB treatment. In the case where the worker or ex-worker is deceased, the Fund compensates the beneficiaries.

The CCOD works within the framework of the ODMWA and administers the Fund. The CCOD operates as a subprogramme within the NDOH. The CCOD also administers the transfer payment for pensioners as per the Pneumoconiosis Compensation Act, 1962 (Act 64 of 1962).

The MBOD provides facilities for medical examinations of workers or ex-workers as well as the assessment and certification process for claimants. Both offices are situated in one building in Braamfontein, Johannesburg as of 1 December 2012.

Over the 12-month period ending 31 March 2020, 7,291 claimants were paid R214 518 394 compared to 9 382 claimants who were paid R207 370 672 in the prior financial year. The decrease in the number of payments for the year was due to a two-month strike undertaken by employees.

The CCOD continued to pay monthly pensions to 68 pensioners in terms of the Pneumoconiosis Compensation Act, No. 64 of 1962 which preceded ODMWA. The monthly pensions are paid from voted funds.

As a result of the COVID-19 pandemic, a nationwide lockdown came into effect on 27 March 2020. The national lockdowns impacted the South African Mining Industry and the resultant number of risk shifts worked. The services of the CCOD and MBOD were adversely affected by the onset of the COVID-19 pandemic towards the end of the 2019/2020 financial year.

The Certification Committees of the MBOD conducted on average 1 156 certifications per month in the 2019/2020 financial year compared to 859 per month in the prior year. The increase was due to the Interim Mineworkers Compensation System (MCS) being operational for the full 12 months in the current financial year after the MCS system was not operational for a period of 3 months during the comparative period in the previous year after the system crashed. There were 13 874 certifications during the 2019/2020 financial year made up as follows:

- 9 031 non-compensable
- 4 402 compensable
- 441 deferred claims

Deferrals result from missing medical, biographic and demographic information in claimant files.

To stabilise the number of claims paid, the CCOD has embarked on interactions with:

- National Departments of Employment and Labour, Mineral Resources and Energy and Social Development
- Provincial Departments of Health and neighbouring country governments
- Social partners such as the Global Fund for AIDS, TB and Malaria
- Trade unions in the mines and works sector
- Minerals Council South Africa
- The Tshiamiso and Qhubeka Trusts
- Ex-mineworker associations

The MBOD plays a critical support role to the CCOD through the provision of Benefit Medical Examinations (BMEs) and certification of compensable claims. Under the ODMWA, BMEs must be performed every two years on the current or ex-workers in controlled mines and works. The provision of BMEs through decentralised services at the One Stop Service Centres and mobile health facilities within South Africa and neighbouring countries are in place.

The number of BMEs performed decreased to 12 858 in the 2019/2020 financial year from 15 590 in the prior financial year. The BME's undertaken in 2019/2020 were conducted as follows:

- Service providers conducted 7 009 BMEs (8 399 in the 2018/2019 financial year)
- 2 040 BMEs received from neighbouring countries (3 357 in the 2018/2019 financial year)
- One Stop Service Centres contributed 3 809 BMEs (3 834 in the 2018/2019 financial year)

The decrease is due to the impact of lockdowns towards the end of March 2020 and closure of Occupational Health Centres in neighbouring countries due to limitations in funding. In addition, provincial hospitals and One Stop Centres were re-purposed to deal with COVID-19 admissions.

Part A - General Information

CCOD and MBOD staff continued to assist with accreditation, training and quality assurance activities at the one stop service centres which have enhanced the submission of claimant files to the MBOD and CCOD.

The CCOD, with the support of the finance inspectors, continued with inspection efforts to facilitate the collection of levies from non-paying controlled mines and works. To ensure that the entity remains adequately funded, onsite visits are undertaken to controlled mines and works to follow-up on completeness of revenue and to ensure that non-complying mines and works also pay levies. 81 onsite inspections were undertaken during the course of the financial year. In addition, revenue audit procedures were undertaken at controlled mines and works contributing more than 80% of revenue for the year.

Approximately 70% of controlled mines and works, liable for levies, paid for the 2019/2020 financial year. Reasons for non-payment of levies include the late payment of levies, non-complying mines, as well as operations which have closed. The Deputy Commissioner, with the assistance of finance inspectors, is continuing with inspections and follow up of defaulters.

Levies and compensation were adjusted from 1 October 2019 in line with the actuarial valuation undertaken as at 31 March 2018. Refer to section 2.7 for a comparison table of the revised levy rates.

A web-based scanning process to track the movement of claimant files is in place at the MBOD/CCOD, which assists with the internal management of files. A query function on the reference database of claimant files facilitates improved communication to claimants and other stakeholders.

Monthly updates are given on the outputs of MBOD/CCOD activities such as number of certifications and number of paid claimants which assists with performance monitoring.

The call centre (Phone Number: 080 100 0240) supports the outreach and awareness activities of the CCOD and provides feedback to claimants. The call centre fielded 46 805 calls for the year ending 31 March 2020.

In October 2015, former mineworkers on South Africa's gold mines took more than 30 companies to court. The former mineworkers asked the South Gauteng High Court for permission to bring a class action against the companies on behalf of all mineworkers who have silicosis and tuberculosis (TB) as a result of their exposure to silica dust since 1965, and of the families of all mineworkers who have died of silicosis and TB. A full bench of the South Gauteng High Court on 26 July 2019 approved the settlement in this matter. The Tshiamiso Trust has been set up to implement the settlement agreement.

Controlled mines and works

There were 857 controlled mines and works in the register of controlled mines and works at 31 March 2020. A project to determine the complete list of controlled mines and works commenced in the 2016/2017 financial year and continued in the 2019/2020 financial year. Health and finance inspectors have accessed the historical gazette notices for controlled mines and works at the State Archives in Pretoria. These controlled mines and works will be contacted and cross-referenced with the Department of Mineral Resources and Energy to confirm operational status. The project will continue into the 2020/2021 financial year.

Kistnasamy

Dr MB Kistnasamy
Compensation Commissioner for Occupational Diseases

Part A - General Information

1.10. Strategic Overview

Vision

The CCOD will strive to deliver an accessible, effective and efficient compensation service for current and ex-workers in controlled mines and works and are certified with compensable cardio-respiratory diseases.

Mission

To improve access to the health and compensation services for current and workers and ex-workers in controlled mines and works through the provision of occupational health and compensation services within the health system.

Values

The success of the CCOD and MBOD rests with the service ethos of the personnel undertaking specific activities. The following values of our personnel underpin the activities of the CCOD and MBOD:

- fairness
- equity
- accessibility
- transparency
- accountability
- professionalism
- integrity
- diligence

1.11. Legislative and other mandates

Occupational Diseases in Mines and Works Act, 1973 (Act 78 of 1973)

The ODMWA prescribed that the Minister of Health shall appoint, an officer to be called the Compensation Commissioner for Occupational Diseases (CCOD).

The ODMWA provides for the establishment of a fund to be called the Mines and Works Compensation Fund (Fund). In terms of the ODMWA the CCOD is responsible for controlling and administering the Fund.

The ODWMA provides for the establishment of the MBOD.

The MBOD and CCOD, derive their mandate from the ODMWA. The MBOD and CCOD provide for medical examinations of persons suspected of having contracted occupational lung diseases, especially in mines and works, and provides for compensation in respect of those diseases. The activities of the CCOD and MBOD are regulated by the ODMWA.

Other legislation impacting on the work of the CCOD and MBOD include:

- Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)
- National Health Act, 2003 (Act 61 of 2003)
- Promotion of Access to Information Act, 2000 (Act 2 of 2000)
- Promotion of Equality and the Prevention of Unfair Discrimination Act, 2000 (Act 4 of 2000)
- State Liability Amendment Act, 2011 (Act 14 of 2011)
- Public Finance Management Act, 1999 (Act 1 of 1999)
- Protected Disclosures Act, 2000 (Act 26 of 2000)
- Public Service Commission Act, 1997 (Act 46 of 1997)
- Control of Access to Public Premises and Vehicles Act, 1985 (Act 53 of 1985)
- Labour Relations Act, 1995 (Act 66 of 1995)
- Promotion of Administrative Justice Act, 2000 (Act 3 of 2000)
- Basic Conditions of Employment Act, 1997 (Act 75 of 1997)
- Occupational Health and Safety Act, 1993 (Act 85 of 1993)
- Mine Health and Safety Act, 1996 (Act 29 of 1996)
- Compensation for Occupational Injuries and Diseases Act, 1993 (Act 130 of 1993)

CCOD as a subprogramme of the National Department of Health

The CCOD works within the framework of the ODMWA and administers the Fund. The CCOD operates as a subprogramme within the NDOH.

The CCOD compensates current and ex-workers in controlled mines and works for impairment or diseases of the cardio-respiratory system and reimbursement for loss of earnings during TB treatment. The MBOD provides medical examinations for ex-workers as well as the assessment and certification process for claimants.

The CCOD functions cover:
- determination and recovering levies from controlled mines and works
- awarding benefits to workers and ex-workers in controlled mines and works suffering from lung and heart-related diseases due to risk work
- investment of levies collected, and interest earned from investments on behalf of the Fund
- administration and implementation of generally recognised accounting practices and keeping statistical data

1.12. Reporting structure

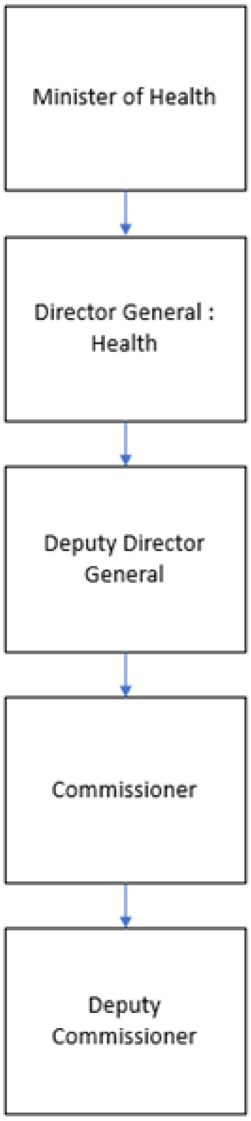


Figure 1: Reporting structure of the CCOD

Part B - Performance information

2.1. Performance information of the CCOD

Performance Information for the CCOD has been included below. The CCOD is responsible for administering the Fund, as per the requirements of the ODMWA. This information has not been audited.

2.2. Key strategic objectives / achievements

The key focus areas for the 2019/2020 financial year were:
- The submission of amendments to the ODMWA
- Expansion of the database of current and ex-workers in controlled mines and works
- Updating the liability and assets of the Fund through the use of the actuaries
- The submission of overdue annual reports of the Fund for the 2016/2017 and 2017/2018 financial years

2.3. Situational analysis

2.3.1 Service delivery environment

The CCOD has one national office that covers South Africa and the neighbouring countries. The administration costs, mainly the personnel and operational costs of the CCOD, are funded from the budget of the NDOH.

Overview of performance environment of the CCOD for the financial year ended 31 March 2020

The Minerals Council South Africa and the Gold Mining companies continued their support for various business process reforms at the CCOD, through assistance with:
- Secondment of medical doctors to the Certification Committees of the MBOD
- Technical support for financial management and preparation of annual reports
- Assistance with processing of claims at the CCOD
- Funding for the electronic database of claimants
- Tracking and tracing of claimants and beneficiaries.

Support was made available by the social partners through the provision of technical and human resources to the CCOD. The support of the Gold Mining Companies, the Minerals Council South Africa and social partners such as the Global Fund for AIDS, TB and Malaria has assisted with overcoming the challenges of the lack of medical, finance and information technology personnel, the maintenance of the database of approximately 1.6 million claimant files, the delivery of medical assessments in decentralised settings and increased numbers of paid claims. The use of computer aided diagnostic tools in medical assessments and artificial intelligence in exposure assessments in risk work has helped to target eligible claimants while the database links to banks, other social protection funds and the NDOH Patient Registration System has assisted with tracking and tracing of claimants. Approximately one-third of ex-workers are in the neighbouring countries and the lack of registration systems (for example identity documents, death certificates, marriage certificates etc) in those countries remain a challenge.

The number of controlled mines and works is determined by the Risk Committee which is chaired by the Chief Inspector of the Department of Mineral Resources and Energy. There are 857 gazetted operations. The project to verify the operating status of controlled mines and works continued in the 2019/2020 financial year. The Risk Committee is still not functioning optimally.

The Fund has again made progress in the 2019/2020 financial year with the submission of the annual financial statements of the Fund for the 2016/2017 financial year to the AGSA. Subsequent to the financial year-end the annual reports for the 2014/2015, 2015/2016, 2016/2017 and 2017/2018 financial years were submitted to Parliament. It is envisaged that the backlog in submission of annual reports to Parliament will be cleared by the 2021/2022 financial year.

2.3.2 Organisational environment

The current senior management of the CCOD is as follows:
- Dr Barry Kistnasamy as the Compensation Commissioner for Occupational Diseases
- Mr Sam Molautsi as the Deputy Compensation Commissioner
- Mr Mishack Maswanganye as the Director: Finance
- Dr Nhlanhla Mtshali as the Director: MBOD

Part B - Performance information

2.4. Performance indicators and achievements

	Strategic objective	Performance Indicator	Actual achievement 2018 / 2019	Planned Target 2019 / 2020	Actual Performance 2019 / 2020	Deviation from planned target to actual achievement 2019 / 2020	Comments on deviation
1	Develop, gazette and implement the policy and legislative framework for occupational health and compensation	The development, gazetting and implementation of the policy and legislative framework for occupational health and compensation	Amendments to ODMWA circulated to stake holders and workshop held, final submission to Director-General not made	Amendments to ODMWA submitted for the legislative process to Director-General	Commenced the drafting of the legislative framework	Not achieved	Workshop held with the NDOH legal team to initiate the drafting of the legislative framework
2	Enhance the governance and management of the CCOD	Number of meetings of the Audit and Risk Committee, the Advisory Committee and the management committee	Advisory Committee - 4 Meetings	4 meetings of the Advisory Committee	Advisory Committee - 3 meetings	Not achieved	No Advisory Committee meeting held in Q2
			Audit and Risk Committee - 7 meetings	4 meetings of Audit and Risk Committee	Audit and Risk Committee - 4 meetings	Achieved	None
3	Ensure the effective and efficient management of the Fund	3.1 Development of the database of current and ex-workers in controlled mines and works	Initial workshops held and 2 mining companies uploaded their data to the database.	Extension of active employee database to 25% of controlled mines and works as per register of mines and works	Database of current and ex-workers in controlled mines and works to be incorporated into a new administration system.	Not achieved	The Commissioner has agreed with the Minerals Council South Africa that the process will be incorporated in the development of the CCMS (compensation claims management system) for use by the CCOD. The CCMS implementation project kick off meeting was held during March 2020.
		3.2 % of unpaid compensable claims prior to and including 31 March 2015 paid by the CCOD	7.6% (7,710) of unpaid compensable claims prior to 31 March 2015 (101 602) paid by the CCOD	5% of unpaid compensable claims prior to 31st March 2015 paid by the CCOD	5% (4,966) of unpaid compensable claims prior to 31 March 2015 (101 602) paid by the CCOD	Achieved	None

Part B - Performance information

Strategic objective	Performance Indicator	Actual achievement 2018 / 2019	Planned Target 2019 / 2020	Actual Performance 2019 / 2020	Deviation from planned target to actual achievement 2019 / 2020	Comments on deviation
	3.3 % of new compensable disease claims, as from the 1st April 2018 paid by the CCOD within 3 months of receipt of completed documents in the claimant file	IT system not able to measure this indicator	25% of new compensable disease claims paid by the CCOD within 3 months of receipt of completed documents in the claimant file	Inability to measure as IT system not in place	Not achieved	There were no processes in place to accurately determine the date when claimant files with completed documents were received from the MBOD and One Stop Service Centres to effectively measure performance for this performance indicator.
	3.4 % of controlled mines and works paying levies to the Fund	71% of controlled mines and works paying levies to the Fund	80% of controlled mines and works paying levies to the Fund	70% of controlled mines and works paying levies to the Fund	Not achieved	Target not achieved due to late payments and non-complying mines. Payments for levies are due on the 20th of the following month. Deputy Commissioner with finance inspectors continuing inspections of defaulters.
	3.5 Report of the Actuarial Valuation of the Fund	One actuarial valuation report obtained	One actuarial valuation report of the Fund	Sharing of data to enable the actuarial valuation shared with the actuary	Not achieved	The SLA with the actuary was only completed in December 2019 and could therefore not complete the valuation before the end of the financial year.
	3.6 Number of annual reports of the Fund submitted to the AGSA	2014/15 Annual report submitted to the AGSA	Submission of the 2016/17 and 2017/18 annual reports to the AGSA	2016/17 Financial statements were submitted to the AGSA in September 2019. The 2017/18 Financial statements were only submitted in Q1 2020/21	Not Achieved	The Audit process was delayed as the legal status of the Fund was investigated by the AGSA and National Treasury.

Part B - Performance information

Strategic objective	Performance Indicator	Actual achievement 2018 / 2019	Planned Target 2019 / 2020	Actual Performance 2019 / 2020	Deviation from planned target to actual achievement 2019 / 2020	Comments on deviation
	3.7 Number of current and ex-workers in controlled mines and works accessing benefit medical examinations per year	15 590	10 000	12 858	Achieved	None
	3.8 Number of claims processed by the Certification Committees per year	10 305	12 000	13 874	Achieved	None
	3.9 Number of claims paid by the CCOD (other than pensioners) per year	9 382	7 700	7 291	Not Achieved	Target not achieved due to industrial action at the CCOD.
	3.10 Number of controlled mines and works inspected per year to verify levies payable based on risk shifts worked	106	77	81	Achieved	None
	3.11 Number of outreach and awareness activities with service providers, trade-unions, employers, current and ex-workers conducted per year	10	10	11	Achieved	None
	3.12 Number of workers in controlled mines and works paid for loss of earnings while undergoing tuberculosis treatment per year	6 568	1 045	5134	Achieved	None

Part B - Performance information

2.5. Linking performance with Budgets

The administration costs, mainly personnel and operational costs, of the CCOD and MBOD are provided from the budget of the NDOH included within "Vote 16 – Health" as part of the National budget. The CCOD relies on voted funds for the administration of the Fund and payments for BMEs and certifications. There have been significant budget constraints including the loss of personnel and outdated IT infrastructure. The table below represents the allocation from the NDOH for the functioning of the Fund:

Table 1: Budget to administer the CCOD – from voted funds

Statement of financial performance	Budget	Audited outcome	Variance	Budget	Audited outcome
	2019/2020			2018/2019	
Expense budget	R '000			R '000	
Compensation of employees	37 192	37 310	(118)	35 149	35 302
Goods and services	26 527	23 825	2 702	24 386	19 901
Transfer payments	4 050	4 050	-	3 836	3 846
Machinery and equipment	925	21	904	2 293	213
Total	**68 694**	**65 206**	**3 488**	**65 664**	**59 262**

2.6. Strategy to overcome areas of under performance

The budget for the administration of the CCOD and MBOD amounted to R68,7million for the 2019/2020 financial year, which represented an increase of 4.6 percent over the prior financial year. This budget allocation covers the provision of BMEs and activities of the Certification Committees. The business reform processes at the CCOD have been supported by human, technical and financial resources of the Minerals Council South Africa, the Gold Working Group and social partners. Additional resources are required to expand and scale up the services of the CCOD, recruit specialised staff in the legal, IT, occupational hygiene, medical and financial management disciplines and provide for the medical assessments, certifications, payments and infrastructural backlogs in buildings, medical facilities and information technology.

The majority of targets in the Annual Performance Plan were not achieved in the 2019/2020 financial year with 7 out of 15 targets being met.

The proposed amendments to ODMWA will cover the costs of administration, medical assessments of claimants and health care. The CCOD will engage with relevant stakeholders for inputs to the amendments to the ODMWA through workshops and submit the amendments to the Director-General of the NDOH.

Advisory committee members have been appointed with terms ending on 31 March 2022 to ensure continuity of the governance functions of the CCOD and that the required number of meetings as per the Annual Performance Plan are held.

The CCOD commenced on a process, in the prior financial year, to restart the process of obtaining the information from all controlled mines for the database of current and ex-workers. The Compensation Commissioner has agreed with the Minerals Council South Africa that the process will be incorporated in the development of the Compensation Claims Management System (CCMS) for use by the CCOD. The CCMS implementation project kick off meeting was held during March 2020.

To ensure that the entity remains adequately funded, onsite visits are undertaken to controlled mines and works to follow-up on completeness of revenue and to ensure that non-complying mines and works also pay levies. 81 controlled mines and works were inspected during the financial year which exceeded the target of 77 for the year. The CCOD will continue with the inspection process going forward to facilitate the collection of levies.

In order to clear the backlog of outstanding Annual reports the CCOD is working on clearing the backlog in financial reporting. Assistance from the Gold Working Group and the Minerals Council South Africa has been provided to assist with the preparation of outstanding annual reports and annual financial statements. Subsequent to the financial year-end the annual reports for the 2014/2015, 2015/2016, 2016/2017 and 2017/2018 financial years were submitted to Parliament. It is envisaged that the backlog in submission of annual reports to parliament will be cleared by the 2021/2022 financial year.

Part B - Performance information

2.7. Revenue Collection

Table 2: Revenue from exchange transactions

	2019/2020			2018/2019		
	Budget R'000	Actual Amount Collected R'000	(Over) / Under Collection R'000	Budget R'000	Actual Amount Collected R'000	(Over) / Under Collection R'000
Revenue						
Levy Revenue	311 000	114 531	196 469	346 662	107 116	239 546
Interest received	246 000	344 846	(98 846)	196 310	337 599	(141 289)
Total levy revenue and interest received	**557 000**	**459 377**	**97 623**	**542 972**	**444 715**	**98 257**

Levy revenue for the year ended 31 March 2020 was R196 469 268, which was lower than the budget of R311 00 000 as the budget did not take into account the significant reduction in levy rates gazetted with effect from 1 April 2018.

The table below represents the levies per commodity pre and post the changes in levies effective 1 April 2018 (gazetted in Government Notice No 209 of Government Gazette 41491 of 9 March 2018) and 1 October 2019 (gazetted in Government Notice No 1385 of Government Gazette 42793 of 24 October 2019).

Table 3: Levy rates per commodity – pre and post change on 1 October 2019

Commodity	Levy rates – applicable from 1 July 2015	Levy rates – applicable from 1 April 2018	Levy rates – applicable from 1 October 2019
Andalusite	5.3	0.23	0.23
Chrome	12.26	0.15	0.28
Coal	1.7	0.50	0.49
Copper	10.35	0.43	0.09
Diamond	5.71	0.24	0.29
Fluorspar	5.14	0.01	0.01
Gold	8.41	4.58	5.40
Iron	5.3	0.28	0.36
Lead	6.07	0.27	0.28
Magnesite	5.14	0.17	0.01
Manganese	7.83	0.30	0.28
Mica & Felspar	4.48	0.01	0.01
Phosphate	5.14	0.01	0.01
Platinum	2.11	0.81	0.93
Quarries	8.6	0.39	0.44
Vanadium	4.48	0.01	0.01
Works	9.78	0.14	0.16
Research	0.0075	0.02	0.02

Part C - Governance

3.1. Introduction

The Advisory Committee of the CCOD comprises representatives of employers and trade unions in the mines and works sector. The Advisory Committee was involved in many of the activities of the CCOD and provided advice and technical inputs and mobilised resources.

The Risk Committee of the MBOD, which determines the risk profile of controlled mines and works, met once during the course of the year. The non-functioning of the Risk Committee poses significant risks to the Fund with respect to exposure of workers and health risk assessments. The CCOD is making a concerted effort to ensure that the Risk Committee fulfils its mandate and role.

The Audit and Risk Committee continued its work with oversight and monitoring of performance as well as inputs to the audit process and interactions with the AGSA on the Annual Reports of the Fund.

3.2. Portfolio Committees

For the year ended 31 March 2020, the CCOD met with the National Assembly Portfolio Committee on Health on 16 October 2019. The Committee was briefed on the CCOD's 2019/2020 Annual Performance Plan, progress made with submission of the annual reports and financial statements of the Fund, progress made with regard to reforms at the CCOD / MBOD and the class action settlement in the gold mining sector.

3.3. Standing Committee on Public Accounts (SCOPA) Resolutions

There were no SCOPA hearings or resolutions for the year under review.

3.4. Prior year modifications to audit reports

There were no modifications to audit reports issued in previous years.

3.5. Committees

3.5.1 Advisory Committee Members

The Advisory Committee was established in terms of Section 59 of the ODMWA. The main function of the Advisory Committee is to advise the CCOD on the execution of his/her duties in relation to the Fund and to perform any functions assigned to the committee by the Minister of Health.

The Advisory Committee shall consist of not more than 12 members, of whom half shall be persons whose names have been submitted to the Minister of Health by owners of controlled mines/works and another half shall be persons whose names have been submitted to the Minister of Health by organisations acting on behalf of persons performing risk work at controlled mines/works.

As at 31 March 2020 the membership of the Advisory Committee was as follows:

Name of member	Representing	Date of appointment	Attendance
Dr B Kistnasamy	CCOD	CCOD	3
Mr A Letshele	NUM	1 April 2019 to 31 March 2022	3
Mr A Rikhotso	NUM	1 April 2019 to 31 March 2022	3
Mr P Mardon	SOLIDARITY	1 April 2019 to 31 March 2022	3
Mr O Ralake	NUMSA	1 April 2019 to 31 March 2022	3
Mr P Mminele	NUMSA	1 April 2019 to 31 March 2022	3
Ms N Mphofu	SEIFSA	1 April 2019 to 31 March 2022	-
Mr M Grant	AMCU	1 April 2019 to 31 March 2022	2
Dr T Balfour-Kaipa	Minerals Council South Africa	1 April 2019 to 31 March 2022	1
Ms C Chater	Minerals Council South Africa	1 April 2019 to 31 March 2022	1
Mr A van Vuuren	Minerals Council South Africa	1 April 2019 to 31 March 2022	3
Dr J Andrews	Minerals Council South Africa	1 April 2019 to 31 March 2022	2
Dr Z Eloff	Minerals Council South Africa	1 April 2019 to 31 March 2022	2

3.5.2 Audit and Risk Committee Members

The Audit and Risk Committee has been set up in terms of sections 76(4)(d) and 77 of the PFMA. It has authority to conduct or authorise investigations and any matters within its scope of responsibility. It is empowered, but not limited to the following functions as they relate to the Fund:

- resolve any disagreements between management and the auditor regarding financial reporting
- pre-approve all auditing and non-audit services
- retain independent counsel, accountants, or others in consultation with the Commissioner, to advise the committee or assist in the conduct of an investigation
- seek any information it requires from all employees of the CCOD and NDOH if desired
- meet with management, external auditors, or outside counsel, as necessary
- Review the Risk Officer's report on whether the risk management process is sufficient to protect the department's reputation, safeguard the assets, and ensure continuation of the ongoing operations

For the financial year ended 31 March 2020 the Audit and Risk Committee consisted of four members who were not employees of the CCOD nor the NDOH. The Director-General, in consultation with the executive authority, appointed the committee members and the chairperson. The chairperson is required to be independent and have the requisite business, financial and leadership skills.

The members are as follows:

Name of member	Representing	Qualification	Date of appointment	Attendance (regular meeting)
Mr H Buthelezi	Chairperson	Chartered Accountant	1 February 2018 to 31 January 2020	4
Ms PMK Mvulane	Member	Chartered Accountant	1 February 2018 to 31 January 2020	2
Ms CM Mahlakahlaka	Member	BCom (Accounting and Auditing)	1 February 2017 to 31 July 2019 1 August 2019 to 31 January 2020	4
Mr SM Radebe	Member	Chartered Accountant	1 August 2016 to 31 July 2019	1

3.5.3 Risk Committee members

This Committee is established in terms of section 18 of the ODMWA and consists of the Chief Inspector of Mines, who is also the chairperson of the Risk Committee, the director of the MBOD and not less than three or more than four members representing the owners of mines and employee representatives, of which one shall be a medical practitioner. The Risk Committee has the mandate of declaring a mine or works controlled under Section 20 of the ODMWA for the CCOD's purposes.

The CCOD will thereafter maintain a register containing the name and description of every controlled mine and works as per Section 10(3) of the ODMWA. The CCOD will also determine in respect of each controlled mines or works an amount payable by the owner of the mine or works to the CCOD, for the benefit of the Fund, in respect of each risk shift worked. This is to enable the CCOD to pay every person, who performs risk work at or in connection with mines and works, and who is found to be suffering from a compensable disease.

The Minister of Health has appointed and approved the terms of reference for the committee. The membership is as follows:

Name of member	Representing	Date of appointment	Attendance
Mr M Zondi (Chairperson)	Department of Mineral Resources and Energy	DMRE	1
Mr D Msiza	Department of Mineral Resources and Energy	DMRE	-
Mr V Nundlall	Minerals Council South Africa	1 July 2018 to 30 June 2021	1
Prof C Badenhorst	Minerals Council South Africa	1 July 2018 to 30 June 2021	-
Ms JP van Vuuren	Solidarity	1 July 2018 to 30 June 2021	1
Mr M Grant	AMCU	1 July 2018 to 30 June 2021	-
Dr B Nene	Minerals Council South Africa (alternate)	1 July 2018 to 30 June 2021	-

The Risk Committee met once during the course of the year

3.6. Risk Management

The CCOD recognises that risk management is a valuable management tool which improves and assists management in minimising any negative impacts and optimising opportunities emanating from its operating environment.

The risk management policy, the risk management framework and risk management strategy of the CCOD were developed in previous financial years.

The CCOD developed risk registers with appropriate action plans in alignment with the Annual Performance Plan.

3.7. Minimising Conflicts of interest

The CCOD is a subprogramme of the NDOH - the NDOH adopted the Code of Conduct prescribed by the Department of Public Service and Administration for minimising conflicts of interest. Senior and other stakeholders are required in the terms of the policy to disclose any conflict of interest inherent in doing business with the Department.

3.8. Code of Conduct

The CCOD is a subprogramme of the NDOH, the NDOH applies the disciplinary code and procedure for the public service. This is applicable to all employees

3.9. Compliance with laws and regulations

The CCOD is a subprogramme of the NDOH. The CCOD works with line function heads and unit directors at the NDOH to ensure compliance with laws and regulations applicable to the CCOD. Compliance is monitored by the internal and external audit function and included in the annual risk assessment when completing and updating the risk register.

3.10. Fraud and Corruption

The CCOD has an approved fraud prevention plan which includes management's fraud risk approach. The fraud prevention plan details management's investigation procedures and anti-fraud programs. The NDOH subscribes to the National Anti-Corruption Hot-Line housed at the Office of Public Service Commission.

3.11. Audit and Risk Committee report

The Audit and Risk Committee met during the course of the 2019/2020 financial year, however due to the fact that the Audit and Risk Committee's term ended prior to the Annual Report and Annual Financial Statements being finalised, no Audit and Risk Committee report has been included in this Annual Report. A new Audit and Risk Committee was appointed in August 2021.

Part D - Human resource management

4.1. Introduction

Whilst the CCOD is capacitated at 85 percent and the MBOD at 77 percent, these are mainly administrative posts and there are an inadequate number of posts for specialised employees within the CCOD and MBOD with skills and knowledge in law, occupational health, information communication technology and financial management.

4.2. Employee distribution

The employee distribution was as follows:

Table 4: Distribution of posts at the CCOD as at 31 March 2020

Designation	Level	Number of posts	Filled	Vacant
Compensation Commissioner	14	1	1	-
Director	13	2	2	-
Deputy directors	12	3	3	-
Assistant directors	10	3	2	1
Senior state accountants	8	3	2	1
Senior administration officer	8	1	1	-
Administration officers	7	2	2	-
Administrative Clerk (Supervisor)	7	1	1	-
Personal assistant	6	2	1	1
Administration Clerks	6	4	3	1
Administrative Clerk (Supervisor)	5	15	15	-
Finance clerks	5	5	4	1
Registry clerk (production)	5	1	-	1
Senior telecoms operator	4	1	1	-
General assistant	3	1	-	1
Messenger	3	1	1	-
Total		**46**	**39**	**7**

Table 5: Profile of the workforce at the CCOD

Level	African				Coloured				Indian				White				Total			
	M	D	F	D	M	D	F	D	M	D	F	D	M	D	F	D	M	D	F	D
14									1								1			
13	2	1															2	1		
12			3																3	
10	1		1														1		1	
8	2		1														2		1	
7	3																3			
6	1		1												2		1		3	
5	5		14														5		14	
4			1																1	
3	1																1			
Total	**15**	**1**	**21**						**1**						**2**		**16**	**1**	**23**	

*M=Male F=Female D=Disabled

Part D - Human resource management

Table 6: Distribution of posts at the MBOD as at 31 March 2020

Designation	Level	Number of posts	Filled	Vacant
Deputy director: administration	12	1	1	-
Chief clinical technologist	10	1	1	-
Assistant director: administration	10	1	1	-
Assistant director: clinical technology	10	1	1	-
Assistant director: radiography	10	1	1	-
Professional nurse	9	1	-	1
Specialist	9	1	-	1
Radiographer	8	1	-	1
Senior human resource officer	7	1	-	1
Personal assistant	7	1	1	-
Chief security officer	7	1	1	-
Registry clerk (supervisor)	7	1	1	-
Administrative clerks (supervisor)	7	3	3	-
Registry clerk (production)	6	1	1	-
Senior security officer	6	1	1	-
Administration clerks (production)	6	7	7	-
Finance clerks	5	1	1	-
Supply chain clerk (production)	5	2	1	1
Administration clerks (production)	5	14	10	4
Security officers	4	8	7	1
General assistants	3	7	4	3
Driver	3	1	1	-
Total		**57**	**44**	**13**

Table 7: Profile of the workforce at the MBOD

Level	African				Coloured				Indian				White				Total			
	M	D	F	D	M	D	F	D	M	D	F	D	M	D	F	D	M	D	F	D
12	1																1			
10			3								1								4	
7	3		3														3		3	
6	5		3	1											1		5		4	1
5	5	1	7														5	1	7	
4	6		1														6		1	
3	2		3														2		3	
Total	**22**	**1**	**20**	**1**							**1**				**1**		**22**	**1**	**22**	**1**

*M=Male F=Female D=Disabled

Part E - Annual financial information

5.1. Overall performance

The Annual Performance Plan for 2019/2020 was approved by the Minister of Health on 11 March 2019.

Table 8: Budget to administer the CCOD/MBOD (from voted funds)

Classification	Budget 2019/2020 R '000	Expenditure 2019/2020 R '000	Available R '000	% Spend	Over/under expenditure
Compensation of employees	37 192	37 310	(118)	>100%	Over
Goods and services	26 527	23 825	2 702	90%	Under
Transfer payments	4 050	4 050	-	100%	-
Machinery and equipment	925	21	904	2%	Under
Total	**68 694**	**65 206**	**3 488**	**95%**	**Under**

The CCOD's principal activities are those of receiving levies from controlled mines and works, conducting inspections of controlled mines and works, paying benefits that relate to compensable diseases and administering the Fund in terms of the requirements of the ODMWA.

5.2. Financial overview

5.2.1 Revenue

The Fund derives its revenue from levies from controlled mines and works, interest on investments, movement in provisions (net of unwinding costs), the corresponding entry for the goods and services costs incurred by the NDOH and a transfer payment from the NDOH to facilitate pension payments.

Table 9 provides a breakdown of the sources of revenue:

Table 9: Breakdown of the sources of revenue

Statement of financial performance item	Audited amount			Budget	Actual	% deviation from budget	% deviation from prior year
	2016/2017 R'000	2017/2018 R'000	2018/2019 R'000	2019/2020 R'000	2019/2020 R'000		
Levy income	315 415	314 596	107 116	311 000	114 531	(63)	7
Interest received	285 515	318 578	337 599	246 000	344 846	40	2
Other income – S74(a) recovery	(241)	156	59	-	(36)	(100)	>(100)
Other income – movement in provisions	-	-	671 385	-	315 174	100	(53)
Exchange revenue	**600 689**	**633 330**	**1 116 159**	**557 000**	**774 515**	**39**	**(31)**
Transfers received	1 041	1 213	1 067	4 050	992	(76)	(7)
Goods and services in-kind	56 465	52 368	55 213	-	61 135	100	11
Total revenue	**658 195**	**686 911**	**1 172 438**	**561 050**	**836 642**	**49**	**(29)**

Levy revenue for the financial year ended 31 March 2020 was 7 percent higher than the prior financial year ending 31 March 2019. This is attributable to the increase in levy rates applicable to Gold mines gazetted effective 1 October 2019. The levy rate applicable to risk work performed at Gold Mines increased from R4.58 per risk shift to R5.40 per risk shift. The revised levies effective 1 October 2019 were gazetted in Government Notice No 1385 of Government Gazette 42793 of 24 October 2019.

Other income – movement in provisions represents the net release to provisions prior to unwinding costs and claims payments. Refer to note 6 in the Annual financial statements for the breakdown of the movement in provisions. Based on the Actuarial Valuation exercise undertaken total provisions decreased from R3,37 billion 31 March 2019 to R3,12 billion at 31 March 2020.

Please refer to Note 22 in the annual financial statements for commentary on actual results compared to budget.

5.2.2 Expenditure

Expenditure for the Fund includes actuarial valuation adjustments on provisions, finance costs, movements in the impairment provision of trade receivables, goods and receivables expenditure incurred by the NDOH and pension payments. Table 10 provides a breakdown of the types of expenditure:

Table 10: Breakdown of the types of expenditure

Statement of financial performance item	Audited amounts			Budget	Actual	% deviation from budget	% deviation from prior year
	2016/2017 R'000	2017/2018 R'000	2018/2019 R'000	2019/2020 R'000	2019/2020 R'000		
Finance costs	323 672	309 822	303 568	275	282 396	>100	(7)
Operating expenses	9 244	20 062	4 561	8 506	9 315	10	>100
Claims (including pensioners) / Movement in provisions	(35 392)	223 659	1 067	202 533	992	(100)	(7)
Goods and services in-kind	56 465	52 368	55 213	-	61 135	100	11
Total expenses	**353 889**	**605 911**	**364 409**	**211 314**	**353 838**	**67**	**(3)**

Finance costs were R21,2 million lower in the 2019/2020 financial year compared to the 2018/2019 financial year, in-line with the reduction in the provisions balance partially offset by increases in the applicable discount rate used in the actuarial valuation.

Goods and services in-kind represent the cost to the NDOH for administration of the CCOD and MBOD. The increase of R5.9 million in the 2018/2019 financial year is driven by increased spend on compensation of employees (R2 million higher) and goods and services costs (R3.9 million higher).

Please refer to Note 22 in the annual financial statements for commentary on actual results compared to budget.

5.2.3 Assets

Investment balances comprise the bulk of the assets within the Fund. The funds are invested with the Corporation for Public Deposits (CPD), First National Bank and ABSA Bank.

The CCOD administers four current accounts:

- Mines account
  The mines account is funded through levies collected from controlled mines, in terms of Section 62 of the ODMWA.
- Works account
  The works account is funded through levies collected from controlled works, in terms of Section 62 of the ODMWA.
- State account
  The state account is funded by monies appropriated by Parliament annually in terms of Section 69 of the ODMWA.
- Research account
  The research account is funded through levies collected from controlled mines and works in terms of Section 63 of the ODMWA. The money is amongst others meant for costs of maintenance and other expenses of, any institution or organisation having as its objective the doing of research with a view to the protection of the health of persons employed in or at or in connection with mines or works, or the prevention or alleviation of diseases to which such persons are exposed.

Table 11 provides a breakdown of assets:

Table 11: Breakdown of assets

Statement of financial position item	Audited amount			Budget	Actual	% deviation from budget	% deviation from prior year
	2016/2017 R'000	2017/2018 R'000	2018/2019 R'000	2019/2020 R'000	2019/2020 R'000		
Investments	3 882 391	4 105 618	4 511 134	4 524 362	4 755 810	5	5
Trade and other receivables	52 355	53 537	17 524	15 470	13 490	(13)	(23)
Cash and cash equivalents	21 751	169 756	49 138	65 000	53 615	(18)	9
Total assets	**3 956 497**	**4 328 911**	**4 577 796**	**4 604 832**	**4 822 914**	**5**	**5**

Total assets were 5 percent higher at 31 March 2020 compared to 31 March 2019, largely due to an increase in investment balances resulting from interest capitalised on funds invested.

Please refer to Note 22 in the annual financial statements for commentary on actual results compared to budget.

5.2.4 Equity and liabilities

Liabilities of the Fund comprise the provision for incurred but not yet reported (IBNR) claims, provisions for benefits due and trade and other payables.

Table 12 provides a breakdown of equity and liabilities.

Table 12: Breakdown of equity and liabilities

Statement of financial position item	Audited amount			Budget	Actual	% deviation from budget	% deviation from prior year
	2016/2017 R'000	2017/2018 R'000	2018/2019 R'000	2019/2020 R'000	2019/2020 R'000		
Accumulated surplus	219 597	300 597	1 108 626	1 322 369	1 591 430	20	44
Provisions	3 673 214	3 949 374	3 371 703	3 269 316	3 121 470	(5)	(7)
Payables	63 686	78 940	97 467	13 147	110 014	>100	13
Total equity and liabilities	**3 956 497**	**4 328 911**	**4 577 796**	**4 604 832**	**4 822 914**	**5**	**5**

Provisions at 31 March 2020 were R250,2 million lower than 31 March 2019, mainly due to the impact of the changes in methodology and assumptions/unexpected decrease of R440,2 million in the year and payments of R214,5 million. This was partially offset by unwinding adjustments of R279,5 million and additions to provisions of R125 million during the year.

Please refer to note 6 in the annual financial statements for a detailed breakdown of the movement in the provision liability during the year.

Please refer to note 22 in the annual financial statements for commentary on actual results compared to budget.

5.3. Responsibility statement

These financial statements are the responsibility of the accounting officer. The Occupational Diseases in Mines and Works Act, 1973 (Act 78 of 1973), as amended (ODMWA) requires the Compensation Commissioner for Occupational Diseases in Mines and Works (CCOD) to ensure that full and proper financial records of the financial affairs of the Mines and Works Compensation Fund (Fund) are maintained.

The Fund's business and operations and the result thereof are clearly reflected in the annual financial statements. The CCOD is responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information.

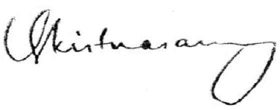
The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations of such statements issued by the Accounting Practice Board and in the manner required by the Public Finance Management Act, 1999 (Act 1 of 1999), as amended (PFMA).

The accounting officer is responsible for the Fund's system of internal control. The internal controls include a risk based system of internal accounting and administrative controls designed to provide reasonable but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practice policies and procedures. Employees of the CCOD, with an appropriate segregation of duties, implement these controls.

The annual financial statements have been prepared on the going concern basis as at 31 March 2020 as the Fund is in an accumulated surplus position and the Accounting officer believes there is sufficient liquidity to meet short-term financial obligations as they become due.

The Auditor-General is responsible for examining and reporting on the fair presentation of the annual financial statements. The audit report of the annual financial statements of the Fund is presented on pages 25 to 28.

The annual financial statements of the Fund, set out on pages 29 to 62, were approved by the accounting officer, in terms of the ODMWA, for the financial year ended 31 March 2020 and were signed on its behalf by:



Dr MB Kistnasamy
Compensation Commissioner for Occupational Diseases
17 December 2021

5.4. Report of the Auditor-General of South Africa to Parliament on the Mines and Works Compensation Fund

Report on the audit of the finacial statements

Opinion

1. I have audited the financial statements of the mines and works compensation fund set out on pages 29 to 62, 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 information with actual information 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 Mines and works compensation fund as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for the 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 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 code.

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

Responsibilities of the accounting authority for the financial statements

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of 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.

7. In preparing the financial statements, the accounting authority is responsible for assessing the entity'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 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

8. 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.

9. 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

10. The fund is not required to prepare a report on its performance against predetermined objectives, as it does not fall within the ambit of the PFMA and such reporting is not required in terms of the entity's specific legislation.

Report on the audit of compliance with legislation

Introduction and scope

11. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

12. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements, performance and annual reports

13. Financial statements were not submitted for auditing within the prescribed period after the end of the financial year, as required by section 55(1)(c)(i) of the PFMA.

14. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Material misstatements of revenue identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Other information

15. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements and the auditor's report.

16. My opinion on the financial statements and findings on compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

17. 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, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

18. I did not receive the other information prior to the date of the auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract the auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

19. I considered internal control relevant to my audit of the financial statements and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion and the findings on compliance with legislation included in this report.

20. The leadership did not its exercise oversight responsibility for financial reporting, compliance and related internal controls.

21. Leadership did not ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively

22. Management did not prepare accurate financial reports that are supported and evidenced by reliable information.

Other reports

23. I draw attention to the following engagements conducted by various parties, which could have an impact on the matters reported in the entity's financial statements, 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 compliance with legislation.

24. An independent consultant appointed by the fund was in the process of conducting an investigation related to various instances of allegations of financial misconduct and possible fraud. The investigations were ongoing at the date of this report and may result in disciplinary and/or criminal proceedings against the parties concerned.

Auditor - General

Pretoria

18 December 2021

AUDITOR-GENERAL
SOUTH AFRICA

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 on the 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 entity's internal control
    - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority
    - conclude on the appropriateness of the accounting authority use of the going 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 related to events or conditions that may cast significant doubt on the entity's ability 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 the 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 an entity to cease continuing as a going concern
    - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and 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.

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, related safeguards.

Part E - Annual financial information

5.5 Statement of Financial Position as at 31 March 2020

	Note(s)	2020 R	2019 R
Assets			
Current Assets			
Investments	3	4 755 809 545	4 511 133 525
Receivables from exchange transactions	4	13 489 634	17 523 969
Cash and cash equivalents	5	53 614 933	49 138 113
		4 822 914 112	**4 577 795 607**
Total Assets		**4 822 914 112**	**4 577 795 607**
Liabilities			
Current Liabilities			
Payables from exchange transactions	7	92 407 662	82 918 448
Payables from non-exchange transactions	8	17 605 725	14 547 645
Provisions	6	860 393 173	813 641 793
		970 406 560	**911 107 886**
Non-Current Liabilities			
Provisions	6	2 261 077 310	2 558 061 444
Total Liabilities		**3 231 483 870**	**3 469 169 330**
Net Assets		**1 591 430 242**	**1 108 626 277**
Accumulated surplus		1 591 430 242	1 108 626 277

The accounting policies on pages 35 to 43 and the notes on pages 44 to 62 form an integral part of the annual financial statements.

Part E - Annual financial information

5.6 Statement of Financial Performance

	Note(s)	2020 R	2019 R
Revenue			
Revenue from exchange transactions			
Section 62 levies		113 391 077	105 909 707
Section 63 research levies		1 139 655	1 205 809
Other income - S74(a) recovery		(36 119)	59 438
Other income - movement in provisions		315 174 445	671 384 507
Interest received	10	344 845 654	337 599 182
Total revenue from exchange transactions		**774 514 712**	**1 116 158 643**
Revenue from non-exchange transactions			
Transfer revenue			
Goods and services in-kind from the national Department of Health	11	61 134 958	55 212 786
Pension payments transfer utilised		991 920	1 066 874
Total revenue from non-exchange transactions		**62 126 878**	**56 279 660**
Total revenue	9	**836 641 590**	**1 172 438 303**
Expenditure			
Finance costs	12	(282 396 151)	(303 567 597)
Debt impairment	13	(8 020 829)	(1 216 717)
Goods and services in-kind from the national Department of Health		(61 134 958)	(55 212 786)
General Expenses	14	(2 285 687)	(4 411 429)
Total expenditure		**(353 837 625)**	**(364 408 529)**
Surplus for the year		**482 803 965**	**808 029 774**

The accounting policies on pages 35 to 43 and the notes on pages 44 to 62 form an integral part of the annual financial statements.

Part E - Annual financial information

5.7 Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 April 2018	**300 596 503**	**300 596 503**
Changes in net assets		
Surplus for the year	808 029 774	808 029 774
Total changes	808 029 774	808 029 774
Opening balance as previously reported	1 108 626 277	1 108 626 277
Balance at 01 April 2019	**1 108 626 277**	**1 108 626 277**
Changes in net assets		
Surplus for the year	482 803 965	482 803 965
Total changes	482 803 965	482 803 965
Balance at 31 March 2020	**1 591 430 242**	**1 591 430 242**

The accounting policies on pages 35 to 43 and the notes on pages 44 to 62 form an integral part of the annual financial statements.

Part E - Annual financial information

5.8 Cash Flow Statement

	Note(s)	2020 R	2019 R
Cash flows from operating activities			
Receipts			
Levy income		110 508 119	141 970 944
Interest income		304 390 434	297 243 507
Transfer payments (non-exchange)		4 050 000	3 836 000
		418 948 553	443 050 451
Payments			
Claimants		(206 322 947)	(194 958 997)
Finance costs		(2 936 066)	(2 482 843)
Transfer payments		(991 920)	(1 066 874)
		(210 250 933)	(198 508 714)
Net cash flows from operating activities	15	**208 697 620**	**244 541 737**
Cash flows from investing activities			
Purchase of financial assets		(204 220 800)	(365 159 513)
Net cash flows from investing activities		**(204 220 800)**	**(365 159 513)**
Net increase/(decrease) in cash and cash equivalents		**4 476 820**	**(120 617 776)**
Cash and cash equivalents at the beginning of the year		49 138 113	169 755 889
Cash and cash equivalents at the end of the year	5	**53 614 933**	**49 138 113**

The accounting policies on pages 35 to 43 and the notes on pages 44 to 62 form an integral part of the annual financial statements.

Part E - Annual financial information

5.9 Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of financial performance						
Revenue						
Revenue from exchange transactions						
Levy revenue	311 000 000	-	**311 000 000**	114 530 732	**(196 469 268)**	Note 22
Interest received	246 000 000	-	**246 000 000**	344 845 654	**98 845 654**	Note 22
Total revenue from exchange transactions	**557 000 000**	**-**	**557 000 000**	**459 376 386**	**(97 623 614)**	
Revenue from non-exchange transactions						
Transfer revenue						
Pension payments transfer utilised	4 050 000	-	**4 050 000**	991 920	**(3 058 080)**	Note 22
Total revenue	**561 050 000**	**-**	**561 050 000**	**460 368 306**	**(100 681 694)**	
Expenditure						
Finance costs	(275 000)	-	**(275 000)**	(2 936 066)	**(2 661 066)**	Note 22
General Expenses	(211 039 000)	-	**(211 039 000)**	(2 285 687)	**208 753 313**	Note 22
Total expenditure	**(211 314 000)**	**-**	**(211 314 000)**	**(5 221 753)**	**206 092 247**	
Surplus	**349 736 000**	**-**	**349 736 000**	**455 146 553**	**105 410 553**	
Actual amount on comparable basis as presented in the budget and actual comparative statement	**349 736 000**	**-**	**349 736 000**	**455 146 553**	**105 410 553**	
Reconciliation						
Basis difference						
Other income - movement in provisions				315 174 445		Note 22
Other income - S74(a) recovery from the national Department of Health				(36 119)		Note 22
Non-exchange revenue - goods and services in-kind from the national Department of Health				61 134 958		Note 22
Non-exchange - services in-kind - employee related expenses				(37 310 086)		Note 22
Non-exchange - goods and services in-kind				(23 824 872)		Note 22
Debt impairment				(8 020 829)		Note 22
Provisions - unwinding adjustment				(279 460 085)		Note 22
Actual amount in the statement of financial performance				**482 803 965**		

Part E - Annual financial information

5.9 Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Statement of financial position						
Assets						
Current Assets						
Investments	4 524 362 000	-	**4 524 362 000**	4 755 809 545	**231 447 545**	Note 22
Receivables from exchange transactions	15 470 000	-	**15 470 000**	13 489 634	**(1 980 366)**	Note 22
Cash and cash equivalents	65 000 000	-	**65 000 000**	53 614 933	**(11 385 067)**	Note 22
	4 604 832 000	**-**	**4 604 832 000**	**4 822 914 112**	**218 082 112**	
Total Assets	**4 604 832 000**	**-**	**4 604 832 000**	**4 822 914 112**	**218 082 112**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	13 147 000	-	**13 147 000**	92 407 662	**79 260 662**	Note 22
Payables from non-exchange transactions	-	-	**-**	17 605 725	**17 605 725**	Note 22
Provisions	-	-	**-**	860 393 173	**860 393 173**	Note 22
	13 147 000	**-**	**13 147 000**	**970 406 560**	**957 259 560**	
Non-Current Liabilities						
Provisions	3 269 316 000	-	**3 269 316 000**	2 261 077 310	**(1 008 238 690)**	Note 22
Total Liabilities	**3 282 463 000**	**-**	**3 282 463 000**	**3 231 483 870**	**(50 979 130)**	
Net Assets	**1 322 369 000**	**-**	**1 322 369 000**	**1 591 430 242**	**269 061 242**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1 322 369 000	-	**1 322 369 000**	1 591 430 242	**269 061 242**	

The accounting policies on pages 35 to 43 and the notes on pages 44 to 62 form an integral part of the annual financial statements.

1. Presentation of Annual financial information

The annual financial statements has been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the PFMA.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

All financial information presented in Rands has been rounded to the nearest Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is 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. Significant judgements include:

Trade receivables or loans and receivables

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 6 - Provisions.

Provisions, where the Fund does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period, are classified as current liabilities; and the balance of the liabilities are classified as non-current. Provisions are classified into one of the following categories:
- Provision for Benefit claims (Benefits due); or
- Provision for Incurred but not yet reported claims (IBNR).

1.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

1.4 Financial instruments (continued)

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- 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 entity.

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 entity.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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:

1.4 Financial instruments (continued)

- the entity designates at fair value at initial recognition; or
- are held for trading

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Investments	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost

Initial recognition

The entity 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.

Initial measurement of financial assets and financial liabilities

The entity 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 entity measures all financial assets and financial liabilities after initial recognition using the following category:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Gains and losses

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

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.

1.4 Financial instruments (continued)

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 entity 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 entity:
  - derecognises the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

1.5 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial performance pre 2016.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The entity recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

1.5 Statutory receivables (continued)

Subsequent measurement

The entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Impairment losses

The entity assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the entity considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the entity measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

In estimating the future cash flows, an entity considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The entity derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the entity, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable 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 entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.6 Provisions and contingencies

Provisions are recognised when:
- the entity 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 is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 20.

1.7 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 the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Revenue from exchange transactions comprise levy revenue and interest.

Other income comprises recoveries raised i.t.o S74(a) and S74(b) of the ODMWA, as well as the releases of provisions.

Measurement

Revenue is recognised at the fair value when the risk shift has been worked as indicated in the assessment submitted by the mines and works.

1.7 Revenue from exchange transactions (continued)

Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.8 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.8 Revenue from non-exchange transactions (continued)

Transfers

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Goods in-kind

Goods in kind, that are significant to the entities operations, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the entity recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the entity’s operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the entity discloses the nature and type of services in-kind received during the reporting period.

The entity recognises services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

1.9 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.10 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.11 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.

Fruitless and wasteful expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the total value of the fruitless and or wasteful expenditure incurred.

Fruitless and wasteful expenditure is removed from the notes to the financial statements when it is resolved or transferred to receivables for recovery.

Fruitless and wasteful expenditure receivables are measured at the amount that is expected to be recoverable and are de-recognised when settled or susequently written-off as irrecoverable.

1.12 Budget information

The entity is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by an entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a modified cash basis, except where stated otherwise, 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.

1.12 Budget information (continued)

The budget for the economic entity includes all the entities approved budgets under its control.

1.13 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.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

A related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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 entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.14 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

	2020 R	2019 R

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20: Related parties	01 April 2019	The impact is not considered to be material.
• GRAP 108: Statutory Receivables	01 April 2019	The adoption of this standard has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements

3. Investments

	2020 R	2019 R
At amortised cost		
CPD Investment	2 266 757 023	2 115 729 561
The interest bearing investment is money invested with the Corporation for Public Deposits (CPD). It bears interest at 5.58% per annum (2019: 7.06% per annum).		
Fixed deposit - Mines	2 311 011 333	2 230 747 988
Short term fixed deposits are funds invested in financial instruments which bear interest between 4.75% and 8.05% per annum (2019: between 6.25% and 8.35% per annum).		
Fixed deposit - Works	174 879 889	161 719 960
Short term fixed deposits are funds invested in financial instruments which bear interest between 7% and 7.9% per annum (2019: between 8.1% and 8.4% per annum).		
Fixed deposit - Research	3 161 300	2 936 016
Short term fixed deposits are funds invested in financial instruments which bear interest at 7.55% per annum (2019: 7.7% per annum).		
Investments will mature within the next year.		
	4 755 809 545	**4 511 133 525**
Current assets		
At amortised cost	4 755 809 545	4 511 133 525

	2020 R	2019 R

4. Receivables from exchange transactions

	2020 R	2019 R
Trade debtors	5 918 723	10 010 153
Other receivables	635 489	542 275
Statutory receivable - S74(a) receivable	6 392 791	6 428 910
Statutory receivable - S74(b) receivable	542 631	542 631
	13 489 634	**17 523 969**

Standard terms and interest charged on overdue accounts

Standard terms on trade accounts receivable are 20 days following the month in which the risk shifts were worked. Interest is levied on overdue accounts using a simple interest basis in accordance with the rates as prescribed in guidelines issued by National Treasury. The rates applicable were:

2020	
1 April 2019 to 31 August 2019	10.25%
1 September 2019 to 29 February 2020	10%
1 March 2020 to 31 March 2020	9.75%
2019	
1 April 2018 to 30 April 2018	10.25%
1 May 2018 to 31 December 2018	10%
1 January 2019 to 31 March 2019	10.25%

Fair value of trade and other receivables

The fair value of trade and other receivables is deemed to be the carrying value due to the short term nature of the receivables and the market related interest rates attached to them.

Trade and other receivables past due but not impaired

At 31 March 2020, R5 515 518 (2019: R5 515 274) were neither past due nor impaired.

At 31 March 2020, R7 974 116 (2019: R12 008 695) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

	2020 R	2019 R
One month past due	248 248	38 852
Two to three months past due	191 731	49 426
Over three months past due	7 534 137	11 920 417

Trade and other receivables impaired

As of 31 March 2020, trade and other receivables of R103 004 994 (2019: R94 984 165) were impaired and provided for.

The ageing of these receivables is as follows:

	2020 R	2019 R
Current	4 993 379	5 976 372
One month past due	384 513	44 663
Two to three months past due	667 112	69 742
Over three months past due	96 959 990	88 893 388

Reconciliation of provision for impairment of trade and other receivables

	2020 R	2019 R
Opening balance	94 984 165	93 767 448
Provision for impairment	8 020 829	1 216 717
	103 004 994	**94 984 165**

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5.11 Notes to the annual financial statements

	2020 R	2019 R

4. Receivables from exchange transactions (continued)

The creation of provision for impaired receivables has been included in expenses.

The maximum exposure to credit risk at the reporting date is the fair value of the receivables balance. The Fund does not hold any collateral as security.

5. Cash and cash equivalents

Cash and cash equivalents consist of:

	2020 R	2019 R
Bank balances	53 614 933	49 138 113

In term of established practices, any costs associated with maintaining separate bank accounts, or any interest received on such accounts, is for the account of the Fund.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

	2020 R	2019 R
Credit rating		
Absa (F1+) - Current Account: Mines	14 076 401	15 066 814
Absa (F1+) - Current Account: State	19 630 044	15 996 476
Absa (F1+) - Current Account: Research	9 175 795	8 686 174
Absa (F1+) - Current Account: Works	4 558 624	4 364 996
FNB (F1+) - Current Account: Mines	6 174 069	5 023 653
	53 614 933	**49 138 113**

6. Provisions

	2020 R	2019 R
Provisions comprise:		
Benefits due	860 393 173	813 641 793
IBNR provision	2 261 077 310	2 558 061 444
	3 121 470 483	**3 371 703 237**

	2020 R	2019 R
Provisions comprise:		
Non-current liabilites	2 261 077 310	2 558 061 444
Current liabilities	860 393 173	813 641 793
	3 121 470 483	**3 371 703 237**

6. Provisions (continued)

Reconciliation of provisions - 2020

	Opening Balance	Additions	Paid during the year (2)	Changes in methodology and assumptions/ Unexpected increase/ decrease (3)	Unwinding (4)	Transfer to benefits due	Total
IBNR - TB Loss of Earnings	5 000 810	13 911 345	-	4 304 304	998 492	(13 958 468)	10 256 483
IBNR - TB First Degree	11 229 607	7 020 561	-	3 941 250	1 215 180	(7 689 781)	15 716 817
IBNR - TB Second Degree	17 078 540	18 970 312	-	3 236 839	2 181 668	(19 697 078)	21 770 281
IBNR - Permanent First Degree	1 118 807 613	34 082 654	-	(145 075 691)	95 118 080	(131 353 789)	971 578 867
IBNR - Permanent Second Degree	1 405 944 874	51 028 948	-	(153 912 962)	119 394 815	(180 700 813)	1 241 754 862
Benefits Due - TB Loss of Earnings	86 620 847	-	(16 334 039)	(6 989 366)	6 457 053	13 958 468	83 712 963
Benefits Due - TB First Degree	38 843 266	-	(8 569 118)	(163 979)	2 860 960	7 689 781	40 660 910
Benefits Due - TB Second Degree	187 907 512	-	(123 758 937)	84 254 566	14 237 749	19 697 078	182 337 968
Benefits Due - Permanent First Degree	213 468 728	-	(49 688 577)	(89 230 564)	16 186 704	131 353 789	222 090 080
Benefits Due - Permanent Second Degree	284 378 454	-	(16 167 723)	(140 552 662)	20 809 384	180 700 813	329 168 266
Provision for PH files	2 422 986	-	-	-	-	-	2 422 986
	3 371 703 237	**125 013 820**	**(214 518 394)**	**(440 188 265)**	**279 460 085**	**-**	**3 121 470 483**

1. Additions represent the expected new claims during the 12-month inter-valuation period
2. Actual payments per the year
3. Changes in assumptions represent the impact on the liability as a result of changes in methodology and assumptions. Unexpected increase/(decrease) is the amount required to add up to the newly calculated liability resulting from actual experience not following assumptions
4. Unwinding represents interest credited to the liability as per the BEASSA nominal zero yield curve as at 31 March 2019 for the 12-month inter-valuation period

6. Provisions (continued)

Reconciliation of provisions - 2019

	Opening Balance	Additions (1)	Paid during the year (2)	Changes in methodology and assumptions/ Unexpected increase/ decrease (3)	Unwinding (4)	Transfer to benefits due	Total
IBNR - TB Loss of Earnings	4 023 741	15 433 466	-	40 194	895 562	(15 392 153)	5 000 810
IBNR - TB First Degree	11 725 156	6 340 235	-	(835 208)	1 118 612	(7 119 188)	11 229 607
IBNR - TB Second Degree	20 321 339	23 621 307	-	(4 939 364)	2 422 149	(24 346 891)	17 078 540
IBNR - Permanent First Degree	1 343 394 000	40 841 146	-	(223 990 036)	104 667 989	(146 105 486)	1 118 807 613
IBNR - Permanent Second Degree	1 676 021 589	61 187 707	-	(265 058 350)	130 784 842	(196 990 914)	1 405 944 874
Benefits Due - TB Loss of Earnings	93 348 724	-	(20 271 948)	(8 254 803)	6 406 721	15 392 153	86 620 847
Benefits Due - TB First Degree	45 479 152	-	(11 446 754)	(5 396 470)	3 088 150	7 119 188	38 843 266
Benefits Due - TB Second Degree	209 426 073	-	(109 320 358)	48 909 605	14 545 301	24 346 891	187 907 512
Benefits Due - Permanent First Degree	243 511 820	-	(50 702 063)	(142 477 650)	17 031 135	146 105 486	213 468 728
Benefits due - Permanent Second Degree	299 699 082	-	(15 629 549)	(216 806 286)	20 124 293	196 990 914	284 378 454
Provision for PH files	2 422 986	-	-	-	-	-	2 422 986
	3 949 373 662	**147 423 861**	**(207 370 672)**	**(818 808 368)**	**301 084 754**	**-**	**3 371 703 237**

1. Additions represent the expected new claims during the 12-month inter-valuation period
2. Actual payments per the year
3. Changes in assumptions represent the impact on the liability as a result of changes in methodology and assumptions. Unexpected increase/(decrease) is the amount required to add up to the newly calculated liability resulting from actual experience not following assumptions
4. Unwinding represents interest credited to the liability as per the BEASSA nominal zero yield curve as at 31 March 2018 for the 12-month inter-valuation period

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5.11 Notes to the annual financial statements

6. Provisions (continued)

Provision for Benefits Due and IBNR provision

The total claims liability, including provision for claims incurred but not yet reported (IBNR), as at 31 March 2020 was estimated to be R3 121 470 483 (31 March 2019: R3 371 703 237). This represents the expected monetary amount that together with investment income, would be sufficient to cover future payments in respect of last risk work to 31 March 2020.

Benefits Due represent a liability, however what is not certain is when the claim will be paid or how much will be paid based on the environment the Fund operates in. Therefore, the valuation amount relating to Benefits Due is classified as a Provision for Benefits Due and is recognised as such in the statement of financial position.

With regards to the IBNR claims, claims have not been reported to the MBOD nor has an assessment been made to determine whether the claims are compensable or not and therefore whether the Fund has an obligation or not. The validity of the claim depends on the assessment done in terms of the ODMWA.

Valuation methodology and actuarial assumptions

Provision for Benefits Due
The provision for Benefits Due was raised for all workers or ex-workers that were certified by the certification committee to be suffering from a compensatable disease and where it is anticipated that the outflow of resources embodying economic benefits required to settle that obligation is probable but the amount is not certain.

Claims in relation to Benefits Due were categorised as follows:
- TB Loss of Earnings
- TB First Degree
- TB Second Degree
- Other Permanent First Degree
- Unknown First Degree
- Other Permanent Second Degree
- Unknown Second Degree
- Other Permanent Unknown Degree
- Unknown claim type

The following methodology was applied to determine the Provision for Benefits Due as at 31 March 2020:
- the number of claims reported, certified and not yet paid per claims year was multiplied by the average cost per claim for that claim year
- the average cost per claim was calculated as the average of claims reported, certified and paid in each particular category
- payment rates (probability of payment) dependent on the time period between claim year and valuation date were applied
- these payment rates represent a sliding scale which are subject to a maximum of the payment rate for the IBNR provision at 31 March 2020
- a settlement pattern was applied to the proportion of claims that are assumed will be paid as at 31 March 2020. The settlement patterns were consistent with those used to calculate the IBNR provision
- expected future claim payments were discounted to 31 March 2020 using the Bond Exchange and Actuarial Society of South Africa (BEASSA) nominal zero coupon yield curve as at 31 March 2020
- the provision for Benefits Due equals to the sum of these discounted future claim payments

With respect to the Unknown First Degree and Unknown Second Degree category above, a weighted average of the applicable (first degree / second degree) average cost per claim and settlement periods for TB and Permanent Diseases was used for calculation purposes. Similarly, for Unknown Claim Type, a weighted average of the average cost per claim and settlement period was used.

IBNR provision

The IBNR provision makes allowance for future payments to be made on claim events which will arise in future as a result of exposure to conditions up to the valuation date that may lead to these claim events. In order to calculate the IBNR provision, run-off triangles have been constructed to model development pattern (reporting delay) and settlement pattern (payment delay).

Part E - Annual financial information

5.11 Notes to the annual financial statements

6. Provisions (continued)

In order to use these models, an occurrence date is needed. Last risk date has been used as a proxy for occurrence date. An “average cost per claim” method was used in respect of these run-off triangles.

It is noted for calculation purposes that last risk date was grouped into last risk year and claims date into claims year. Last risk year and claims year are defined as the twelve-month period to 31 March of the particular year.

The IBNR provision comprises the TB Liability and the Permanent Disease Liability.

Claims in relation to the TB Liability were categorised as follows:
- TB Initial (combination of TB Current and TB Can Antedate)
- TB Reactivated (combination of TB Reactivation and TB Relapse)
- TB First Degree
- TB Second Degree

Within each category of claim, the following sub-categories were used based on the mine the individual worked for at claim date or last risk date:
- gold
- platinum
- other commodities

The reason for subdividing TB claims into these groups was to obtain homogeneous groups to improve estimates of future claim payments.

The following methodology was applied to determine the TB Liability as at 31 March 2020:
- the ultimate number of claims were projected for last risk years up to the end of 31 March 2020 by applying a development pattern to the cumulative proportion of claims observed to have been reported to 31 March 2020. This process was repeated to determine incremental claims per development year for each applicable last risk year
- to allow for complete claims experience, current certification guidelines and based on an analysis of the data, a seven-year development period was used in determining the development pattern
- the average cost per claim was derived by analysing the underlying distribution of claim amounts awarded and subsequently paid per claim year. The following disease categories were analysed separately, based on the separate rules stipulated in the ODMWA with regard to the way in which award amounts are calculated:
  - TB Loss of Earnings (consists of TB Initial and TB Reactivated)
  - TB First Degree
  - TB Second Degree
- with respect to TB Loss of Earnings and TB Second Degree, the mean of the underlying distributions was used
- with respect to TB First Degree, the mode of the underlying distributions was used which corresponds to the maximum benefit as per the ODMWA
- the average cost per claim for TB Loss of Earnings was projected forward by the observed 'inflation rate'
- inflationary increases have been applied to the maximum benefit for TB First Degree from the valluation date
- the average cost per claim for TB Second Degree was projected forward by adjusting the underlying distribution to each subsequent claims year by keeping the minimum and maximum benefits constant (as no increases to the limits occurred over this period) and increasing the benefits falling between these amounts by inflation each year (subject to the applicable maximum benefit)
- the total claim amounts per development year for each last risk year was calculated by multiplying the expected number of claims in each development year (for each risk year) by the average cost per claim for that year. With respect to TB Loss of Earnings, a proportion of claims result in no loss once assessed. These claims have therefore been reduced by the proportion of claims expected to result in no loss
- a payment rate (probability of payment) was applied to total outstanding claims to allow for a proportion of the ultimate claims that will result in no payment
- a settlement pattern was applied to the proportion of claims assumed to be paid in each development year for each last risk year. This gives an estimate of total claims that will be settled per claim year and settlement year. The settlement pattern was derived for the following groupings:
  - TB Loss of Earnings (consists of TB Initial and TB Reactivated)
  - TB Permanent Diseases (consists of First Degree and Second Degree)

  A 9-year settlement period was used in respect of both these groupings

Part E - Annual financial information

5.11 Notes to the annual financial statements

6. Provisions (continued)

- expected future claim amounts to be paid per settlement year for each claims year were discounted to 31 March 2020 using the BEASSA nominal zero coupon yield curve as at 31 March 2020
- the TB Liability equals to the sum of these discounted future claim payments across all settlement years for all risk years

With regards to the Permanent Diseases Liability, allowance has been made for under-reporting. Under-reporting exists where workers are eligible to claim from the Fund but do not do so for various reasons. This is particularly relevant to permanent diseases such as silicosis and asbestosis where there is a long latency period. Under-reporting therefore means liabilities based on actual claims experience will not reflect the true number of ultimate claims that may arise in future. The methodology for the Permanent diseases liability involved the following 7 step process:

Claims in relation to the Permanent Disease Liability were categorised as follows:

- Silicosis First Degree
- Silicosis Second Degree
- Asbestos-related Diseases First Degree
- Asbestos-related Diseases Second Degree
- Obstructive airway disease (OAD) First Degree
- OAD Second Degree
- Other First Degree
- Other Second Degree

The reason for subdividing Permanent Disease claims into these groups was to obtain homogeneous groups to improve estimates of future payments.

Within each category of claim, the following sub-categories have been used based on racial categorisation:

- black
- white

The reason for subdividing the categories into sub-categories based on racial classification is to determine the extent of under-reporting with regards to Permanent Disease Claims.

The following methodology was applied to determine the Permanent Disease Liability as at 31 March 2020:

- the ultimate number of claims were projected for last risk years up to the end of 31 March 2020 by applying a development pattern to the cumulative proportion of claims observed to have been reported to 31 March 2019. This process was repeated to determine incremental claims per development year for each applicable last risk year
- to allow for complete claims experience, current certification guidelines and based on an analysis of the data, the development patterns have been allowed for over the following number of years:
    - Asbestos-related diseases: 55 years
    - Silicosis: 45 years
    - OAD: 10 years
    - Other: 55 years
- the ultimate number of claims expected to arise for last risk years 2004 to 2020 was determined applying this method. The ultimate number of claims for risk years prior to 2004 was done in conjunction with the estimation of under-reported claims
- the average cost per claim was derived by analysing the underlying distribution of claim amounts awarded and subsequently paid per claim year. The following disease categories were analysed separately, based on the separate rules stipulated in the ODMWA with regard to the way in which award amounts are calculated:
    - Permanent Disease First Degree
    - Permanent Disease Second Degree
- with respect to Permanent Disease First Degree, the mode of the underlying distributions was used which corresponds to the maximum benefit as per the ODMWA
- with respect to Permanent Disease Second Degree, the mean of the underlying distributions was used
- inflationary increase have been applied to the maximum benefit from Permanent First Degree from the valuation date
- the average cost per claim for Permanent Disease Second Degree was projected forward by adjusting the underlying distribution to each subsequent claims year by keeping the minimum and maximum benefits constant (as no increases to the limits occurred over this period) and increasing the benefits falling between these amounts by inflation each year (subject to the applicable maximum benefit)
- a payment rate (probability of payment) was applied to total outstanding claims to allow for a proportion of the ultimate claims that will result in no payment

Part E - Annual financial information

5.11 Notes to the annual financial statements

6. Provisions (continued)

- a settlement pattern was applied to the proportion of claims assumed to be paid in each development year for each last risk year. A nine-year settlement period was used
- expected future claim amounts to be paid per settlement year for each claims years were discounted to 31 March 2020 using the BEASSA nominal zero coupon yield curve as at 31 March 2020
- the number of under-reported claims was estimated as follows:
  - the development pattern for white workers is assumed be representative of the true development of permanent diseases such as Silicosis
  - within the black and white workers' development patterns, active workers claim within development year zero and ex-workers claim after development year zero. Under-reporting is minimal with respect to active workers
  - under-reporting is therefore assumed to occur predominantly for black ex-workers
  - the proportion of black ex-workers claiming after development year zero was adjusted such that the proportion of black workers claiming in development year zero to the proportion of black ex-workers claiming after development year zero equals the proportion of white workers claiming in development year zero to the proportion of white ex-workers claiming after development year zero. This was applied to last risk years from 2004 to 2020
  - frequency rates (excluding and including under-reporting) were estimated for this period and projected prior to 2004. This projection was done using historical claim numbers to calibrate frequency rates excluding under-reporting prior to 2004. The relationship between post 2003 frequency rates including and excluding under-reporting was used to determine pre 2004 frequency rates including under-reporting
  - pre-2004 frequency rates including and excluding under-reporting were applied to estimated total risk shifts prior to 2004 to determine total ultimate claims including and excluding under-reporting for last risk years prior to 2004
  - An adjustment was made for under-reported black silicosis second degree claims to ensure reasonable progressions in the frequency rates after allowing for corrections to under-reporting - this was as a result of Silica-TB claims in black workers, resulting in an immediate second degree certification, thereby distorting the relative frequency rates of black silicosis first degree claims versus black silicosis second degree claims
  - the proportion of the total ultimate number of claims excluding under-reporting relating to last risk years prior to 2004 expected to be reported and certified after 31 March 2020 was determined by using the applicable development patterns
  - past under-reported claims was calculated as the difference between ultimate claims including and excluding under-reporting that are assumed to have developed by 31 March 2020
  - after the payment rate was applied, a settlement pattern was applied to past under-reported claims with effect 1 April 2020. Mortality was allowed for to allow for the probability of survival from the point the worker should have claimed to the valuation date
  - future under-reported claims were calculated as the difference between ultimate claims including and excluding under-reporting that are assumed to arise after 31 March 2020 for last risk years to 31 March 2020. After the payment rate was applied, these were assumed to be settled in line with claims arising through the normal course of events
- expected future claim amounts to be paid per settlement year for each claim years were discounted to 31 March 2020 using the BEASSA nominal zero coupon yield curve as at 31 March 2020
- the Permanent Liability equals to the sum of these discounted future claim payments across all settlement years for all risk years

Assumptions

The following were the principal assumptions at the reporting date:

Economic assumptions

The economics assumptions used for the purposes of the valuation are:

- annual cash flows have been discounted at the rate implied by the BEAASA nominal zero coupon bond curve as at 31 March 2020 at that point in time
- inflation is calculated to be difference between the yields on the BEASSA nominal zero coupon bond curve and real zero bond curve as at 31 March 2020. An inflation risk premium of 0.5% has been applied

Part E - Annual financial information

5.11 Notes to the annual financial statements

6. Provisions (continued)

Demographic assumptions

The demographic assumptions used for the purposes of the valuation are:
- pre-retirement mortality: It was assumed that the mortality for under-reported claims arising to the valuation date would be in line with the 1985 base mortality table for black males in the Actuarial Society of South Africa Acquired Immune Deficiency Syndrome (ASSA AIDS) model
- post-retirement mortality: It was assumed that mortality for pensioners would be in line with the PA(90) mortality tables for males and females

Other assumptions

	2020 %	2019 %
Future 'inflation rate' for TB Loss of Earnings	11	12
Proportion of TB Loss of Earnings claims that result in no loss	15	15
TB Liability - percentage future claims that will be paid	90	90
Permanent Disease Liability - percentage future claims that will be paid	90	90
Permanent Disease Liability - percentage of under-reported claims that will be paid	75	75

Sensitivity analysis

Where variables are considered to be immaterial, no impact has been assessed for insignificant changes to these variables. Particular variables may not be considered material at present. Should the materiality level of an individual variable change however, an assessment of reasonable possible changes to that variable in the future may be required.

The Fund believes that the stated discounted provision is reasonable. It was calculated on a best estimate basis. The actual payments will differ from the estimated liability, as the estimate was based on certain variables and assumptions.

The sensitivity of some of the assumptions is shown in this table:

2020	Benefits due	IBNR provision	Impact on surplus / accumulated surplus
Base scenario	860 393 173	2 261 077 310	-
IBNR 90% TB payment, 75% Other permanent payment, Benefits due 75% payment	761 005 903	2 295 464 974	64 999 606
IBNR 90% TB payment, 60% Other permanent payment, Benefits due 60% payment	661 618 968	1 838 423 276	621 428 239
IBNR 90% TB payment, 90% Other permanent payment, Benefits due 90% payment	860 393 173	2 752 506 673	(491 429 363)
	-	-	-

2019	Benefits due	IBNR provision	Impact on surplus / accumulated surplus
Base scenario	813 641 793	2 558 061 444	-
IBNR 90% TB payment, 75% Other permanent payment, Benefits due 75% payment	717 045 845	2 488 016 395	166 640 997
IBNR 90% TB payment, 60% Other permanent payment, Benefits due 60% payment	620 450 093	1 991 413 278	759 839 866
IBNR 90% TB payment, 90% Other permanent payment, Benefits due 90% payment	813 641 793	2 984 619 512	(426 558 068)
	-	-	-

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5.11 Notes to the annual financial statements

	2020 R	2019 R

7. Payables from exchange transactions

Trade payables	77 785 093	68 847 157
Other payables	14 622 569	14 071 291
	92 407 662	**82 918 448**

8. Payables from non-exchange transactions

National Department of Health - Pensions	17 225 725	14 167 645
Other payables from non-exchange transactions	380 000	380 000
	17 605 725	**14 547 645**

9. Total revenue

Section 62 levies	113 391 077	105 909 707
Section 63 research levies	1 139 655	1 205 809
Other income - S74 (a) recovery from the national Department of Health	(36 119)	59 438
Other income - movement in provisions	315 174 445	671 384 507
Interest received	344 845 654	337 599 182
Goods and services in-kind from the national Department of Health	61 134 958	55 212 786
Pension payments transfer utilised	991 920	1 066 874
	836 641 590	**1 172 438 303**

The amount included in revenue arising from exchanges of goods or services are as follows:

Section 62 levies	113 391 077	105 909 707
Section 63 research levies	1 139 655	1 205 809
Other income - S74 (a) recovery from the national Department of Health	(36 119)	59 438
Other income - movement in provisions	315 174 445	671 384 507
Interest received	344 845 654	337 599 182
	774 514 712	**1 116 158 643**

The table below shows the split in the movement in provisions. If the net movement in provisions (excluding unwinding costs) is a release to provisions then the amounts is shown with other income (refer note 9). If the net movement in provisions (excluding unwinding costs) is an increase to provisions then the amount is shown with general expenses (refer note 14). The split below is shown for comparative purposes.

Movement in provisions

Disease in the First Degree - Section 80(1)	200 223 601	325 626 540
Disease in the Second Degree - Section 80(3)	243 436 676	420 676 929
Tuberculosis at 75% - Section 80(1)	(11 226 283)	(7 218 857)
Tuberculosis in the First degree - Section 80(4)	(10 797 832)	(108 557)
Tuberculosis in the Second Degree - Section 80(2)(b)	(106 461 717)	(67 591 548)
	315 174 445	**671 384 507**

The amount included in revenue arising from non-exchange transactions is as follows:

Transfer revenue

Goods and services in-kind from the national Department of Health	61 134 958	55 212 786
Pension payments transfer utilised	991 920	1 066 874
	62 126 878	**56 279 660**

Part E - Annual financial information

5.11 Notes to the annual financial statements

9. Total revenue (continued)

Basis on which fair value of inflowing resources was measured

Transfers

Services in-kind from the national Department of Health - Employee related costs	Measured at the value of the employee-related expenses incurred by the national Department of Health which related to the CCOD.
Goods and services in-kind from the national Department of Health	Measured at the value of goods and service related expenses incurred by the national Department of Health which relate to the CCOD.
Pension payments made	Pension payments made by the CCOD on behalf of the national Department of Health

Nature and type of goods in-kind are as follows:

Rental paid for CCOD Buildings	The national Department of Health pays rent to the Department of Public Works for the CCOD premises at 144 De Korte Street. The rental for 144 De Korte Street is included in a rental covering a number of buildings. The Department of Public Works has not allocated the rental payable by the national Department of Health to the various locations and so it is not possible to determine the rental paid.
Property, plant and equipment	This represents the various items of equipment and furniture located at the CCOD offices. These items are not deemed to be significant to the functioning of the CCOD and as such no items have been recognised. These items belong to the national Department of Health with the CCOD having the right of use over these assets.

Nature and type of services in-kind are as follows:

Services in-kind from the national Department of Health	Services in-kind represents expenditure incurred on behalf of the CCOD by the national Department of Health which includes employee-related and operational expenses necessary for the functioning of the CCOD.
Services in-kind from social partners and the mining industry	The Minerals Council South Africa, the Gold Mining companies and the World Bank supported various business process reforms at the CCOD. These included secondment of medical doctors to the Certification Committees of the MBOD, technical support for the preparation of the annual reports and financial statements, personnel for the Carletonville One Stop Service Centre and funding for the electronic database, the development of a logistics and coordinating centre and tracking and tracing of claimants and beneficiaries. Funding support was made available by the social partners through the provision of technical and human resources to the CCOD and not through direct cash transfers and as such is not possible to quantify.

Part E - Annual financial information

5.11 Notes to the annual financial statements

	2020 R	2019 R

10. Interest received

Interest received		
Interest on investments	338 316 395	328 556 989
Interest on cash and cash equivalents	2 513 049	2 859 930
Interest charged on trade and other receivables	4 016 210	6 182 263
	344 845 654	**337 599 182**

The amount included in Investment revenue arising from exchange transactions amounted to R344 845 654 (2019: R337 599 182).

11. Goods and services in-kind from the national Department of Health

Goods and services in-kind from the national Department of Health	61 134 958	55 212 786

Goods and services in-kind from the national Department of Health comprise:		
Non-exchange - services in-kind - employee related expenses	37 310 086	35 302 383
Non-exchange - goods and services in-kind	23 824 872	19 910 403
	61 134 958	**55 212 786**

12. Finance costs

Trade and other payables	2 936 066	2 482 843
Provisions - Unwinding adjustment	279 460 085	301 084 754
	282 396 151	**303 567 597**

13. Debt impairment

Contributions to debt impairment provision - refer to Note 4	8 020 829	1 216 717

14. General expenses

Actuarial valuation expenses	1 015 085	3 031 930
Bank charges	278 682	312 625
Pensions	991 920	1 066 874
	2 285 687	**4 411 429**

15. Cash generated from operations

Surplus	482 803 965	808 029 774
Adjustments for:		
Finance costs (provisions unwinding adjustment)	279 460 085	301 084 754
Debt impairment	8 020 829	1 216 717
Net movement in provisions (excluding unwinding adjustment)	(529 692 839)	(878 755 179)
Accrued interest on investments	(40 455 220)	(40 355 675)
Changes in working capital:		
Receivables from exchange transactions	(3 986 494)	34 795 990
Payables from exchange transactions	9 489 214	15 756 230
Payables from non-exchange transactions	3 058 080	2 769 126
	208 697 620	**244 541 737**

Part E - Annual financial information

5.11 Notes to the annual financial statements

16. Financial instruments disclosure

Categories of financial instruments

2020

Financial assets

	At amortised cost	Total
Investments	4 755 809 545	4 755 809 545
Receivables from exchange transactions	13 489 634	13 489 634
Cash and cash equivalents	53 614 933	53 614 933
	4 822 914 112	**4 822 914 112**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	92 407 662	92 407 662
Payables from non-exchange transactions	17 605 725	17 605 725
	110 013 387	**110 013 387**

2019

Financial assets

	At amortised cost	Total
Investments	4 511 133 525	4 511 133 525
Receivables from exchange transactions	17 523 969	17 523 969
Cash and cash equivalents	49 138 113	49 138 113
	4 577 795 607	**4 577 795 607**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	82 918 448	82 918 448
Payables from non-exchange transactions	14 547 645	14 547 645
	97 466 093	**97 466 093**

Part E - Annual financial information

5.11 Notes to the annual financial statements

	2020 R	2019 R

17. Related parties

Relationships		
Controlling entity	National Department of Health	

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties		
National Department of Health - Pensions	(17 225 725)	(14 167 645)
National Department of Health - S74(a) receivable	6 392 791	6 428 910
National Department of Health - S74(b) receivable	542 631	542 631

Related party transactions

Transfer payments for pension payments		
National Department of Health	4 050 000	3 836 000
Goods and services in-kind from the national Department of Health		
National Department of Health	61 134 958	55 212 786
Movement in S7(a) and S74 (b) receivables		
National Department of Health	(36 119)	59 438

The transactions above represent transfer payments from the national Department of Health for the payment of pensions as well as the assistance necessary for the functioning of the CCOD. The S74(a) and S74(b) statutory receivables represent amounts recoverable in terms of S74(a) and S74(b) of the ODMWA from the national Department of Health for amounts which the Fund is not able to recover from controlled mines or works or persons who were paid amounts by the CCOD which they were not entitiled to receive.

18. Risk management

Financial risk management

The Fund's activities expose it to a variety of financial risks including market risk (including cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Fund's principal financial liabilities are benefits payable to workers and ex-workers. The Fund's principal financial assets include interest bearing investments with the CPD, short term fixed deposits, cash and trade and other receivables from its operations.

The Fund monitors the management of these risks.

Liquidity risk

The Fund manages liquidity risk through ensuring adequate reserves and liquid resources are maintained.
Financial liabilities include trade accounts payable, which consist of benefits payable for claims approved and are due in less than one year. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Part E - Annual financial information

5.11 Notes to the annual financial statements

18. Risk management (continued)

Credit risk

Maximum exposure to credit risk is represented by the carrying amounts of investments, trade accounts receivable and cash and cash equivalents in the statement of financial position. The risk is managed by investing surplus funds per Treasury requirements and guidelines for an entity of government with funds under management.

Funds are deposited with the CPD, which is a subsidiary of the South African Reserve Bank. In addition, the Minister of Finance approved that funds can be deposited in a short-term fixed deposit in a rated registered bank or financial institution.

Trade accounts receivable comprises a large, widespread customer base and risk exists on delinquent accounts and possible defaults by customers.

The Fund did not consider there to be any material concentration of credit risk.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2020	2019
Investments - CPD	2 266 757 023	2 115 729 561
Short-term fixed deposits - Absa	288 468 872	267 497 847
Short-term fixed deposits - FNB	2 200 583 650	2 127 906 117
Cash and cash equivalents - Absa	47 440 864	44 114 460
Cash and cash equivalents - FNB	6 174 069	5 023 653

Market risk

Interest rate risk

As the Fund has significant interest-bearing assets, the entity’s income and operating cash flows are substantially dependent on changes in market interest rates.

The estimated fair value at 31 March 2020 has been determined using the market value and appropriate valuation methodologies, but are not necessarily indicative of the amounts the trading account could realise in the normal course of business. The fair value of financial instruments equals their carrying value, either because of the short-term nature and normal trade terms thereof, or the market-related interest rates attached to them.

The Fund is exposed to cash flow interest rate risk on various financial assets including trade receivables, trade payables, cash and cash equivalents and investments.

The exposure to interest rate fluctuations in line with movements in the prime lending rate are managed to minimise the impact on the statement of financial performance by amongst others entering into fixed-rate instruments for investment balances held.

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased/(decreased) the deficit for the year by the amounts shown below.

This analysis assumes that all other variables remain constant.

Part E - Annual financial information

5.11 Notes to the annual financial statements

18. Risk management (continued)

31 March 2020	100 bp increase	100bp decrease
Interest bearing investments - CPD	22 771 752	(22 563 965)
Short term fixed deposits	25 004 924	(24 776 760)
Cash and cash equivalents	538 614	(533 699)
Trade and other receivables	1 088 792	(1 078 857)
Trade and other payables	(781 426)	774 296
	48 622 656	**(48 178 985)**

31 March 2019	100 bp increase	100bp decrease
Interest bearing investments - CPD	21 254 536	(21 060 594)
Short term fixed deposits	24 064 135	(23 844 555)
Cash and cash equivalents	493 640	(489 135)
Trade and other receivables	1 049 318	(1 039 743)
Trade and other payables	(691 636)	685 325
	46 169 993	**(45 748 702)**

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year
Trade and other receivables - normal credit terms	9.75 %	108 381 086
Interest bearing investment - CPD	5.58 %	2 266 757 023
Short term fixed deposits - Mines	7.96 %	121 036 004
Short term fixed deposits - Mines	8.05 %	592 829 125
Short term fixed deposits - Mines	7.80 %	582 691 384
Short term fixed deposits - Mines	7.50 %	649 355 243
Short term fixed deposits - Mines	4.75 %	95 837 357
Short term fixed deposits - Mines	7.60 %	269 262 220
Short term fixed deposits - Works	7.90 %	158 834 537
Short term fixed deposits - Works	7.00 %	16 045 352
Short term fixed deposits - Research	7.55 %	3 161 300
Cash and cash equivalents - Mines	4.60 %	14 076 401
Cash and cash equivalents - Mines	3.50 %	6 174 069
Cash and cash equivalents - State	2.25 %	19 630 044
Cash and cash equivalents - Research	4.60 %	9 175 795
Cash and cash equivalents - Works	4.60 %	4 558 624
Trade and other payables	9.75 %	77 785 093

Price risk

The Fund is exposed to fluctuations in the employment market because its revenue is derived from risk shifts worked by employees in mines and works multiplied by the applicable rate per commodity.

19. Going concern

We draw attention to the fact that at 31 March 2020, the entity had an accumulated surplus of R 1 591 430 242 and that the entity's total assets exceed its liabilities by R 1 591 430 242.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis 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 Fund believes there is sufficient liquidity to meet short-term financial obligations as they become due, as current assets (R4 822 914 112) exceed current liabilities (R970 406 560) by R3 852 507 552 as at 31 March 2020.

Part E - Annual financial information

5.11 Notes to the annual financial statements

20. Contingencies

The Fund is not aware of any contingencies or potential obligations not already recorded in the annual financial statements.

21. Events after the reporting date

COVID-19

The nationwide lockdown came into effect on 27 March 2020. The various levels of lockdowns impacted the South African Mining Industry and the resultant number of risk shifts worked, particularly in April and May 2020. Mining activity recovered during the course of 2020. The impact on items recognised in the Annual Financial Statements is not considered to be signifcant. In addition the accounting policies adopted in the financial statements are deemed appropriate and no change is considered necessary.

Management has considered the impact of COVID-19 on liquidity and no significant concerns were identified about the entity's ability to continue as a going concern,. Refer to note 19

No other material events have taken place between the statement of financial position date and the authorisation of the annual financial statements.

22. Budget differences

Material differences between budget and actual amounts

Material differences can be explained as follows:

Statement of financial performance

Levy revenue
Levy revenue for the year ended 31 March 2020 was R196 469 268 lower than the budget of R311 000 000. This is attributable to the significant reduction in levy rates gazetted in the prior year effective 1 April 2018. This most significant impact was the reduction in levy rate for Gold mines which reduced by 46% from R8.41 per risk shift to R4.58 per risk shift.

Interest income
Interest received was R98 845 654 higher than budget due to higher investment balances.

Other income
Other income includes net decreases to provisions of R315 174 445. The update Actuarial valaution at 31 March 2020 was performed after the budget process was completed.

Pension payments transfer utilised
The budgeted amount of R4 050 000 represents the transfer from the NDOH for the payments of pensioners, compared to actual payments in the year ended March 2020 were R991 920 due to a reduction in pensioners eligible for pension payments.

Finance costs
Finance costs were R2 661 066 higher than budget due to higher than budgeted trade payables in the year. In addition, unwinding costs of R279 460 085 were not budgeted for as the the updated Actuarial valuation at 31 March 2020 was completed after the budget process was completed.

General expenses
The budget for general expenses includes forecast payments of R202 533 000 for claims and pension payments compared to actual claim payments of R214 518 394. General expenses, in the statement of financial performance, includes acturial valuation expenses (R1 015 085), bank charges (R278 682) and pesnion payments (R991 920).

Statement of financial position

Investments
Actual investment balances (R4 755 809 545 at 31 March 2020) were higher than budget (R4 524 362 000 at 31 March 2020) largely due to higher than budgeted interest received being retained in investments.

Part E - Annual financial information

5.11 Notes to the annual financial statements

22. Budget differences (continued)

Cash and cash equivalents
Actual cash and cash equivalents of R53 614 933 were lower than budget of R65 000 000, largely due to excess claim payments over levies received in the year.

Payables from exchange transactions
Payables from exchange transactions were higher than budget largely due to an increase in trade payables (R32 843 209 as at 31 March 2020) and payments received from unregistered mines (R42 931 471 at 31 March 2020). Trade payables represent benefits payable for claims approved.

Payables from non-exchange transactions
Payables from non-exchange transactions of R17 725 645 largely represents excess funds from pension transfer payments which have not been utilised by the Fund to date.

Provisions
The budget process did not split provisions into current and non-current. Total provisions per the statement of financial position was R3 121 470 483 compared to the budget of R3 269 316 000. The updated actuarial valuation at 31 March 2020 was performed after the budget process for the year was completed.

Differences between budget and actual amounts basis of preparation and presentation

The budget and the accounting bases differ. The annual financial statements for the whole-of-government are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The annual financial statements are for the fiscal period from 1 April 2019 to 31 March 2020. The annual financial statements differ from the budget, which is approved on the cash basis.

The amounts in the annual financial statements were recast from the accrual basis to the modified cash basis and reclassified by functional classification to be on the same basis as the final approved budget.