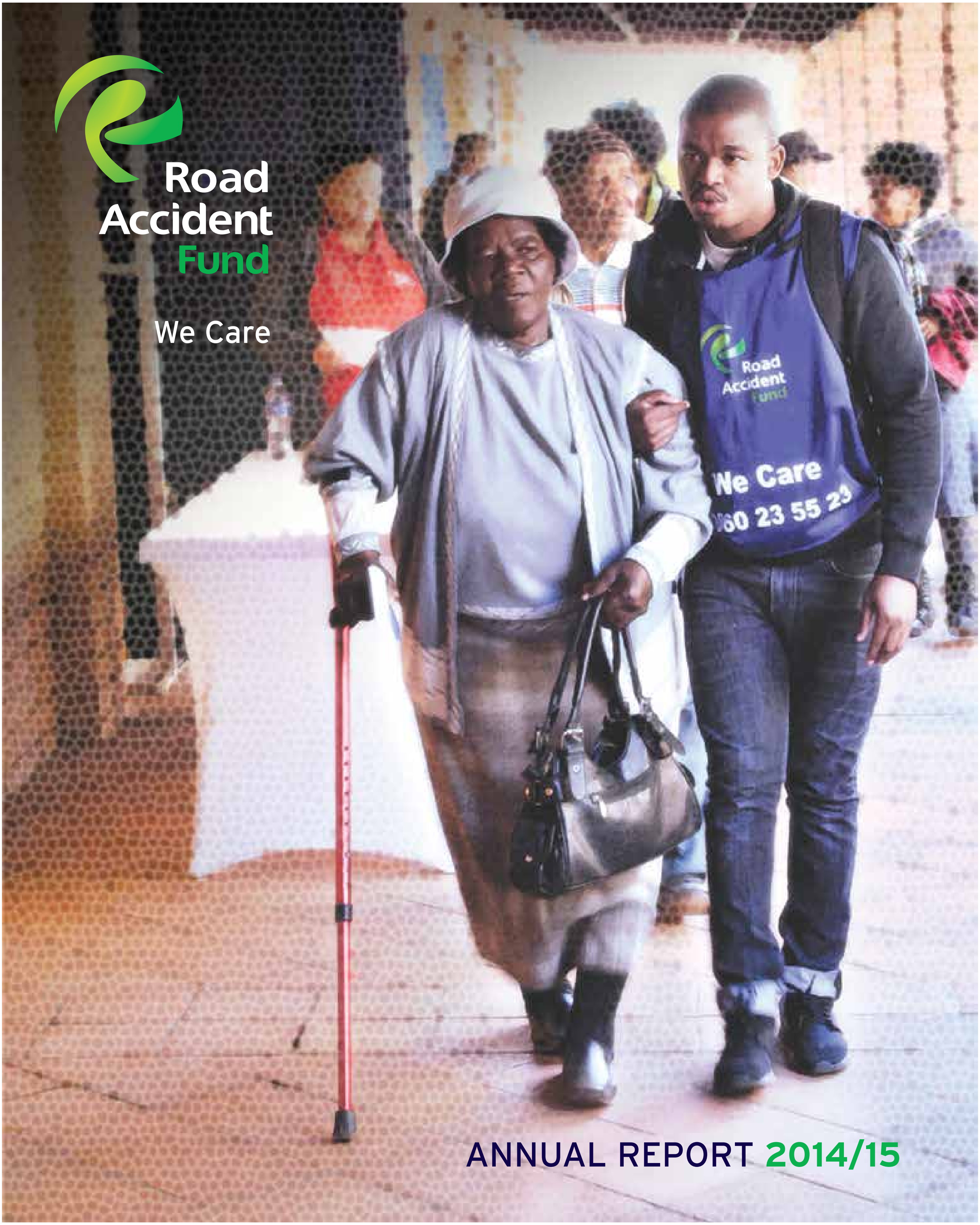
Road Accident Fund

We Care



ANNUAL REPORT 2014/15

Road Accident Fund

We Care

ANNUAL REPORT 2014/15

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The year at a glance

Number of employees increased from

2,288 to 2,555

Revenue increased by

11%

to R22.7 billion from R20.5 billion in the previous financial year

Claims liabilities increased by

20%

to R116 billion from R97 billion in the previous financial year

16 communities were visited and more than **18,000 claimants** assisted through the award-winning **'RAF on the Road'** outreach programme and claims to the value of almost **R480 million** were settled

Claims processing improved by

26% to R28 billion

from R22.3 billion in the previous financial year

286,944 calls were responded to by the **Call Centre**

173,743 new claims were received and **183,933** claims were finalised

Average **value** of a claim increased by **10%** **from R104,091 to R114,969**

Average **RAF legal** spend per claim increased by **4%** **from R20,645 to R21,564**

Average **claimant legal** spend per claim increased by **42%** **from R63,734 to R90,563**

Average **funeral cost** increased by **10%** **from R11,245 to R12,367**

Average **loss of support** claims decreased by **6%** **from R392,744 to R368,883**

Average **loss of earnings** claims increased by **13%** **from R649,912 to R732,371**

Average **general damages** claims increased by **51%** **from R221,003 to R334,799**

Average **medical** claims increased by **1%** **from R9,740 to R9,799**

Open and reopened claims reduced by 18,362 from 198,140 to 179,778

RABS

The draft **Road Accident Benefit Scheme** (RABS) Bill was published for a second round of public comment

Cost-to-income ratio for the financial year decreased to

27%

The fiscal unsustainability of the current **compulsory motor vehicle insurance** scheme remains a challenge

Net Fuel Levy
R22.6 billion

Cash and accrued expenditure on claims of R28 billion exceeded the net **Fuel Levy** by **R5.4 billion** (24%) due to the higher number of claims settled

AWARDS

The RAF won the **Department of Public Service and Administration's Batho Pele Service Excellence Award,** which recognises solution-focused initiatives in servicing the public

The RAF also won the **Transport Minister Peters' Special Award** at the Inaugural National Recognition of Service Excellence Awards ceremony, themed **'Igniting Excellence in Transport'**

The organisation was awarded three consecutive **clean audits** by the **Auditor-General of South Africa** for the 2012/13, 2013/14 and 2014/15 financial years

The RAF was **first runner-up** in the Centre for Public Innovation Awards, under the category of **'Innovative Service Delivery Institutions'**

The RAF was also crowned first runner-up in the Avusa Media Recruitment Awards in the Public Sector Category

**Statistics represented on these pages are in line with numbers and amounts mentioned elsewhere in this report.*

PART A

General Information

1. General information

Registered name	Road Accident Fund
Physical address	Eco Glades Office Park 2 420 Witch-hazel Avenue Centurion, 0046
Postal address	Private Bag X178 Centurion, 0046

Telephone number

0860 2355 23 (Customer Care Number)

Website	www.raf.co.za
External auditors	Auditor-General of South Africa
Bankers	Standard Bank
Corporate/Board Secretary	Ms JR Cornelius

2. Abbreviations/acronyms

Amendment Act	RAF Amendment Act, 2005 (Act No. 10 of 2005)
APP	Annual Performance Plan
B-BBEE	Broad-based Black Economic Empowerment
BEE	Black Economic Empowerment
CEF	Central Energy Fund
CEO	Chief Executive Officer
CGICTPF	Corporate Governance of ICT Policy Framework
CPI	Consumer Price Index
CRMP	Compliance Risk Management Plan
CSC	Customer Service Centre
CSR	Corporate Social Responsibility
DoT	Department of Transport
DPSA	Department of Public Service and Administration
EE	Employment Equity
EWS	Employee Wellness Services
EXCO	Executive Management Committee
FAR	Fixed Assets Register
FID	Forensic Investigation Department
GAAP	Generally Accepted Accounting Practices
GDP	Gross Domestic Product
GIBS	Gordon Institute of Business Science
GRAP	Generally Recognised Accounting Practice
GRI	Global Reporting Initiative
HCT	HIV Counselling and Testing
HR	Human Resources
HRBP	Human Resources Business Partners
HSC	Hospital Service Centre
IBNR	Incurred, But Not yet Reported (claims)
ICA	Information Collection Agent
ICAS	Independent Counselling and Advisory Services
ICT	Information and Communications Technology
IFRS	International Financial Reporting Standards
IoDSA	Institute of Directors in Southern Africa
IT	Information Technology
King III	King Code of Governance Principles and King Report on Governance

MBA	Master of Business Administration
MoU	Memorandum of Understanding
MTEF	Medium-Term Expenditure Framework
MVA	Motor Vehicle Accident
NEAP	National Economic Active Population
NPA	National Prosecuting Authority
OECD	Organisation for Economic Co-operation and Development
OHS	Occupational Health and Safety
PAIA	Promotion of Access to Information Act, 2000 (Act No. 2 of 2000)
PCOT	Portfolio Committee on Transport
PFMA	Public Finance Management Act, 1999 (Act No. 1 of 1999)
POPI Act	Protection of Personal Information Act, 2013 (Act No. 3 of 2013)
RABS	Road Accident Benefit Scheme
RABSA	Road Accident Benefit Scheme Administrator
RAF	Road Accident Fund
RAF Act	Road Accident Fund Act, 1996 (Act No. 56 of 1996)
REMCO	Remuneration and Human Resources Committee
RMEC	Risk Management and Ethics Committee
RNYP	Requested but Not Yet Paid (claims)
SAP	Enterprise Resource Planning System
SAPIA	South African Petroleum Industry Association
SAPS	South African Police Service
SARS	South African Revenue Service
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
SOE	State-Owned Entity
TEC	Total Employment Cost
Transitional Act	RAF (Transitional Provisions) Act, 2012 (Act No. 15 of 2012)
UN	United Nations
Unisa	University of South Africa
WHO	World Health Organization

3. Scope of the report

3.1 Introduction

The Road Accident Fund (RAF) welcomes the opportunity to present its Annual Report for the year ending 31 March 2015 in line with the National Treasury (NT) Annual Report Guide for Public Entities, the King Code of Governance Principles and King Report on Governance (King III), and the Protocol on Corporate Governance in the Public Sector (2002). In essence, corporate governance "embodies processes and systems by which corporate enterprises are directed, controlled and held to account"[1]. Oversight entails "reviewing, monitoring and overseeing the affairs, practices, activities, behaviour and conduct"[2] of an administrative authority to ensure that it meets its objectives.

3.2 Reporting Cycle

The objective of this report is to provide stakeholders with an integrated view of the RAF's organisational, operational and financial performance for the financial year 1 April 2014 to 31 March 2015. The report is intended to demonstrate the RAF's commitment to integrity, transparency and accountability and provide a complete and balanced view of its performance, including the successes and challenges, for the 2014/15 financial year, as well as those likely to form part of its future.

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

3.3 Reporting Boundary

This Annual Report covers organisational, operational and financial performance, including the audited financial results for the period 1 April 2014 to 31 March 2015 in terms of section 55(1) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). The narrative of the report is structured around the National Treasury Annual Report Guide for Public Entities. In addition, the report covers the social, environmental and broader economic impacts of the organisation's activities in Part C: Social Responsibility. The RAF acknowledges that its sustainability platform represents the beginning of a journey towards the maturation of its sustainability management and is inextricably linked to its business objectives.

3.4 Reporting Principles

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

During the current financial year, no new GRAP standards were applied except for the disclosures arising from IFRS 4: Insurance Contracts which were adopted for the first time. The full impact of the adoption of the Standard is disclosed in the Annual Financial Statements..

3.5 Supporting Documents

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

3.6 Audience

The stakeholders addressed by this report include, among others, the Parliament of the Republic of South Africa, the Executive Authority, national, provincial and local government, industry-related organisations, trade unions, employees, suppliers, existing and prospective claimants (local and foreign), the media, and the public. Stakeholders are discussed in detail in the section 'Social Responsibility' in Part C of this report.

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

2 National Treasury. 2005. *Governance Oversight Role Over State-Owned Entities*, pp. 5–6.

4. Foreword by the Chairperson

Introduction

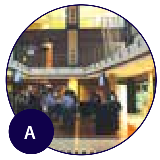
On behalf of the Board of the Road Accident Fund (RAF), it is my privilege to present the organisation's Annual Report and the Annual Financial Statements for the financial year ending 31 March 2015.

This report is prepared and presented in line with the Annual Report specimen and guidelines issued by the South African National Treasury. The report has also been prepared in accordance with the King Code of Governance Principles and King Report on Governance (King III), which states that reporting should be focused on substance over form and should disclose information that is timely, relevant, accurate, honest and accessible and comparable with past performance. It should also contain forward-looking information.

We trust that the RAF's Annual Report for 2014/15 provides a holistic and integrated review of the Fund's performance in terms of its finances, operations and sustainability, as well as in its role as one of the country's vital public entities.

Board Performance

During the year under review, the Board carried out a performance evaluation of itself and its committees. The results of the self-assessment ranged between 3.55 and 3.8 out of 4, where three equates to satisfactory and four to good/meets best practice.



An external assurance provider reviewed the Board Charter and Board committees' terms of reference. The Board Charter, committees' terms of reference, as well as their work plans were found to be adequate and comprehensive. A compliance exercise was also conducted, which found that the Board complied with its four committees' work plans. Supporting documentation for each requirement was reviewed to establish if compliance had been achieved.

The Board believes that on-going director development should be encouraged in the same manner as continuing professional development is encouraged in other professions. Current Board members have collectively attended 90 director development events since their initial appointment.

Annually, the Board holds a strategic planning and risk assessment workshop in order to review the Strategic Plan and agree on the annual performance targets for the following year.

Ethics (or integrity) is the foundation of corporate governance. Corporate governance is, in essence, an institution's practical expression of ethical standards. For this reason, the Board adopted the RAF Ethics Strategy. As the Board of the RAF, we are responsible for the following four ethical values which underpin good corporate governance – responsibility, accountability, fairness and transparency.

Ethical standards inform all RAF practices, procedures, policies and conduct. Therefore, from a strategic perspective, the Board, together with the CEO, is committed to the integration of ethical standards into all the RAF's strategies and operations. Integrating these ethical standards into its daily operations requires the RAF and all who act on its behalf to conduct their business in a manner consistent with these standards. The RAF's ethical standards include, but are not limited to, public integrity, which refers to the consistency of actions, values, methods, measures and principles applied by a public entity; impartiality as a core concept of fairness; and equality in terms of outcomes.

Transformation

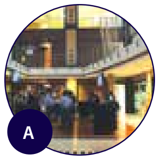
The transformation of the RAF, which commenced three years ago, continues and has seen the Fund becoming a key player in the country's social security system. The Fund has transformed into being the reliable, consoling arm of our government for victims of road crashes. The extensive changes taking place in the organisation cannot be solely attributed to the change of strategy

» The Board, together with the CEO, is committed to the integration of ethical standards into all the RAF's strategies and operations.

» Hard work and improved service delivery have led to numerous awards being conferred on the RAF.

introduced in the 2012/13 financial year, but also to the unflinching support from our government, and the general support and hard work of the RAF personnel. These are people who have worked diligently and implemented the measures introduced to make the RAF a public entity that all road users within our borders can be proud of, knowing that they are covered.

Hard work and improved service delivery have led to numerous awards being conferred on the RAF. These include, but are not limited to, the Transport Minister, Ms Dipuo Peters' Special Award and the Department of Public Service and Administration's (DPSA's) Batho Pele Service Excellence Award. These have given further impetus to an organisation that has transformed from an institution perceived as incompetent, uncaring and wasteful, into one driven by a pursuit of excellence in service delivery and, as such, making a difference in the lives of those affected by road crashes – thus worthy of such prestigious awards. Being a finalist in the United Nations' Innovation Awards for 2015, not to mention three consecutive 'clean' audit awards by the Auditor-General, is further proof that despite many challenges, the RAF is not just on the right path with delivering on its mandate and providing a social security net for victims of road accidents, but is doing so in a financially sound manner by adhering to the requirements of the Public Finance Management Act (PFMA).



As with other businesses, the Fund is affected by the general economic environment in the country, which often affects the sale of fuel. This subsequently affects the amount of the Fuel Levy that can be collected on behalf of the RAF, and the money available to cover, compensate and rehabilitate those affected by road accidents.

Performance

It is encouraging to note that despite the obvious challenges affecting both the country and the RAF in particular, there was an improvement in performance, with the organisation fulfilling 84% of its Annual Performance Plan (APP) targets. In the period under review, the RAF managed to reduce the outstanding claims backlog to 217,710 by 31 March 2015. This is 14,575 less than the number of outstanding claims the organisation held by the end of the 2013/14 financial year. It is important to note that in the same period, the RAF received an additional 173,743 new claims. The Fund increased claims processing, further expanded our footprint throughout the country by opening offices at more hospitals, and brought our services, through our community outreach programme 'RAF on the Road' to the doorsteps of 16 communities, settling claims worth R474 million in the process.

The improvement in performance is attributed to many factors, not the least being readily available support from the Department of Transport (DoT). Other factors include: the relentless pursuit of excellence in the execution of duties; a sound strategy; strong and competent leadership; recognition of staff who go beyond the call of duty; adherence to individual contracts and performance agreements linked to the mandate of the Fund; and last but not least, recruitment of competent and hardworking Executives and staff who have been able to implement and execute the strategy.

The year under review also saw the Board working cohesively and attending a strategy session during which 11 priorities were identified. The reporting period was also characterised by the implementation of an ethics framework (and self-assessment).

Challenges

The successes we realised during 2014/15 did not emanate from what some would call a conducive environment for success. In fact, to say the fiscal was eventful would be an understatement. We faced significant challenges, persevered, overcame and conquered many. The financial challenges that have beset the Fund for decades continued to put a severe strain on the operations and, more importantly, on our ability to carry out our core mandate, being to cover, compensate and rehabilitate victims of road crashes and their dependants. The financial strain was so severe that there were periods where the Fund was over R6 billion in arrears with settled claims that could not be paid, because there was no money available. This challenge was exacerbated by the inadequate funding model, which, for many years, has given the Fund an 8 cent annual Fuel Levy increase, out of sync with the number of road crashes, the increasing cost of compensation and medical care, and the improved performance.

The Fund's financial challenges worsened with the cash constraints. However, as we have done in recent years, we were transparent in regularly communicating to all stakeholders what the challenges were. Extensive engagements took place with affected claimants and their representatives, as well as the media. Internal measures were also introduced to optimise cash flow management and time periods, but the core challenge was and remains real – the RAF dispensation is not adequately funded and remains unsustainable.

The panel attorney challenge in the Port Elizabeth High Court, reported on in the previous Annual Report, received extensive publicity and was effectively brought to a close. Going out on tender gave us the opportunity to implement new service level agreements which would bring the value we expected from the legal service providers. We ensured that one of our important delivery arms would be held accountable through effective service agreements. We now have a new panel of attorneys whose mandate talks to our APP targets.

Fuel Levy Increase

Whilst financial challenges will continue to affect many of our government's projects and interventions, it was very encouraging to note that the biggest slice of the fuel levy was allocated to the RAF. We are convinced that delivery on the part of the RAF was part of the driving force that influenced Finance Minister, Mr Nhlanhla Nene's decision to increase the RAF Fuel Levy by 50 cents per litre. This raises the compensation scheme's primary source of income from 104 cents to 154 cents per litre of fuel sold in 2015/16, a percentage increase of 48%. The increase, which will bring an extra R10 billion to our budget, will not solve the decades-old financial quagmire we find ourselves in, but will be a significant injection that will go a long way towards alleviating the immediate challenges we face.

Road Accident Benefit Scheme

Only a complete overhaul of the system, as proposed through the Road Accident Fund Benefit Scheme (RABS), can address the fault-based, unfair and unsustainable system defined by the RAF Act.

As much as there were improvements with regard to service delivery, there is no doubt that the current system of the RAF is not only financially unsustainable but also discriminatory, open to abuse and fraught with extensive and costly litigation, prolonged claims finalisation and high administrative costs. Furthermore, the establishment of fault which the system requires is sometimes a highly contentious and protracted issue. We are therefore proud to state that the RAF has played a major supportive role to the DoT in its endeavours to bring to life a sustainable, equitable and no-fault based system, RABS, and the subsequent administrator, the Road Accident Benefit Scheme Administrator (RABSA) which will replace the current RAF. It is important to note that the Bill is a product of recommendations of the 2002 Satchwell Commission and other reports which, over the years, have reiterated that the RAF, in its current state, is not reasonable, affordable, equitable or sustainable and is bound to collapse if urgent measures are not taken.

Strategic Direction

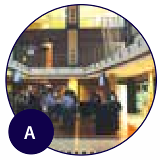
As we move forward with interventions to promote a social security system that will cater for core financial and medical needs of victims of road crashes, we are mindful of the country's National Development Plan (NDP) and the importance of aligning our strategy with what this plan seeks to achieve. The Board seeks to ensure that the RAF sustains a high-performance level and will review targets, with the goal of improving them, in order to increase service delivery. Now we see a 'clean' audit as a norm and not an exception and we will continue to provide guidance and support to ensure that this is not a once-off phenomenon. Despite these and many other challenges we faced, it is important to note that the RAF still continues to deliver.

Acknowledgements

On behalf of the Board of the RAF, I wish to extend our sincere gratitude to the Honourable Minister of Transport, Ms Dipuo Peters, her Deputy, the Honourable Sindisiwe Chikunga and the entire DoT team. We would also like to thank our Parliament's Portfolio Committee on Transport, as well as other government departments, fellow State Owned Entities, the municipalities that hosted many of the Fund's activities, and most importantly, Executives, Management and the employees of the RAF who are tasked with fulfilling the mandate.

Unflinching support rendered to the Fund, the regular presence of our principals at many of our activities, feedback given to us on many issues, as well as support and guidance provided, cannot be appreciated enough.

Dr Ntuthuko Bhengu
Chairperson of the Board
31July 2015



5. Chief Executive Officer's overview

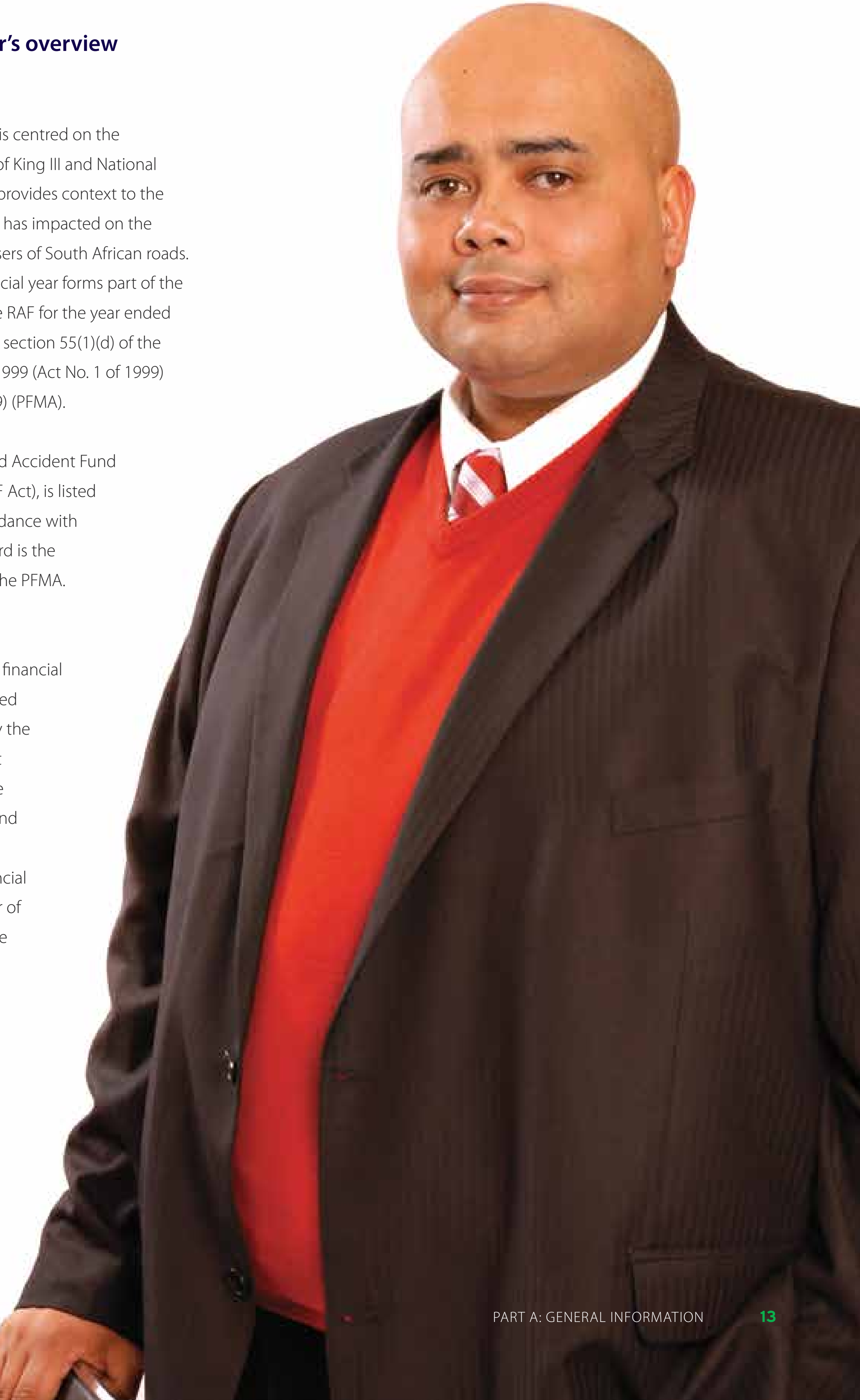
Introduction

The RAF's Annual Report: 2014/15 is centred on the principles and recommendations of King III and National Treasury's Regulations. The report provides context to the financial results and how the Fund has impacted on the socio-economic wellbeing of all users of South African roads. This overview of the 2014/15 financial year forms part of the Annual Financial Statements of the RAF for the year ended 31 March 2015 in accordance with section 55(1)(d) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (as amended by Act No. 29 of 1999) (PFMA).

The RAF, as established by the Road Accident Fund Act, 1996 (Act No. 56 of 1996), (RAF Act), is listed as a National Public Entity in accordance with Schedule 3A of the PFMA. The Board is the Accounting Authority in terms of the PFMA.

Transformation

The RAF commenced the 2014/15 financial year on a high note, having achieved 83% of its APP targets as set out by the Board and approved by Parliament in the previous financial year. There were great expectations for the Fund to maintain and even surpass the achievements of the 2013/14 financial year. Our government, the Minister of Transport, Ms Dipuo Peters, and the DoT, important stakeholders, and all road users within our borders, especially victims of the carnage on our country's roads and their dependants, expected nothing less than for the Fund to fulfil its mandate of continuing to be government's consoling arm for road crash victims.



Fulfilling this mandate and ensuring that strategic objectives were achieved, while continuing the RAF's transformation into a more sustainable, customer-focused entity governed by the pursuit of excellence in performance, was never going to be an easy task.

We promised to work and to deliver; and our achievements, as indicated by our successes, coupled with numerous awards bestowed on us during the course of the year, are a clear indication that the RAF is set on delivering. The organisation has turned the proverbial corner and is becoming a public entity that all road users have confidence in and are proud to know.

During the year under review the RAF became a multi-award winning organisation. In just a single year, Transport Minister Peters recognised the work done by the RAF and bestowed her Special Award on the Fund at the Inaugural National Transport Recognition of Service Excellence Awards ceremony, themed 'Igniting Excellence in Transport'. We also won the Department of Public Service and Administration's (DPSA's) Batho Pele Service Excellence Award, which recognises solution-focused initiatives in servicing the public. We were first runner-up in the Centre for Public Service Innovation (CPSI) Awards, under the category of 'Innovative Service Delivery Institutions'. As a result of this achievement, the Fund received automatic entry into the United Nations Innovation Awards for 2015. We were also crowned first runner-up in the Avusa Media Recruitment Awards in the Public Sector Category, and we received our second consecutive Auditor-General's award for a 'clean' audit. A third consecutive clean audit for 2014/15 was recently announced by the Auditor-General. This is a significant achievement, as it speaks to the Fund's financial, governance, performance and compliance environment.

Operational Statistics

Claim processing improved by 26% to R28 billion and we registered 173,743 new claims and finalised 183,933. The increase in newly registered claims proves the promotion of access which the RAF has persistently implemented.

The RAF finalised an average of 503 claims[1] each day of the year. The average loss of earnings claims increased in value by 13% from R649,912 to R732,371 and the average general damages claims increased by 51% from R221,003 to R334,799. The total average value of a legal cost payment per claim grew to R112,127, with the RAF element accounting for 19%, and the plaintiff element for 81%. Impressively, the percentage of overall expenditure due to legal fees reduced successfully to 19%. Obviously, as the RAF, we would prefer it if this money was spent on taking care of victims, paying for rehabilitation and other expenses that result from road crashes.

The many successes that we experienced also came with numerous challenges. Some of the challenges we faced, including exacerbated financial constraints and numerous legal battles, should have caused us to buckle and falter, but the organisation and its staff remained resilient and succeeded. This is all due to a shared commitment to pursue excellence and the desire to fulfil the set mandate of making a difference in the lives of those affected by motor vehicle crashes. Clear focus, a clear set of objectives and a resolute commitment to deliver and finish what we started, formed the cornerstone of our engagement in the execution of our duties.

Annual Performance Plan Targets

As an organisation, we are encouraged by the improved performance which saw us achieve 84% of our APP targets compared to 83% in the previous financial year. We are confident that with continued support from government and commitment from our 2,555 staff complement, we can achieve even more. The Fund settled claims worth R28 billion, the highest total amount ever settled and about R6 billion more than was settled in the 2013/14 financial year. R6.7 billion of the R28 billion has been finalised for payment, but will only be honoured through the monthly Fuel Levy.

1 Based on 183,933 claims finalised divided by 365 days

Engagements with Customers

The hard work put in over recent years earned the RAF great support from government and stakeholders, but has also boosted the image and reputation of the organisation. We continue to take our services to the doorsteps of previously marginalised communities with our community outreach programme, 'RAF on the Road,' being an exemplary service delivery project having been to 51 communities, touched 35,500 lives and settled claims to the value of R767 million since its inception in 2012. These are not just statistics, but figures which represent real lives that have been touched by the RAF. One example of this service is that of an East London resident, Two-Penny Mfeketo (55), who attended one of our events sitting on a plastic bucket and being pushed in a grocery trolley. A few days later we restored his dignity by not only providing him with a wheelchair, but ensuring through an interim settlement offer that his basic needs were taken care of while the RAF was busy processing his claim. The extensive community mobilisation that precedes such events, as well as our increased media presence, has empowered millions of road users with knowledge of the RAF and its services.

> The hard work put in over recent years earned the RAF great support from government and stakeholders...

Whilst on the one hand we are meeting thousands of claimants through various RAF engagements and collaborations with other stakeholders, our Call Centre, or virtual contact centre, continues to make strides in attending to claimants' queries with 286,944 calls attended to, a significant growth from 244,366 in the previous fiscal. We effectively use social media platforms (Twitter, Facebook and Instagram) to update the public about our activities throughout the country and as a channel where we can engage on numerous issues from claiming from the RAF to road safety. We have more than 45,000 friends and followers on these platforms, eager to hear what the RAF is doing or has to say.

Staff Complement

Our team has grown in line with expansive budgets approved by DoT, National Treasury and Parliament over the medium term. Much of the growth centred on re-establishing units which had fallen away and the introduction of new segregated teams. Experts in numerous fields were brought in to help improve delivery in both support and core business, resulting in a permanent staff complement of 2,555, and reducing the vacancy rate to below 7%. More importantly, all vacant Executive positions have been filled and work is underway to conclude the final appointments of 191 vacant posts. We ensure optimal capacity in terms of people and performance by recruiting, remunerating, managing and retaining skilled staff; identifying talent and managing succession; training and developing, while managing outliers; and recognising and rewarding performers within the organisation.

The competency and commitment at our disposal is there for everyone to see. Our Chief Information Officer and her team, as well as our Risk Management team have been invited to present at prestigious government events to share how they addressed IT and Risk matters, with recommendations that other entities and departments should benchmark against.

Fraud and Corruption

We have started plugging the many loopholes, which, over the years, have made the RAF vulnerable to abuse by stakeholders and employees. Our Legal and Forensic teams have relentlessly pursued fraudsters and those stealing from the RAF. The result is that a large number of attorneys have been struck off the roll, doctors and SAPS officials arrested, and a number of touts are languishing in jail or serving suspended sentences for RAF fraud-related matters.

Our ability to effectively protect money meant for victims of road accidents, deal with corruption against the Fund, implement measures to ensure adherence to good corporate governance and PFMA standards and improve delivery on the set mandate can be attributed to the continued support we have enjoyed from government and the public.

Financial Review

During the year under review, the RAF was once more able to reduce the number of outstanding claims where no payments were made. This has decreased to 179,778 from 198,140 in the previous financial year, despite constrained income and is now compatible with the number of claims received annually. The detailed review of the results of the RAF for the year ended 31 March 2015 is included under the Operating Environment contained in Part B of this report.

The financial challenges we experienced in the 2013/14 financial year persisted, but the RAF continued to settle claims, although the amount of settled claims exceeded our budget by more than R6 billion. Throughout the many challenges experienced, we remained transparent and communicated directly with victims, stakeholders and all affected service providers.

The financial challenges that we continue to operate under remain our Achilles' heel. Our revenue for the year grew by 11%, from R20.5 billion to R22.7 billion as a result of the 8 cent per litre increase in the RAF Fuel Levy and a minimal increase in the volume of fuel sold over the previous financial year. Net fuel levies accounted for 99% or R22.6 billion of total revenue. The Fund recorded a deficit of R19.5 billion in the financial year under review compared to a deficit of R17.3 billion in the previous year. The deficit is directly related to the provision for outstanding claims, which increased from R97 billion (2013/14) to R109.3 billion in the current year, and to an increase in settlements relating to higher accruals and cash pay-outs on claims. The provision is an actuarial estimation of what it would cost to fund claims that are on hand and being attended to, as well as those which will still be registered in future for past periods.

The Statement of Financial Position reflects the extent to which the Fund remains undercapitalised. A net deficit of R110.2 billion (2013/14: R90.8 billion) was recorded for 2014/15. It remains noteworthy that the RAF has been technically insolvent since 1981, because the business was never capitalised appropriately.

Claims expenditure (excluding the increase in the provision for outstanding claims) increased by 26% to R28 billion (2013/14: R22.3 billion). During the reporting period, 124% of Fuel Levy income was required to pay claims expenditure (cash and accrued), compared to 109% in 2013/14. The Fund depleted cash reserves, accumulated in less productive periods, to a low of R1.05 billion to pay claims.

Total expenditure for the year, excluding the increase in the provision for outstanding claims, increased by R6.1 billion to R29.7 billion (2013/14: R23.6 billion) as a result of improved productivity and higher claims costs. Claims expenditure (excluding provision) of R28 billion accounted for 94% of total expenses, with the balance being made up of employee costs, i.e. R1.2 billion (4%) and administration and other costs, i.e. R512 million (2%).

The Fund recorded cash reserves of only R1.05 billion in its Statement of Financial Position at year-end (2013/14: R2.5 billion), as all available resources were utilised to pay claims. Cash reserves relate to the nature and volume of claims received and processed.

Management interventions were implemented to improve claim payments, efficient business processes were put in place, additional staff members were recruited and alternative claims administration measures have been implemented. These interventions led to improved claims processing during the year, which outstripped the RAF's cash reserves. Quite simply, by improving productivity, claims processing increased, the backlog reduced and available cash was depleted, making claim payments dependent on monthly Fuel Levy inflows.

At a broader level, the inequitable allocation of economic resources, as a result of the legislative framework, continues under the current compensation arrangement. From a total of nearly R21.5 billion cash payout towards claims:

- R1.3 billion was paid in medical costs;
- R4.6 billion was spent on legal and expert costs;
- R5.9 billion was paid in general damages – primarily to persons not seriously injured; and
- R9.6 billion was paid for loss of earnings and support for those who qualified.

Early this year, Finance Minister, Mr Nhlanhla Nene, awarded the Fund a 50 cent Fuel Levy increase, which is an effective increase of R10 billion to our annual budget. In his Budget Speech, the Minister said: "This is a substantial increase from the present levy of R1.04. It is required to finance the progress made by the RAF administration in clearing the claims backlog. But it also reflects the unsustainability of the current compensation system, which has accumulated a R91 billion (currently R110 billion) unfunded liability. Legislation to establish the new Road Accident Benefit Scheme (RABS) will be tabled this year to provide for affordable and equitable support for those injured in road accidents. Once the legislation has been passed, the levy will be assigned to the new scheme." Although a significant increase, the 50 cent

» Extensive public and stakeholder consultations have taken place regarding comments on the proposed RABS Bill.

is not sufficient to cover all claims the RAF currently has on hand and those expected in the 2015/16 financial year. Cash flow management strategies will continue over the medium term.

RABS Bill

Extensive public and stakeholder consultations have taken place regarding comments on the proposed RABS Bill. The proposed no-fault based social security system will go a long way to addressing some of the challenges that exist with the current systems administered by the RAF. RABS, the product of extensive consultations as well as essential changes that are backed up not only by recommendations of the Satchwell Commission of 2002, but by other Cabinet reports, as well as numerous necessary amendments to the RAF Act, seek to create a just, efficient, equitable and sustainable social security system to look after victims of road accidents and their families. We are confident that when RABS is promulgated, the long legacy of an unfair, inequitable, inefficient and unsustainable third party insurance system, vulnerable to wide-spread abuse, will be a thing of the past.

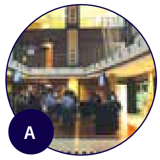
Contingency Fees Act

Notwithstanding the provisions of the Contingency Fees Act, 1977 (Act No. 66 of 1977), certain Law Societies made provision in their rules for members to charge in excess of the percentages prescribed by the Act. Many attorneys disregarded the law and the fundamental rights of victims of road accidents. This was confirmed by the Constitutional Court, which ruled that it was illegal and unconstitutional for law firms to charge contingency fees in excess of the 25% maximum prescribed by the law. This judgement paved the way for road accident victims to pursue claims amounting potentially to millions of Rand, where fees in excess of the law were charged. The RAF has facilitated many requests for documentation needed by claimants to lodge legal challenges to recover monies from law firms that may have operated outside the parameters of the Contingency Fees Act.

While some prefer to call this practice 'over reaching', it is simply an illegal practice which must be investigated, corrected and prevented.

Litigation Management

The RAF is required to investigate both the merits and quantum of a claim, within 120 days from the date of lodgement of the claim. Where the RAF is unable to settle the claim within the aforementioned period, the claimant is entitled to commence litigation. When considering the time available to the claimant to prepare the claim prior to lodgement, two years from the date



of accident in the current instance, the RAF is clearly at a disadvantage. This disadvantage is compounded where the claim is a 'hit-and-run' claim where the RAF is not able to rely on its insured driver for a version of events that would assist in assessment of the merits of the claim.

Furthermore, the 120 day period is not extended when any aspect of the claim is amended, e.g. when new evidence is furnished relating to the merits or quantum of the claim, the RAF is required to assess the new evidence but no further allowance is made in the Act for additional time within which to do so. Plaintiff attorneys are aware of this limitation and often file additional reports close to the date of trial, making it difficult for the RAF to place the plaintiff on risk and containing litigation costs.

It is also significant to note that the RAF has motivated for an amendment to the rules of court which would prevent the current practice of serving expert reports shortly before trial. The Rules Board has advised that it is in the process of consulting stakeholders regarding the amendment of the rules.

The RAF acknowledges that there are areas where litigation performance has been sub-optimal and has, as a result, implemented a number of measures to improve litigation management and court performance.

Since 2013, the RAF improved its claims processes and introduced workflow management to reduce turnaround times. As part of these improvements, a separate Merits Unit was created to deal with merits prior to determination of the quantum.

The RAF implemented a Quality Assurance Unit in all regional offices as an additional control to improve litigation management.

Staff attend court daily to ensure that matters do not proceed without instructions, and that RAF panel attorney performance is monitored. Pre-trial conferences are held in chambers to assist in limiting issues in dispute before trial, alternatively with a view to settling matters. With the exception of the South Gauteng High Court, the RAF has facilitated an electronic court roll to obtain copies of the court rolls in advance to assist the Litigation Management Units to identify matters close to trial to better prepare.

In addition to the aforesaid improvements, the RAF has introduced a Panel Management Unit in each region to enforce compliance with the service level agreement with the RAF by our panel of attorneys. The service level agreement contains strict timelines to be adhered to by both the panel attorneys as well as the RAF staff. These timelines are specifically designed to speed up the litigation process and reward earlier settlement of claims.

To further speed up and clear unnecessary litigation, the RAF conducts block settlements with plaintiff attorneys to agree on a settlement. Some plaintiff attorneys will still set the matters down on the motion court rolls to have settlement agreements made orders of the court, notwithstanding the entering into a validly binding settlement agreement at block settlements. This practice burdens the court roll and escalates legal costs.

Following the issuing of a tender for a new panel of attorneys to represent the Fund in litigation, a challenge to the handover of files was started against the Fund through an arbitration claim instituted on 17 June 2014. This claim was heard from 8 to 10 December 2014 with the ruling handed down on 15 January 2015. The claim was instituted by eight law firms whose contracts expired by the effluxion of time on 30 June 2014 and who were as such contractually bound to hand the files back to the Fund. The Fund successfully defended the claim with the arbitrator finding that once the service level agreement terminated per the contractually agreed terms, the erstwhile service providers did not have further claim to continue to work on the files.

Other Successes

The Fund reviewed and approved numerous policies and procedures during the year under review, obtained a Risk Maturity Level of 4/5 and implemented a Combined Assurance Framework. A Supply Chain Management Turnaround Strategy was implemented, as was a Five-Year Information Technology (IT) Strategy. The year also saw the implementation of Talent and Succession Management Plans. Five Customer Service Centres and 13 new Hospital Service Centres were opened, which now effectively gives the RAF a presence in all provinces countrywide.

Acknowledgements

I wish to express a sincere word of thanks to the Minister of Transport, Ms Dipuo Peters, and the Deputy Minister of Transport, Ms Sindisiwe Chikunga, for their unstinting support over the past financial year.

As the Executive Management of the RAF, our gratitude is also extended to the Chairperson and Members of the Portfolio Committee on Transport for the unfettered guidance provided throughout the year.

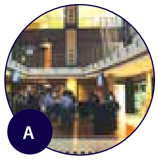
A warm message of thanks is extended to the Board, especially the Chairman and the Vice-Chairman for their leadership, guidance, enthusiasm and dedication shown to the organisation this year.

A word of appreciation also goes to the RAF leadership and staff for their continued support, loyalty and diligence. We have met 84% of the predetermined 2014/15 APP targets, showing that the RAF, as an organisation, will not cower when faced with challenges, but will continue to transform its delivery record.

In conclusion, we recognise those who have lost their lives, been injured or who have lost a loved one in a motor vehicle accident in the period under review. As the RAF, our responsibility going forward remains firmly fixed on alleviating the suffering which arises from negligence on our roads.

WATSON, E

Dr Eugene Watson
Chief Executive Officer
31 July 2015



6. Statement of responsibility and confirmation of accuracy for the Annual Report

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

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

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

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

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

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

The Accounting Authority is responsible for establishing and implementing a system of internal control that is designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.

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

In our opinion, this Annual Report fairly reflects the review of operations, the performance information, the human resources information and the financial affairs of the RAF for the financial year ended 31 March 2015.

Yours faithfully

Dr EA Watson
Chief Executive Officer
31 July 2015

Dr NM Bhengu
Chairperson of the Board
31 July 2015

7. Strategic overview

Mandate of the RAF

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

The RAF provides compulsory social insurance cover to all users of South African roads; rehabilitates and compensates people injured as a result of the negligent driving of motor vehicles in a timely and active manner; and actively promotes the safe use of our nation's roads. According to the Act, the object of the Fund is the payment of compensation in accordance with the Act for loss or damage wrongfully caused by the driving of a motor vehicle.

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

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

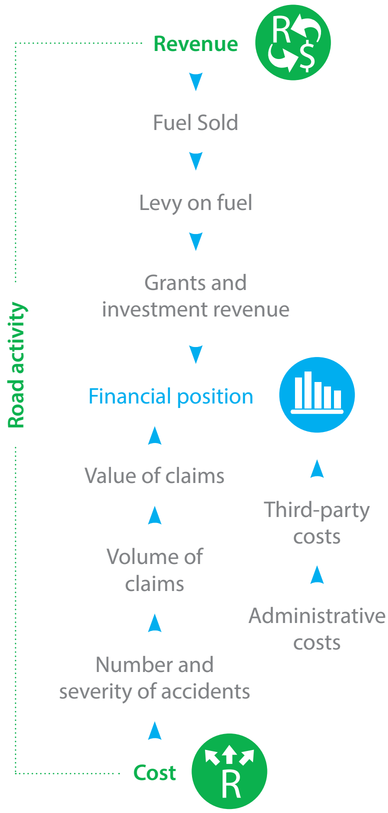


Figure 1: Factors influencing the RAF's financial position

Service Delivery Environment

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

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

The fuel levy per litre is set by National Treasury on a yearly basis, whereas total fuel sales are influenced by a number of macroeconomic factors. On an annual basis, the RAF requests National Treasury for an increase in the RAF Fuel Levy, based on a financial model and a calculation of its costs during the coming year. The full extent of the RAF Fuel Levy requested is seldom granted, because National Treasury has historically set the levy on the basis of a pay-as-you go principle rather than with the purpose of establishing a fully-funded position for the RAF. During the 2014/15 financial year, the RAF Fuel Levy was set at 104 cents per litre.

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

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

The costs that the RAF incurs are as a result of road accidents. The volume and severity of accidents influence the volume and average value of claims made against the RAF. In addition, the RAF's costs consist of:

» Third-party costs (e.g. attorney costs, medical and/or legal expert costs); and
» The RAF's administration costs.

Claims expenditure comprises the RAF's largest expense item. Liquidity is determined by the cash available after claims and other expenses have been paid out for a specific period. Liability is largely composed of outstanding claims that need to be settled, along with their associated costs. This can be simplistically represented by Figure 2.

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

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

The United Nations General Assembly proclaimed 2011–2020 the Decade of Action for Road Safety. South Africa is one of the member countries that has committed itself to the Decade of Action and as part of the declaration

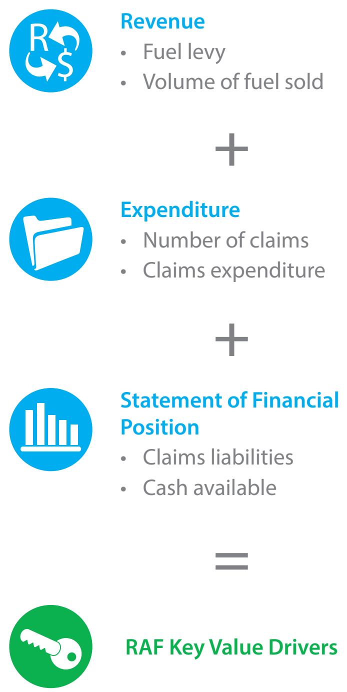


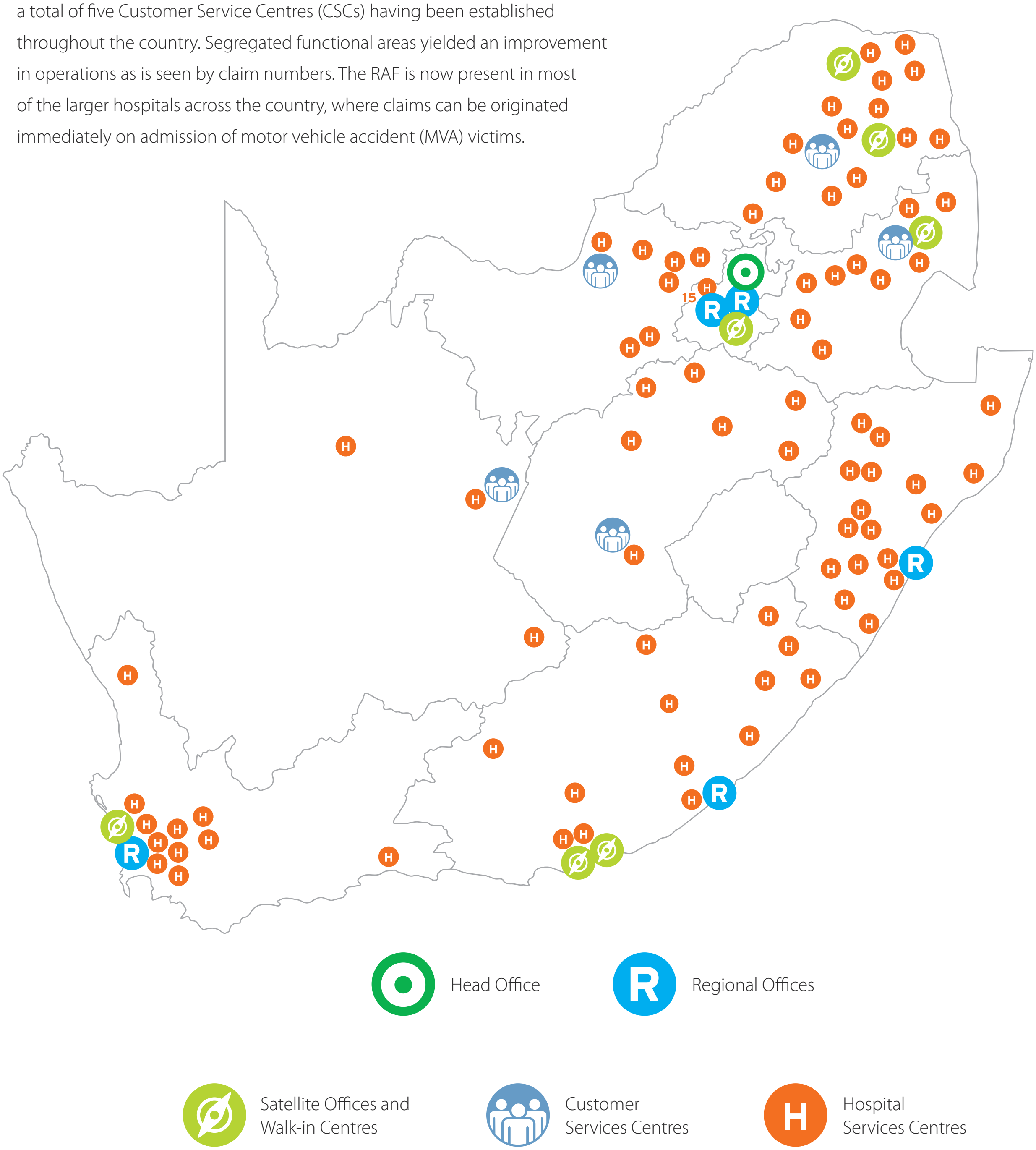
Figure 2: Key value drivers

has committed to reducing the number of road deaths by half by 2020. While road fatalities per 100,000 people are reducing in South Africa, the undertaking to instil a culture of road safety and road traffic law compliance remains an arduous one. While South Africa strives to achieve a reduction in road traffic accidents and by extension a reduction in road traffic fatalities and injuries, many thousands of people will continue to suffer losses due to death or injury on our roads. The primary risk group is men in the 18–45 age group, whose injury or death often have devastating impacts on the families relying on them for support. The RAF is often all that stands between the victims and their families and their descent into poverty, as many victims are unable to afford medical aid or private insurance cover.

In light of the profoundly negative impacts that victims of road traffic accidents suffer from a health, vocational and social perspective, they not only require, but deserve to have their claims assessed and finalised in a speedy and efficient manner. Delays in claims finalisation prejudice victims, and also serve to increase the RAF's liability, as historical trends have shown that generally, the later a claim is finalised the higher the liability to the RAF. In light of the above, the RAF resolved to place even greater focus on settling long outstanding claims, while building its profile as an accessible organisation that pro-actively interacts with victims in a caring, supportive and solution-orientated way and, where liability attaches to it, provides compensation in a time-efficient and cost-effective manner, within the context of the highest standards of financial and risk management.

Organisational Environment

The national service footprint was further expanded, with the number of Hospital Service Centres (HSCs) increasing from 83 in 2013/14 to 96 in 2014/15; a total of five Customer Service Centres (CSCs) having been established throughout the country. Segregated functional areas yielded an improvement in operations as is seen by claim numbers. The RAF is now present in most of the larger hospitals across the country, where claims can be originated immediately on admission of motor vehicle accident (MVA) victims.



The Vision of the RAF

To provide the highest standard of care to road accident victims and to restore balance in the social system.

The Mission of the RAF

To provide appropriate cover to all road users within the borders of South Africa; to rehabilitate persons injured, compensate for injuries or death and indemnify wrongdoers as a result of motor vehicle accidents in a timely, caring and sustainable manner; and to support the safe use of our roads.

The Values of the RAF

The following values drive everything that we do and the manner in which we do it.

Ubuntu

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

Solution Focused

We offer solutions. • We take responsibility for our actions.

Excellence

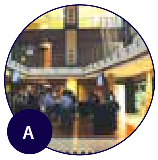
We execute our duties with dedication and fortitude while pursuing excellence across the business. • We are driven by a desire to succeed which we realise through intelligent planning and commitment to delivery.

Efficiency

Doing the right thing with the least amount of resources. • In our endeavours we strive to optimal output from the time, cost and effort invested.

We take pride

We commit to and demonstrate integrity, honesty, consistency and fairness in our actions and decisions. • We model the highest standards of personal and professional behaviour.



8. Legislative and other mandates

Schedule in Terms of the PFMA

The RAF is a juristic person established by an Act of Parliament, namely, the Road Accident Fund Act, 1996 (Act No. 56 of 1996), as amended (RAF Act). Section 3 of the RAF Act stipulates that "the object of the Fund shall be the payment of compensation in accordance with this Act for loss or damage wrongfully caused by the driving of a motor vehicle".

The RAF is a national public entity listed in accordance with Schedule 3A of the Public Finance Management Act, 1999 (Act No. 1 of 1999).

Policy Frameworks Governing the RAF

Applicable legislation to the RAF is, *inter alia*:

» Constitution of the Republic of South Africa, 1996 (Act No.108 of 1996);
» Road Accident Fund Act, 1996 (Act No. 56 of 1996);
» Road Accident Fund (Transitional Provisions) Act, 2012 (Act No. 15 of 2012);
» Prescribed Rate of Interest Act, 1975 (Act No. 55 of 1975);
» Contingency Fees Act, 1977 (Act No. 66 of 1977);
» Public Finance Management Act,1999 (Act No. 1 of 1999);
» Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);
» Broad-based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003);
» Employment Equity Act, 1998 (Act No. 55 of 1998);
» Labour Relations Act, 1995 (Act No. 66 of 1995);
» Basic Conditions of Employment Act, 1977 (Act No. 75 of 1977);
» Promotion of Access to Information Act, 2000 (Act No. 2 of 2000);
» Protection of Personal Information Act, 2013 (Act No. 14 of 2013);
» Promotion of Equality and Prevention of Unfair Discrimination Act, 2000 (Act No. 4 of 2000);
» Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000);
» Use of Official Languages Act, 2012 (Act No. 12 of 2012);
» Protected Disclosures Act, 2000 (Act No. 26 of 2000); and
» Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004).

Expected Framework Changes

Background

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

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

Given this broad mandate, it became clear that the RAF was unsustainable in its current form and in 2005 the RAF Act of 1996 was amended, with the RAF Amendment Act, 2005 (Act No. 19 of 2005) (the Amendment Act) coming into effect on 1 August 2008. Soon after promulgation, a number of claimants challenged the constitutionality of Section 18 thereof (related to the R25,000 passenger claims limit). Parliament remedied the defect through the promulgation of the Road Accident Fund (Transitional Provisions) Act, 2012 (Act No. 15 of 2012) (the Transitional Act), which came into effect on 13 February 2013.

Claimants whose claims arose under the RAF Act, prior to it being amended, and whose claims were limited by the R25,000 passenger limitation section and which claims have not prescribed or been finally determined by settlement or court order, have an election under the Transitional Act to have their claim determined under the RAF Act (prior to its amendment by the Amendment Act), or to have the claim determined in accordance with a transitional regime provided for in the Transitional Act.

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

Road Accident Fund Amendment Bill, 2014

On 3 November 2014 a draft Road Accident Fund Amendment Bill, 2014, was published for comment. This Bill aims to amend the RAF Act to facilitate responsible financial management and enable cost-effective delivery of compensation.

The proposed amendments provide for:

» A 'medical practitioner' definition;
» Authority for the RAF to revise its claim forms;
» A procedure to manage payment in respect of final court orders;
» A prescribed list of injuries that will be deemed serious, without the need for a formal assessment in terms of the existing prescribed method;
» Authority for the Fund to offer a contribution to the claimant's costs;
» A 30 day 'no-fault' liability period in respect of claims for medical treatment;
» A single medical tariff;
» A capped 'no-fault' funeral claim limited to specified items; and
» Alignment of the 'hit-and-run' claim prescription periods with those of identified claims.

Road Accident Benefit Scheme (RABS) Bill

The current scheme of arrangement, being based on fault, insurance principles and common law, remains inequitable, wasteful and open to abuse. The key change proposed by the draft legislation is a move away from the insurance-based system of compensation which has been largely unchanged in South Africa since its inception in 1946, to a system of defined and structured benefits.

The transformation of the current scheme, as envisaged in the RABS Bill, will address many of the challenges facing the Fund that are constraining its ability to deliver on its mandate in an effective and efficient manner. In addition, a 'no-fault', fixed benefit scheme will ensure smooth alignment with the comprehensive social security system envisaged by government.

The benefits of the proposed RABS are:

» Provision for the benefits as contained in the proposed Bill of 2014 that are reasonable, equitable, affordable and sustainable;
» Expansion of access to benefits by removing the requirement to establish 'fault' as a determinant to qualify for benefits and reducing disputes by removing the 'fault' requirement and by providing pre-determined benefits;
» The availability of timely and appropriate healthcare benefits based on a reasonable tariff;
» Simplification of claims procedures;
» Wider cover to persons injured in road accidents;
» Fewer exclusions from benefits;
» Defined benefits which promote affordability; and
» Alleviation of the burden on South Africa's courts through the establishment of an internal appeal procedure.

The Bill also provides for a new Administrator, to be called the Road Accident Benefit Scheme Administrator (RABSA), which will replace the current RAF and compensation system administered by it.

The Bill was first published for public comment on 8 February 2013 in *Government Gazette No. 36138*. Following receipt of public comments, the Bill was redrafted and new Regulations, Rules and Forms were included to enable a better understanding of how the proposed scheme would operate in practice.

The DoT published the revised version of the RABS Bill, 2014 on 9 May 2015 in *Government Gazette No. 37612*. The Gazette includes the DoT's RABS Regulations and the draft RABS Rules and Forms of the Board.

9. Organisational structure

PART B

Performance Information

1. Auditor-General's report: predetermined objectives

The Auditor-General of South Africa (AGSA) currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to Management, with material findings being reported under the Predetermined Objectives heading in the Report on Other Legal and Regulatory Requirements section of the Auditor-General's report.

Refer to page 136 of the Annual Report for the Auditor's Report, published in Part E: Financial Information.

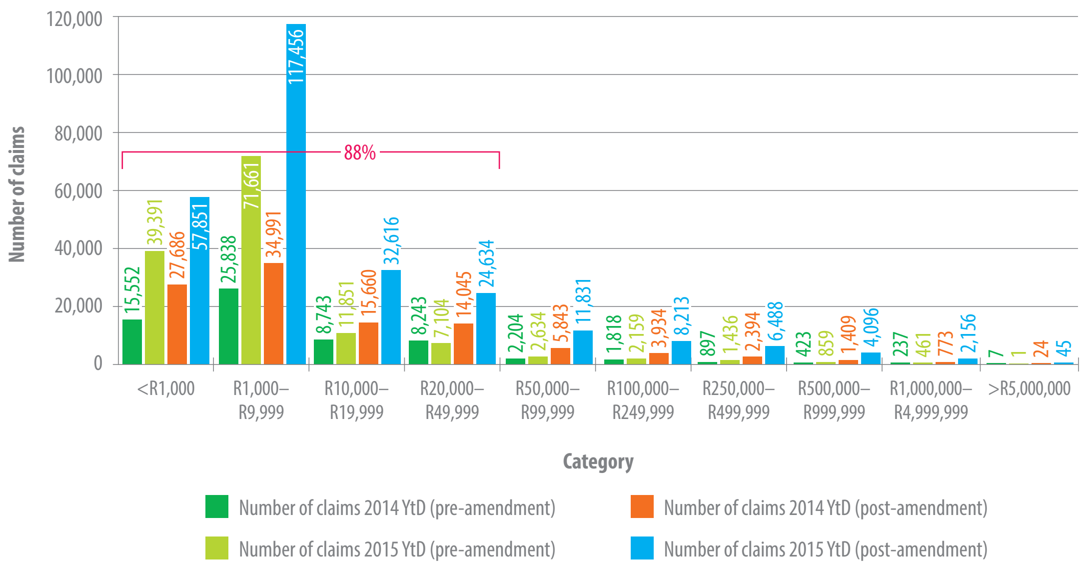
2. Operating environment

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

Claims Analysis

Of the 183,933 total claims finalised in the financial year, a large number of claim payments were at values less than R1,000 and less than R10,000 (Graph 1). This can be ascribed to the accelerated approach to supplier claims, which allowed for hospitals and other service providers to be paid directly by the RAF. As a result, the RAF managed to reduce outstanding supplier claims more effectively than those of personal claims. (It is important to note that the graph below reflects payments per category and not finalised claims.)

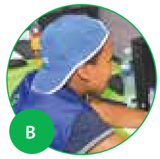
During the financial year, the RAF continued to receive and settle high volumes of small claims, with more than 88% (average of pre- and post-Amendment Act claims) being for settlement values below R50,000.



Graph 1 – Average size of claims paid

Claims Values

The composition of claim payments continues to reflect the inadequacies of the existing fault-based, common law system of compensation. The planned introduction of RABS (a no-fault system) should address these wastages over the longer term. In the short term, however, Management believes that interim legislative changes could address some of the wastages. Of the

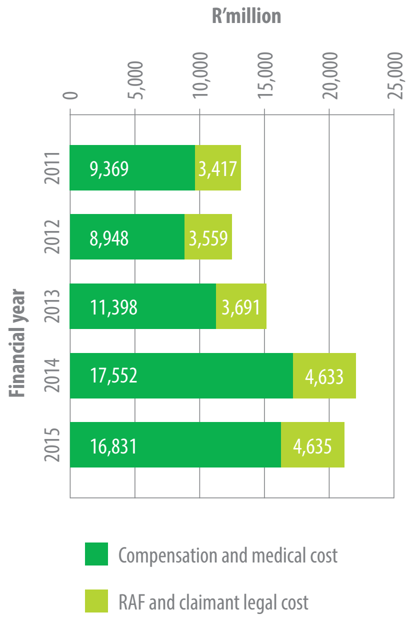


R21.5 billion (2013/14: R22.2 billion) cash paid out in respect of claims for the 2015 financial year, R16.8 billion (i.e. 78%) (2013/14: R17.6 billion (i.e. 79%)) represented compensation pay-out. A balance of 22% (2014: 21%) comprised legal and other expert fees. On the other hand, when claims requested that could not be paid due to cash restraints (RNYP) is added to the above scenario, the variance in the composition reflects compensation at 81% and legal and other expert fees at 19% respectively (Graph 2). The year under review therefore reflects a nominal decrease in legal and other expert fees when compared to total cash/accrued claims expenditure.

Claim Statistics

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

	Reference	Units	31 March 2015	31 March 2014	31 March 2013	31 March 2012
New claims registered	1	No.	173,743	147,168	150,312	172,859
Personal claims		No.	62,436	53,230	47,159	52,445
Suppliers		No.	111,307	93,938	103,153	120,414
Total: Increase/ (decrease)		%	18	-2	-13	-22
Personal claims: Increase/ (decrease)		%	17	13	-10	-29
Supplier claims: Increase/ (decrease)		%	19	-9	-14	-19
Claims finalised	2	No.	183,933	240,783	162,130	170,043
Personal claims		No.	65,243	115,736	53,537	68,637
Suppliers		No.	118,690	125,047	108,593	101,406
Total: Increase/ (decrease)		%	-24%	49%	-5%	-9%
Personal claims: Increase/ (decrease)		%	-44%	116%	-22%	13%
Supplier claims: increase/ (decrease)		%	-5%	15%	7%	-20%



Graph 2 – Composition of claim payments

Definitions

1 New claims registered
Claims received and registered during the financial year.

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

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

» Outstanding claims decreased by 6% from 232,285 at the end of the previous financial year to 217,710 at the end of the reporting period.

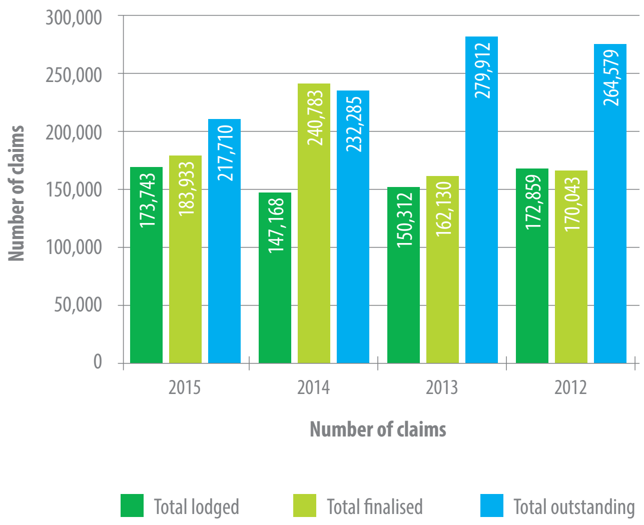
During the 2014/15 financial year, 173,743 claims (personal claims: 62,436 and supplier claims: 111,307) were registered.

- 183,933 claims were finalised (personal claims: 65,243 and supplier claims: 118,690); and
- 217,710 claims were still outstanding (personal claims: 212,056 and supplier claims: 5,654) (Graph 3).

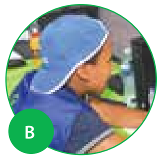
Outstanding claims decreased by 6% from 232,285 at the end of the previous financial year to 217,710 at the end of the reporting period.

This was mainly influenced by a decrease of 9% in the number of open and reopened claims totalling 179,778, where compensation had not been paid and legal cost claims totalling 37,932, which were still outstanding at the end of the 2014/15 financial year compared to the number of open and reopened claims of 198,140 and legal cost claims of 34,145 at the end of the previous financial year. This is indicative of the increased number of compensation payments that are being made.

Reopened claims at the end of the current financial year decreased by 23% to 11,528 from 14,899 at the end of the previous financial year. This number confirms that claims are not being prematurely classified as 'finalised'.



Graph 3 – Claims lodged/registered/outstanding



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

Outstanding Claims Analysis (Personal/Supplier, Direct/Represented, Post-amendment Act/Pre-amendment Act)

Outstanding claims	No compensation			Compensation paid (legal cost awaited)	Total awaiting compensation or legal cost payment
	Open	Re-opened	Subtotal		
Outstanding claims as at 31 March 2014					
Personal claims	**168,278**	**14,757**	**183,035**	**32,630**	**215,665**
Direct claims	30,448	1,108	31,556	1,104	32,660
Represented claims	137,830	13,649	151,479	31,526	183,005
Post-Amendment Act	123,566	2,419	125,985	10,530	136,515
Pre-Amendment Act	44,712	12,338	57,050	22,100	79,150
Supplier claims	**14,963**	**142**	**15,105**	**1,515**	**16,620**
Direct claims	13,051	36	13,087	720	13,807
Represented claims	1,912	106	2,018	795	2,813
Post-Amendment Act	13,272	21	13,293	1,129	14,422
Pre-Amendment Act	1,691	121	1,812	386	2,198
Total	**183,241**	**14,899**	**198,140**	**34,145**	**232,285**
Movement during the year					
Personal claims	**-2,539**	**-3,310**	**-5,849**	**2,240**	**-3,609**
Direct claims	-2,292	-671	-2,963	709	-2,254
Represented claims	-247	-2,639	-2,886	1,531	-1,355
Post-Amendment Act	13,648	344	13,992	3,907	17,899
Pre-Amendment Act	-16,187	-3,654	-19,841	-1,667	-21,508
Supplier claims	**-12,452**	**-61**	**-12,513**	**1,547**	**-10,966**
Direct claims	-11,136	-21	-11,157	1,820	-9,337
Represented claims	-1,316	-40	-1,356	-273	-1,629
Post-Amendment Act	-10,923	-1	-10,924	1,740	-9,184
Pre-Amendment Act	-1,529	-60	-1,589	-193	-1,782
Total	**-14,991**	**-3,371**	**-18,362**	**3,787**	**-14,575**
Outstanding claims as at 31 March 2015					
Personal claims	**165,739**	**11,447**	**177,186**	**34,870**	**212,056**
Direct claims	28,156	437	28,593	1,813	30,406
Represented claims	137,583	11,010	148,593	33,057	181,650
Post-Amendment Act	137,214	2,763	139,977	14,437	154,414
Pre-Amendment Act	28,525	8,684	37,209	20,433	57,642
Supplier claims	**2,511**	**81**	**2,592**	**3,062**	**5,654**
Direct claims	1,915	15	1,930	2,540	4,470
Represented claims	596	66	662	522	1,184
Post-Amendment Act	2,349	20	2,369	2,869	5,238
Pre-Amendment Act	162	61	223	193	416
Total	**168,250**	**11,528**	**179,778**	**37,932**	**217,710**

Repudiated claims

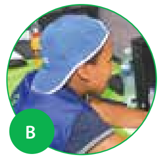
Repudiated claims ended 31 March 2015	
Opening balance 1 April 2014	**15,736**
Personal claims	9,832
Supplier claims	5,904
Movement during the year	
Personal claims	6,190
Supplier claims	5,296
Closing balance 31 March 2015	**27,222**
Personal claims	16,022
Supplier claims	11,200

Repudiated claims increased from 15,736 in 2013/14 to 27,222 in the current financial year. The claims processing status of all claims is monitored throughout the year to determine the exact composition of the number of outstanding claims at any stage.

The increase in repudiated claims as at 31 March 2015 was mainly influenced by the following:

» Non-compliant claims were repudiated during the year;
» A Prescribed Claims Project was launched during the year; and
» A Deceased Claims Project was launched to check on the mortality status of claimants with the Department of Home Affairs.

After following thorough processes with regard to claims in these categories, these claims were repudiated.



Claim Categories and Averages

Individual claim payments/settlements per claims category

Claim payments	Def.	Units	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011
All claims	1	R'm	R28,000	R22,000	R15,000	R12,500	R12,800
Rand value per claim		Av.	R114,969	R104,091	R65,844	R54,808	R46,995
Total individual claim pay-/settlements		No.	242,869	211,099	227,855	225,905	270,479
Personal claims	2	R'm	R27,300	R21,500	R14,400	R12,100	R12,400
Rand value per claim		Av.	R211,090	R194,676	R138,345	R99,614	R88,430
Total individual claim pay-/settlements		No.	129,256	110,168	104,016	120,728	140,007
Supplier claims	3	R'm	R700	R500	R600	R400	R400
Rand value per claim		Av.	R5,613	R5,215	R4,950	R3,379	R2,533
Total individual claim pay-/settlements		No.	113,613	100,931	123,839	105,177	130,478
Claim payments per heads of damage							
General damages	4	R'm	R8,000	R5,900	R4,000	R3,900	R4,400
Rand value per claim		Av.	R334,799	R221,003	R152,329	R83,534	R65,399
Total individual claim pay-/settlements		No.	23,828	26,511	26,363	46,174	67,960
Loss of earnings	5	R'm	R10,300	R7,700	R4,600	R3,200	R3,300
Rand value per claim		Av.	R732,371	R649,912	R535,050	R433,739	R393,672
Total individual claim pay-/settlements		No.	14,072	11,865	8,636	7,191	8,251
Loss of support	6	R'm	R2,900	R2,700	R1,600	R1,100	R900
Rand value per claim		Av.	R368,883	R392,744	R347,861	R295,970	R280,278
Total individual claim pay-/settlements		No.	7,923	6,760	4,684	3,783	3,045
Medical compensation	7	R'm	R1,200	R1,100	R1,100	R800	R700
Rand value per claim		Av.	R9,799	R9,740	R7,761	R5,870	R4,879
Total individual claim pay-/settlements		No.	117,822	103,620	127,305	113,975	139,634
Funeral costs	8	R'm	R100	R90	R70	R50	R25
Rand value per claim		Av.	R12,367	R11,245	R10,425	R9,259	R8,220
Total individual claim pay-/settlements		No.	9,769	7,630	6,303	5,339	2,949
RAF's legal costs	9	R'm	R2,100	R1,700	R1,400	R1,200	R1,300
Rand value per claim		Av.	R21,564	R20,645	R16,015	R14,878	R13,476
Total individual claim pay-/settlements		No.	96,475	84,739	85,846	83,786	93,739
Claimants' legal costs	10	R'm	R3,400	R2,900	R2,300	R2,300	R2,200
Rand value per claim		Av.	R90,563	R63,734	R52,656	R38,534	R28,008
Total individual claim pay-/settlements		No.	37,106	45,561	43,841	60,402	78,319

Definitions

1. All Claim Payments

All claims settled and paid by the RAF.

2. Personal Claims

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

3. Supplier Claims

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

4. General Damages

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

5. Loss of Earnings

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

Claims settled by the RAF differ materially when the composition of the claims is considered. The following analysis provides insight into the average number of claims paid/accrued during the year, as well as the composition of these claims.

All Claims

The average Rand value of all claims paid/accrued increased by 10% during the financial year from R104,091 to R114,969. This increase was due to the increase in both productivity and average cost to settle a personal claim (especially those in respect of loss of earnings, loss of support and general damages) when compared to lower value supplier claims.

The total number of individual claims paid/accrued increased by 15% during the financial year from 211,099 to 242,869.

Personal Claims

The average Rand value of all personal claims paid/accrued increased by 8% from R194,676 in 2013/14 to R211,090. The main reasons for this are explained below under the different heads of damages. The total number of individual personal claims increased by 17% at the end of 2014/15 from 110,168 to 129,256.

Supplier Claims

The average Rand value of all supplier claims paid/accrued increased by 8% at the end of the review period from R5,215 to R5,613. The increase in the average payment/settlement per supplier claim is attributable to higher amounts claimed and more claims paid/settled during the financial year. The total number of individual supplier claims increased by 13% at the end of the 2014/15 financial year from 100,931 to 113,613.

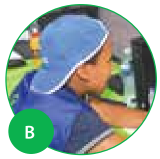
General Damages

The average Rand value per general damages claim paid/accrued increased by 51% from R221,003 in the previous financial year to R334,799.

The number of individual general damages claims showed a decrease of 10% from 26,511 in the previous financial year to 23,828. It is expected that the RAF Amendment Act will continue to cause a reduction in the prevalence of these claims.

Loss of Earnings

The average Rand value of all loss of earnings claims paid/accrued increased by 13% from R649,912 in 2013/14 to R732,371.



The total number of individual loss of earnings claims increased by 19% at the end of the 2015 financial year, from 11,865 in the previous reporting period to 14,072. It is worth noting that while only 14,072 out of a total of 129,256 (11%) of personal individual claim payments were paid and accrued towards loss of earnings, this accounts for a significant proportion of the overall expenditure. This again emphasises the level of abuse of the current dispensation.

The average settlement over the past few years has increased far in excess of the growth in gross national income and average wage and salary increases throughout the country. The introduction of the RAF Amendment Act has not resulted in a material reduction in the payment of loss of earnings, despite the cap being set at R160,000 per annum adjusted for inflation, currently at R227,810. More accident victims will become entitled to claim for loss of income and loss of support as a result of the removal of the R25,000 limit on passenger claims.

Loss of Support

The average Rand value of loss of support claims paid/accrued decreased by 6% at the end of the 2014/15 financial year from R392,744 to R368,883.

The average number of individual loss of support claims increased by 17% at the end of the 2015 financial year from 6,760 to 7,923.

Medical Compensation

The average Rand value of all medical cost claims paid/accrued increased by 1% at the end of the 2015 financial year from R9,740 to R9,799. The average number of monthly individual medical cost claims increased by 14% at the end of the 2015 financial year from 103,620 to 117,822.

Funeral Costs

The average Rand value of funeral cost claims paid/accrued increased by 10% at the end of the 2014/15 financial year from R11,245 in 2014 to R12,367.

The average number of individual claims for funeral costs increased by 28% at the end of the 2014/15 financial year from 7,630 in the previous reporting period to 9,769.

RAF's Legal Costs

The average Rand value of the RAF's legal cost paid/accrued per claim increased by 4% from R20,645 in the previous financial year to R21,564.

Definitions

6. Loss of Support

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

7. Medical Compensation

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

8. Funeral Costs

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

9. RAF's Legal Costs

The RAF's legal costs are expenses paid to the RAF's panel attorneys to represent the RAF in legal cases against it.

10. Claimants' Legal Costs

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

The average number of individual RAF legal cost claims for the 12 months increased by 14% from 84,739 at the end of the previous reporting period to 96,475.

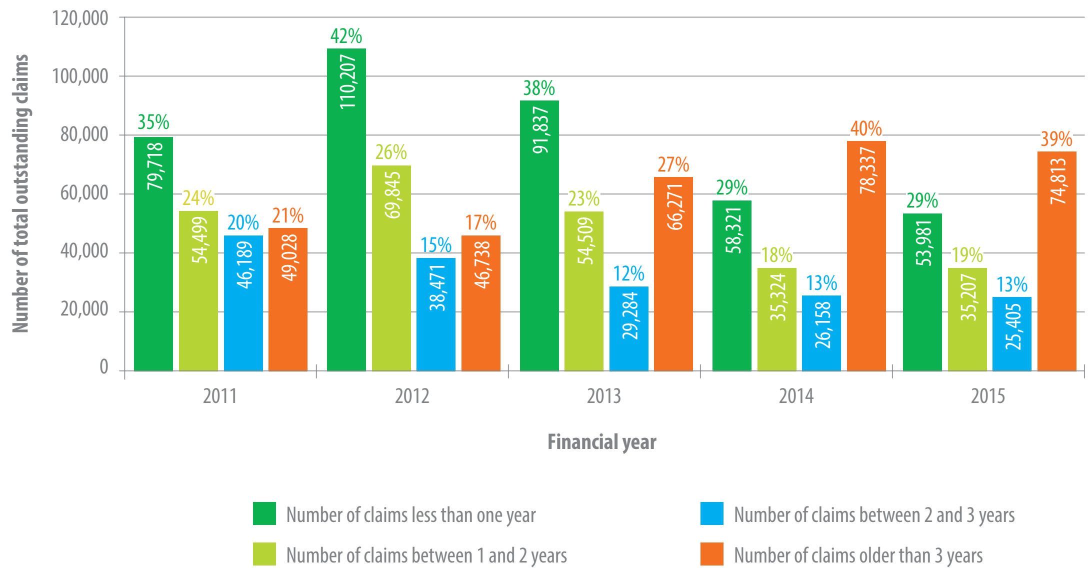
Claimants' Legal Costs

The average Rand value of claimants' legal costs paid/accrued increased by 42% at the end of the 2014/15 financial year from R63,734 in the previous reporting period to R90,563. Tariffs are set by an independent Rules Board. The RAF contributes significantly to litigation costs in the country and believes it should be granted the opportunity to provide inputs with regard to the calculation and setting of new tariffs.

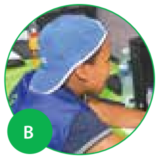
The average total of individual claimant's legal cost claims decreased by 19% from 45,561 to 37,106 during the reporting period. The current system benefits attorneys who, despite being paid their legal costs in full by the RAF, continue to charge a contingency fee to the claimants. The current fault-based system of compensation results in vast legal costs being incurred in determining fault and the quantum of the payment. A properly defined no-fault compensation system in the future should see significant savings in this regard.

Age Analysis of Claims

Claims younger than one year increased from 29% in 2014 to 30% in 2015. The bulk of claims outstanding at year-end were mainly claims older than three years, which is indicative of the difficulties faced when claims are litigated and require extensive expert opinion and time in court. (Graph 4).



Graph 4 – Age analysis of claims in number and percentage



Financial Analysis

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

Statement of Financial Position

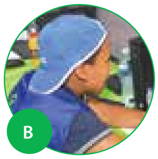
	31 March 2015 R'million	31 March 2014 R'million	Restated 31 March 2013 R'million	Restated 31 March 2012 R'million
Assets				
Current Assets				
Cash and cash equivalents	1,048	2,505	6,144	4,245
Receivables from non-exchange transactions	5,887	4,769	4,153	3,884
Receivables from exchange transactions	4	16	33	19
Other financial assets	141	133	132	145
Consumable stock	5	3	3	3
	7,085	7,426	10,465	8,296
Non-current Assets				
Property, plant and equipment	251	247	243	214
Intangible assets	30	21	9	62
	281	268	252	276
Total Assets	7,366	7,694	10,717	8,572
Liabilities				
Current Liabilities				
Payables from exchange transactions	178	139	140	84
Other financial liabilities	79	83	334	324
Claims liabilities	34,394	24,460	20,361	16,399
Other provisions	935	849	860	604
	35,586	25,531	21,695	17,411
Non-current Liabilities				
Other financial liabilities	4	1	1	1
Claims liabilities	81,973	72,917	62,477	56,208
Employee benefit obligation	51	43	46	40
	82,028	72,961	62,524	56,249
Total Liabilities	117,614	98,492	84,219	73,660
Net Assets	(110,247)	(90,798)	(73,502)	(65,088)
Reserves				
Revaluation reserve	131	128	124	72
Accumulated deficit	(110,378)	(90,926)	(73,626)	(65,160)
Total Net Assets	(110,247)	(90,798)	(73,502)	(65,088)

Statement of Financial Performance

	31 March 2015 R'million	31 March 2014 R'million	Restated 31 March 2013 R'million	Restated 31 March 2012 R'million
Revenue				
Revenue from Exchange Transactions				
- Investment revenue and other income	66	238	260	115
Revenue from Non-exchange Transactions				
- Net fuel levies	22,614	20,278	17,883	16,989
Total Revenue	22,680	20,516	18,143	17,104
Expenditure				
- Claims expenditure (excluding provision for outstanding claims)	(28,027)	(22,280)	(15,202)	(12,216)
- Reinsurance premiums	(23)	(23)	(25)	(23)
- Employee costs	(1,164)	(907)	(763)	(657)
- Depreciation and amortisation	(45)	(38)	(61)	(64)
- Finance costs	(67)	(29)	(27)	(24)
- Loss on disposal of assets	(2)	(1)	(30)	-
- General expenses	(375)	(376)	(270)	(238)
Total Expenditure	(29,703)	(23,654)	(16,378)	(13,222)
(Deficit)/Surplus before Provision for Outstanding Claims	(7,023)	(3,138)	1,765	3,882
Provision for outstanding claims	(12,429)	(14,162)	(10,230)	(24,961)
Deficit for the Year	(19,452)	(17,300)	(8,465)	(21,079)

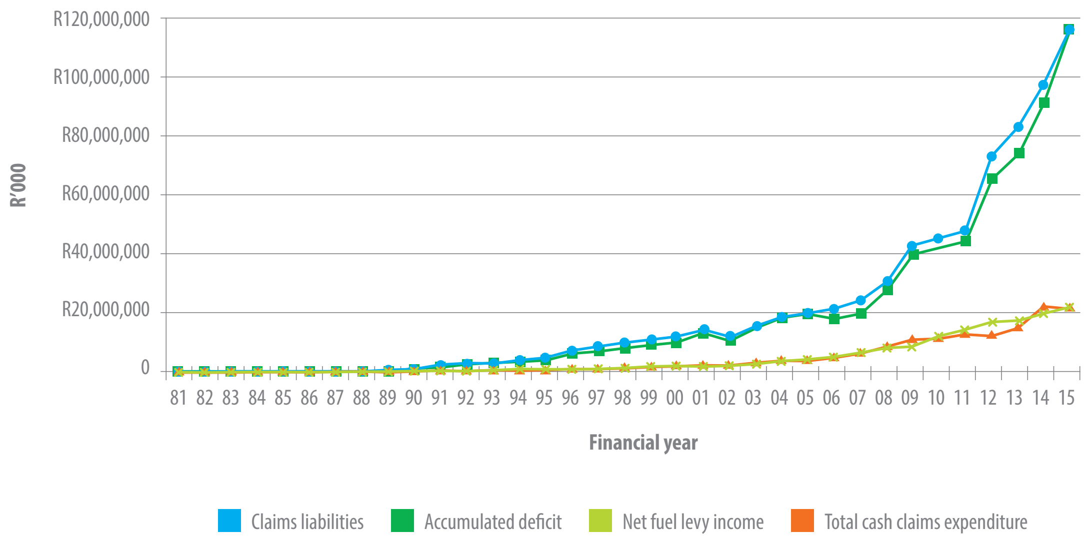
Cash Flow Statement

	31 March 2015 R'million	31 March 2014 R'million	Restated 31 March 2013 R'million	Restated 31 March 2012 R'million
Net Cash Flows from Operating Activities	(1,400)	(3,589)	1,914	3,114
Cash Flows from Investing Activities	(57)	(50)	(15)	(6)
Net (Decrease)/Increase in Cash and Cash Equivalents	(1,457)	(3,639)	1,899	3,107
Cash and cash equivalents at the beginning of the year	2,505	6,144	4,245	1,138
Cash and Cash Equivalents at the End of the Year	1,048	2,505	6,144	4,245



Financial ratios	Ref	Units	31 March 2015	31 March 2014	Restated 31 March 2013	Restated 31 March 2012
Profitability						
(Deficit)/surplus to revenue	1	%	-86%	-84%	-47%	-123%
Operating (deficit)/surplus to revenue	2	%	-31%	-15%	10%	23%
Return on average equity	3	%	-19%	-21%	-12%	-39%
Return on average total assets	4	%	-258%	-188%	-88%	-321%
Cost-to-income ratio	5	%	27%	29%	27%	27%
Liquidity						
Cash-to-claims cover ratio	6	Months	0.45	1.35	4.85	4.17
Current ratio	7	Ratio	0.20	0.29	0.48	0.48
Net working capital	8	R'm	(28,501)	(18,105)	(11,230)	(9,115)
Net working capital excluding claims provision	9	R'm	(5,893)	5,977	9,131	7,284
Solvency						
Total assets to total liabilities	10	%	6%	8%	13%	12%

2.7 Financial Position



Graph 5 – The widening gap between income and deficit

Definitions

1. Surplus/(deficit) to revenue

Total surplus or deficit as a percentage of revenue.

2. Operating surplus/(deficit) to revenue

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

3. Return on average equity

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

4. Return on average total assets

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

5. Cost-to-income ratio

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

6. Cash-to-claims cover ratio

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

7. Current ratio

Total current assets divided by total current liabilities.

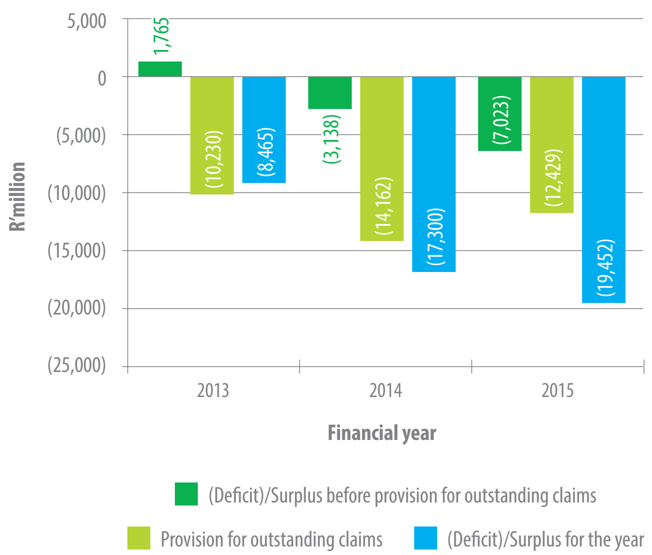
Financial Health

Profitability

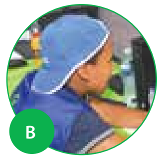
The RAF recorded a net deficit for the 2014/15 financial year of R19.5 billion (2013/14: R17.3 billion) (Graph 6). This was largely due to an increase in the provision for outstanding claims of R12.4 billion (2013/14: R14.2 billion).

Efforts to reduce the number of outstanding claims resulted in higher claims expenditure (in cash), as well as an increase in the accrual for claims requested but not yet paid at the time of reporting as a result of cash restraints, together with an increase in the provision for outstanding claims. These totalled R40.5 billion (2013/14: R36.4 billion) and far exceeded the revenue received from fuel levies of R22.7 billion (2012/13: R20.3 billion).

Cash and cash equivalents decreased from R2.5 billion at the end of the previous financial year, to R1.05 billion. Cash balances were substantially lower at the end of the period due mostly to higher (cash) claims expenditure.



Graph 6 – Profitability of the RAF



Solvency and Capitalisation

The RAF remains severely under-capitalised with liabilities exceeding assets by R110 billion (2013/14: R90.8 billion) (Graph 7). The only assets of substance, other than cash, are land and buildings worth R150 million. Similar organisations to the RAF elsewhere in the world have, as one of their major assets, investments that cover in excess of 100% of the full outstanding liability. A report on the RAF, tabled in Parliament by the Financial Services Board in terms of the Financial Supervision of the Road Accident Fund Act, 1993, (Act No. 8 of 1993), puts into sharp perspective just how unsustainable the current system is. The liquidity ratio currently is at 0.20: 1. This means that the RAF has only 20 cents worth of assets for every R1 of its liabilities. The RAF does not have sufficient cash or near cash assets to cover its short-term liabilities.

During the reporting period, several high-level discussions took place between the RAF and National Treasury regarding liquidity challenges. National Treasury is committed to continuing its financial assistance to the RAF and in the Budget Speech on 25 February 2015, the Minister of Finance announced a 50c/l increase in the RAF Fuel Levy for the 2015/16 financial year. This is a substantial increase from the present levy of 104 c/l. This increase will finance the progress made by the RAF in clearing the claims backlog, but is also a reflection of the unsustainability of the current compensation system, which has accumulated a R110 billion unfunded liability. Legislation towards providing affordable and equitable support for those injured in road accidents, i.e. the establishment of the new RABS, will be tabled during the 2015/16 financial year. Once the legislation has been passed, the levy will be assigned to the new scheme.

From Graph 7 it is evident that the net deficit of the RAF has continued to grow despite the increase of 8 cent per litre in the RAF Fuel Levy during the year under review. There is clearly no correlation between the annual increase in the RAF Fuel Levy determined by National Treasury and the increase in the need to settle claims.

Total assets are lower, mainly due to lower cash balances, despite the fact that a higher net fuel levy was realised. The total liabilities are higher, mainly as a result of claims requested but not paid due to cash constraints as well as the increase in the provision for outstanding claims. Overall, the net deficit is substantially larger compared to the previous reporting period. The RAF achieved an operational deficit of R7 billion for 2014/15 (2013/14: R3.1 billion) prior to the increase in the provision for outstanding claims being taken into account. This is mainly due to an increase in total claims expenditure as a result of increased productivity in the claims operational environment.

Definitions

8. Net working capital

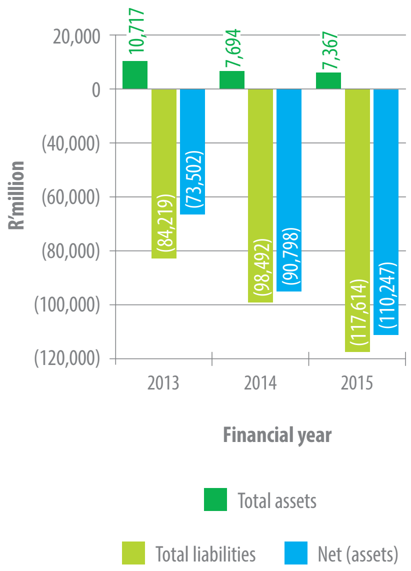
Current assets minus current liabilities.

9. Net working capital excluding claims provision

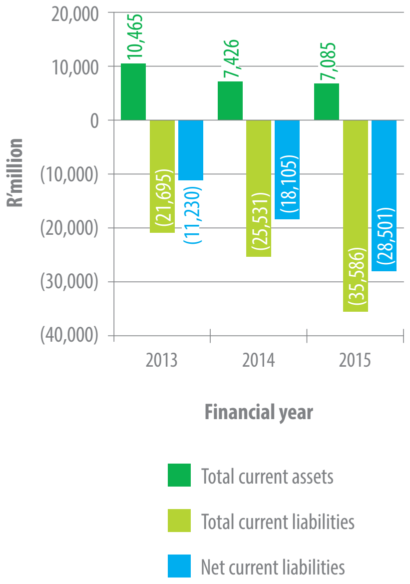
Current assets minus current liabilities excluding provision for outstanding claims.

10. Total assets to total liabilities

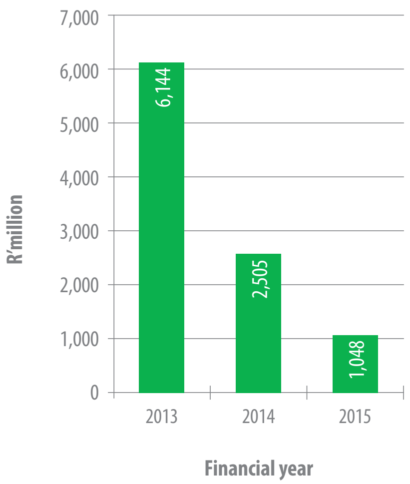
Total assets as a percentage of total liabilities.



Graph 7 – Solvency of the RAF



Graph 8 – Liquidity of the RAF



Graph 9 – Cash holdings of the RAF

Liquidity and Cash Holdings

As at 31 March 2015, current liabilities of the RAF exceeded current assets by R28 billion (2013/14: R18 billion) (Graph 8).

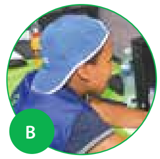
Liquidity is managed on a day-to-day basis. Claims are paid from available cash reserves and daily cash flow levels are strictly monitored. The RAF submitted a request to National Treasury at the beginning of the financial year for the retention and roll-over of R2.5 billion, held in cash and cash equivalents at the end of the 2013/14 financial year, for the purposes of settling and paying claims.

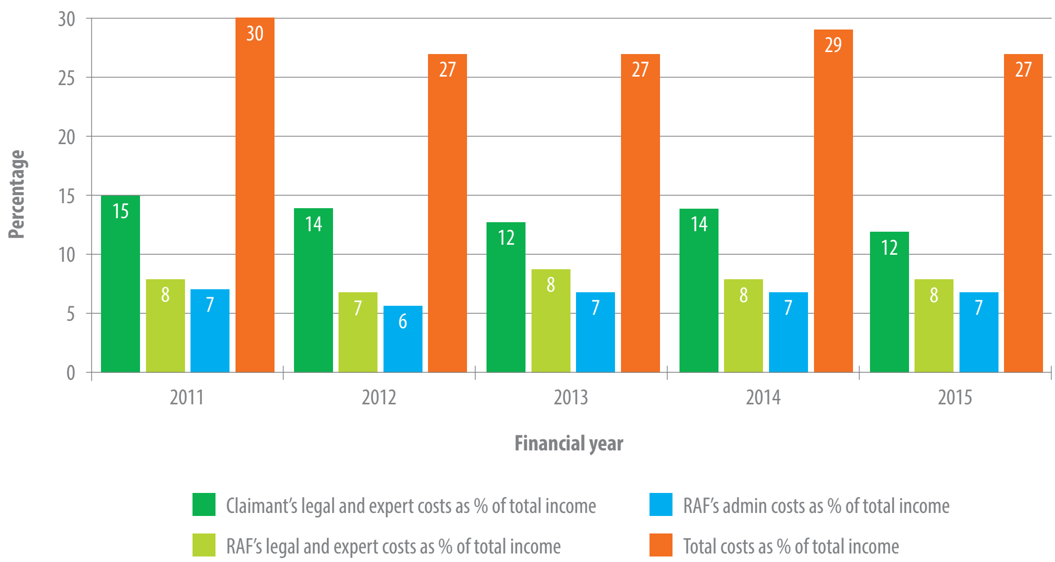
The ideal scenario is to have cash holdings sufficient to pay claims for at least two months in advance at any given point in time. From the graphs below, it is evident that the RAF's liquidity is rapidly declining and the higher cash balances accumulated over past financial years were temporary in nature. For the period ended 31 March 2015, the cash balance declined to R1.05 billion, a further indication that cash resources are not sustainable. This decline was mainly due to increased claims expenditure during the year (Graph 9).

Cost of Service Delivery

The cost-to-income ratio for the financial year decreased to 27% (2013/14: 29%). Administration costs remained at 7% (2013/14: 7%), RAF legal and expert costs remained at 8% (2013/14: 8%) and claimants' legal and expert costs decreased slightly to 12% (2013/14: 14%) (Graph 10). Costs of administering the RAF are well contained in line with the RAF's focus on cost-reduction measures to improve efficiencies and to avail more cash for the payment of compensation.

Internal measures, such as enhancements to operational claims systems and processes, as well as the successful 'RAF on the Road' campaigns to deal with claimants directly rather than through third parties, have already yielded cost reductions. It is expected that costs will be reduced even further in the medium to long term.





Graph 10 – Cost-to-income ratio

Revenue Collection

The RAF obtains its funding from several sources, namely:

» The RAF Fuel Levy (determined by National Treasury on an annual basis);

» Government grants paid by National Treasury when there is a pressing need (not during the year under review);

» Borrowings/loans, which are an allowed source of funding according to the RAF Act (this option has not been applied to date);

» Investment revenue, acquired from invested funds that occasionally result when the RAF's operational capacity prevents it from paying out all of its funds; and

» Reinsurance income.

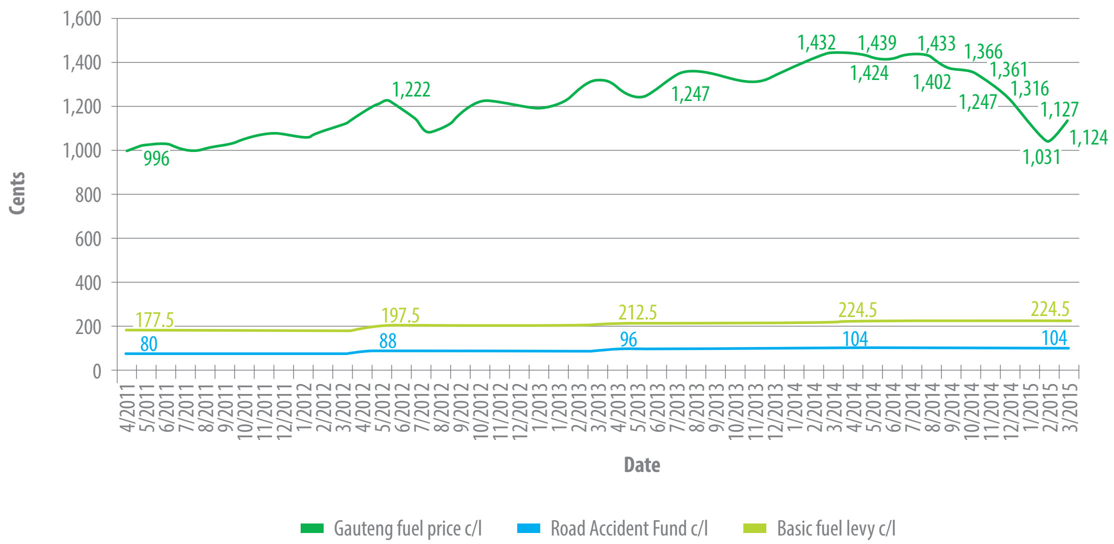
Sources of revenue	2014/15			2013/14		
	Estimate	Actual amount collected	(Over)/under collection	Estimate	Actual amount collected	(Over)/under collection
	R'000	R'000	R'000	R'000	R'000	R'000
Net Fuel Levy	22,310,963	22,614,340	(303,377)	20,930,664	20,278,011	652,653
Investment revenue	90,880	64,630	26,250	668,035	236,361	431,674
Other income	-	961	(961)	-	1,918	(1,918)
Reinsurance income	-	-	-	-	153	(153)
Total	22,401,843	22,679,931	(278,088)	21,598,699	20,516,443	1,082,256

The total revenue of the RAF has increased over the years. For the period ending 31 March 2015, an increase of R2.3 billion (11%) in total revenue was recorded compared to the corresponding period in the previous year.

Fuel Levy

The growth in the RAF Fuel Levy income arose primarily as a result of the 8c/l Fuel Levy increase, from 96c/l (2014) to 104c/l (2015), effective from the beginning of the financial year. The total volume of petrol and diesel used in the country increased by only 0.9% to 22,9 mega litres for the period April 2014 to March 2015 (April to March 2013/14: 22,7 mega litres).

At recent fuel price levels, the RAF Fuel Levy represents 9% of the total price at the pump, which averaged more than 1308 c/l in Gauteng for the year under review (Graph 11).



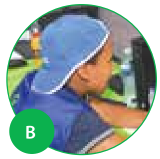
Graph 11 – Historical analysis of the RAF Fuel Levy versus fuel price and basic fuel levy

Diesel Refund

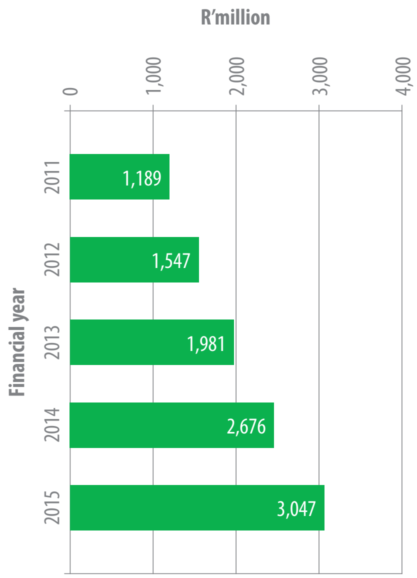
The refund on diesel provided to certain industrial sectors of the economy, i.e. agriculture and forestry; electricity generation; and offshore and rail and harbour services, increased by 14% to more than R3 billion (2013/14: R2.7 billion). The refund, which represents 12% of the RAF Fuel Levy income, is a major concession on income due to the RAF. The refund has grown steadily, but has shown a pronounced increase over the past two years due to the high volumes of diesel consumed by some sectors (Graph 12).

Investment Revenue

Investment revenue decreased significantly by 72% to R65 million (2014: R236 million), mainly due to reduced cash holdings caused by the increase in claims expenditure as a result of higher productivity in claims processing. Cash expenditure on claims was in line



with net fuel levies received for the current financial year. The average yield on cash investments remained stable at 5.40% (2013/14: 5.07%). Cash holdings for the period ended 31 March 2015 was R1.05 billion compared to R2.5 billion in the previous financial year.



Graph 12 – Refund on diesel

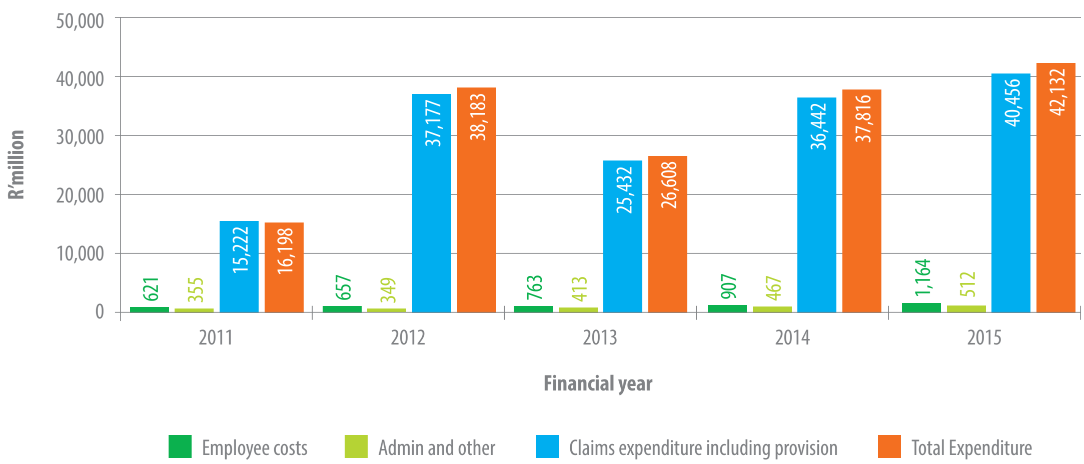
Reinsurance Income

To cover catastrophic accidents, the RAF enters into reinsurance treaties with major international reinsurance companies. During the review period, the RAF did not recover any reinsurance claims (2013/14: R153,000) from reinsurance companies. The RAF's reinsurance recoveries derive from a portion of the total claims per incident that is in excess of the retention limit. In view of the latter, reinsurance recoveries are expected to continue to reflect a general decrease.

Total Expenditure

Total RAF expenditure increased by 11% to R42.1 billion (2013/14: R37.8 billion) (Graph 13).

Employee costs at 3% and administration costs at 1% of total expenditure respectively, remained a relatively small portion of total expenditure in relation to the 96% expended on claims.



Graph 13 – Expenditure

Employee Costs

Employee costs at 31 March 2015 were 28% higher at R1.16 billion compared to the previous reporting period (2013/14: R0.91 billion).

The increase was driven by a 17% increase in the total cost component of salaries. The permanent staff component increased by 267 or 12% to 2,555 from 2,288 in the previous financial year.

Administration and Other Costs

Total administration and other costs for the 2015 financial year, at R0.51 billion, were 9% higher (2013/14: R0.47 billion). The increased variance was due mainly to inflation, as well as an increase in administration costs related to staff numbers.

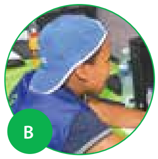
Claims Expenditure and Growth in the Claims Provision

At R40.5 billion, total claims expenditure (inclusive of the provision for outstanding claims) for the reporting period, was 11% higher than in the corresponding period in the previous year (2013/14: R36.4 billion).

Though there was a decrease in claims expenditure (in cash) of R21.5 billion over the R22.2 billion of the previous financial year, the decrease is mainly attributable to the liability (accrual for claims requested and not yet paid due to cash constraints) at the end of the reporting period of R6.9 billion. This, together with the increase of R12 billion in the provision for outstanding claims, is elaborated on below.

Higher Claims Processing and Payment Amounts

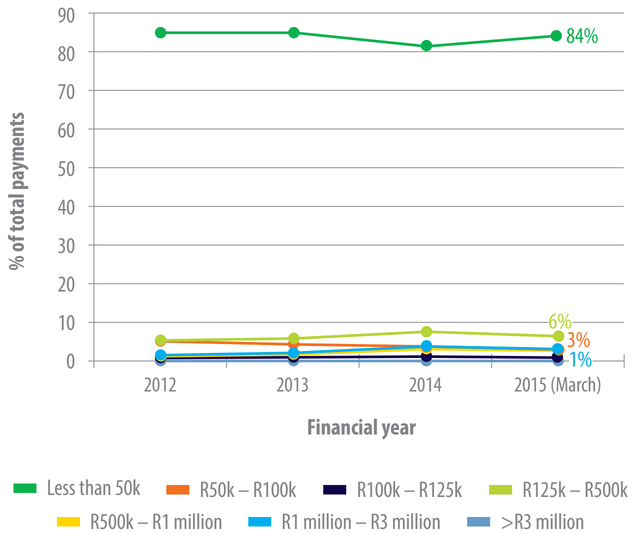
Claims expenditure (excluding the provision for outstanding claims and inclusive of accrual for claims requested but not yet paid) for the year was 26% higher than in the 2014 financial year. This is due to an upward trend in claims processing (productivity) throughout the year that resulted in R6.9 billion worth of claims being processed but awaiting payment.



Change in the Composition of the Claims Expenditure

The increase in the provision for outstanding claims during the 2015 financial year was mainly driven by an 11% increase in the outstanding claims liability for personal claims and a 12% increase in the provision for incurred but not reported claims (IBNR) liability when compared to the provisions made for outstanding claims in the 2013/14 financial year. The increase in the outstanding claims liability was as a result of a shift in the mix of claims, with a higher proportion of claims settling with compensation for loss of earnings and general damages. The increase in IBNR was driven by the increasing trend in the number of claims reported each quarter. The total value of the provision for outstanding claims arising from the actuarial valuation performed for the 2014/15 financial year increased to R109.3 billion.

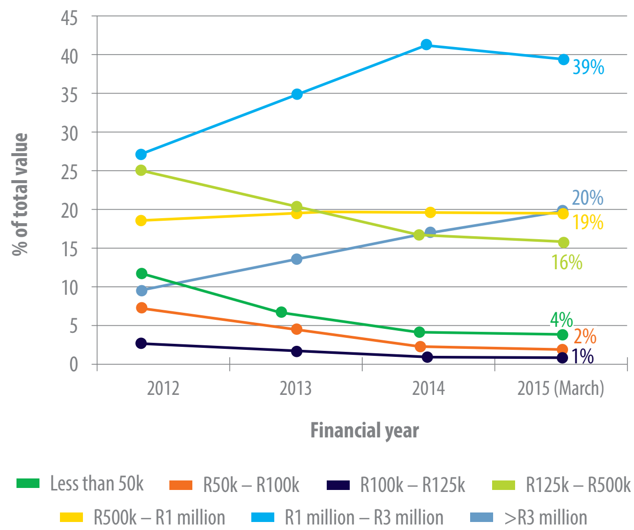
At an individual claim level, over 80% of the total expenditure towards capital payments was for claims of less than R50,000 in value, but this represented less than 5% of the overall spend (Graphs 14 and 15).



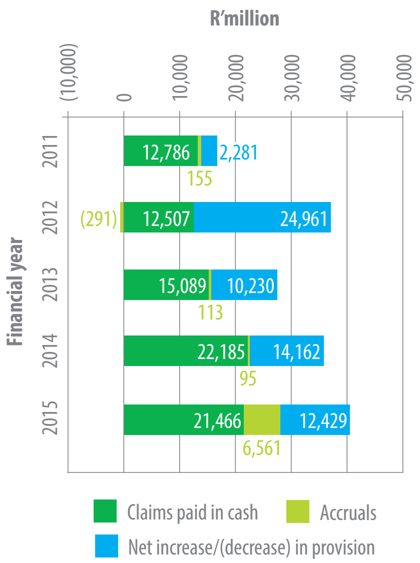
Graph 14 – Number of capital claims as a % of compensation payments

» The total value of the provision for outstanding claims increased to R109.3 billion.

» The RAF remains convinced that the current legislative model is wasteful...



Graph 15 – Rand value of capital claims payments as a % of total

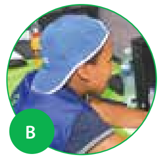


Graph 16 – Composition of claims expenditure

The total claims expenditure, comprising claims paid in cash and year-end accruals for claims requested but not yet paid, increased by 26% to R28 billion (2013/14: R22.3 billion), mainly as result of increased productivity. Higher average claims values were experienced in some categories of claims as a result of the increased movement towards higher-cost loss of earnings claims, as well as higher-than-inflation increases in tariffs, costs and compensation. This also influenced the outstanding claims provision which increased by R12.4 billion at year-end, this being 13% lower than the increase in the previous financial year (2013/14: R14.2 billion). (Graph 16).

Contingency Fees

It is estimated that as much as 41% of all claims disbursements processed by the RAF is paid to attorneys (RAF and claimant legal costs and estimated contingency fees) as opposed to the claimants themselves. The RAF remains convinced that the current legislative model is wasteful, with the cost of service delivery being disproportionately high in relation to the compensation paid and the RAF Fuel Levy received (Graph 17).

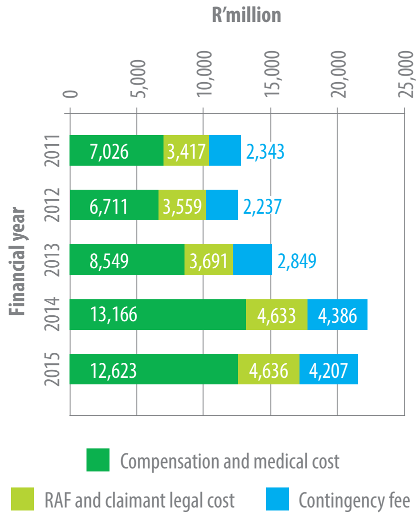


Composition of Cash Claim Payments

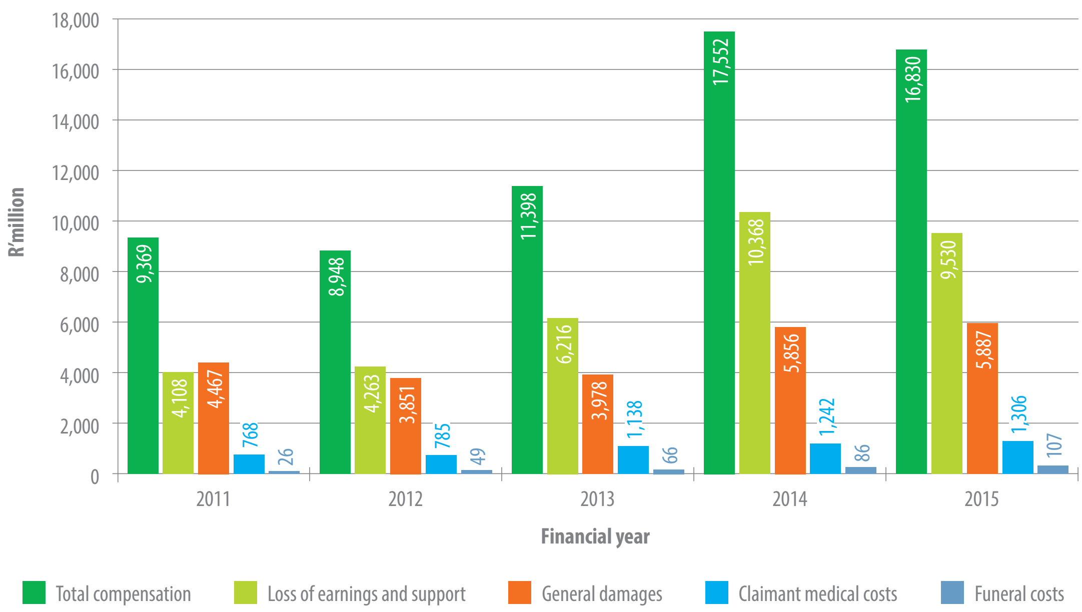
For accidents that occurred after 1 August 2008, general damages are only paid out if a serious injury has been sustained, which is in line with the RAF Amendment Act. The composition of the compensation portion of claims (Graph 18), however, indicates that a major component of claims (in cash) that the RAF pays out is in respect of general damages and loss of amenities of life, as opposed to medical and funeral costs.

During the 2014/15 financial year, R5.9 billion (2013/14: R5.9 billion) was paid out as general damages. This represents 35% (2014: 33%) of the compensation paid (excluding legal fees). In proportion to total pay-outs, general damages claims have begun to stabilise.

Medical payments (inclusive of Undertakings) at a total of R1.3 billion (2013/14: R1.2 billion) represented 8% (2014: 7%) of compensation paid. Loss of income and support payments of R9.5 billion (2014: R10.4 billion) represented 57% (2014: 59%) of compensation paid, and funeral costs, at R0.10 billion (2014: R0.09 billion) represented 0.6% (2014: 0.5%) of compensation paid.



Graph 17 – Composition of cash claim payments including estimated contingency



Graph 18 – Composition of compensation

» The RAF compensates claimants for caregiving services rendered by caregivers on a monthly basis...

Undertakings

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

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

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

Included in medical cost payments is the cost pertaining to certificates issued to claimants by the RAF to cover future medical treatments, known as 'Undertakings'. As such, the RAF compensates claimants for caregiving services rendered by caregivers on a monthly basis. An Undertaking is regarded as active if a claim is made against it during the year. The total number of Undertaking certificates issued is reflected in the table below.

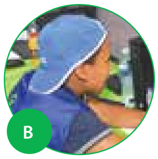
	2011	2012	2013	2014	2015
Total number of Undertaking certificates issued	107,209	111,628	120,986	137,925	143,328
Number of active Undertakings	2,164	2,850	4,122	4,467	4,601
Variance	2.0%	2.5%	3.4%	3.2%	3.2%
Amount paid	R85,984	R124,265	R167,941	R234,035	R250,722

The number of active Undertakings in respect of which payments were made stabilised at ±3% of all Undertakings issued. This is in line with the nature of the instrument issued, since most injuries arising from motor vehicle accidents heal and do not represent chronic illnesses. In keeping with the need to provide support to road crash victims, the number of total active Undertakings is seen in a positive light.

Payments in respect of all Undertakings issued for the 2015 financial year amounted to R251 million.

Foreign Claims

Claims by foreign visitors to South Africa continued to form a large proportion of high-value claims due to an increasing influx of foreign visitors to the country.



Since the bulk of payments to foreign nationals is made in their currency of origin and they are accustomed to unlimited benefits with regard to loss of earnings in their own countries, foreigners' claims have dominated high-value claims in the pre-Amendment Act dispensation.

With the promulgation of the RAF Amendment Act, loss-of-earnings and loss-of-support payments to foreigners have been capped at R160,000 per annum, adjusted for inflation on a quarterly basis since August 2008. As a result, the cap at financial year-end was R227,810.

As at 31 March 2015, 20% (2013/14: 14%) of the value of the estimated liability of claims in excess of R5 million comprised claims by foreign nationals (Graph 19). It is important to note, however, that the actual claimed amounts can exceed the estimated value of the claim.

High-value Claims

Although the number of high-value claims (claims where compensation paid is greater than R500,000) as a percentage of the total claims finalised increased during the year, these claims represent a relatively small proportion of total claims finalised, i.e. 2.68% of the total number finalised (2013/14: 3.80%) (Graph 20).

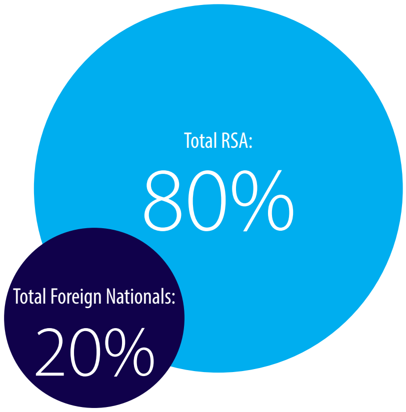
In terms of total Rand value paid, these claims constituted 53.4% of the total compensation paid out during the reporting period (2013/14: 51.4%)

Key Policy Developments and Legislative Changes

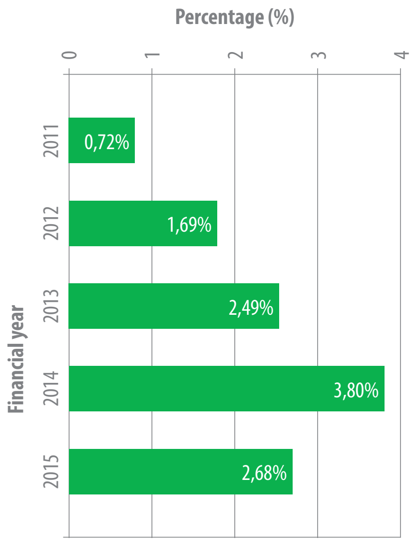
The enactment of the Protection of Personal Information Act, 2013 (Act No. 4 of 2013) (POPI) has resulted in major changes to many RAF policies and greatly affects the manner in which the RAF processes personal information.

The Use of Official Languages Act, 2012 (Act No.12 of 2012) continues to affect operations in terms of rendering service delivery to stakeholders in their preferred official languages. This has resulted in the RAF developing a Language Policy and establishing a fully functional Language Unit to achieve the legislative requirements of the Act.

On 1 January 2015 the Labour Relations Amendment Act, 2014 (Act No. 6 of 2014) (LRAA) took effect, with the exception of section 37(c), and South African businesses now have to comply with the new obligations created in the Act. As a result, the Human Capital Department is required to adjust the way in which it has traditionally employed and managed staff within the RAF.



Graph 19 – Estimated outstanding liability for claims >R5 million



Graph 20 – Number of claims compensated >R500,000 as a % of total claims finalised

Strategic Outcome-oriented Goals

The RAF's Revised Strategic Plan 2013–17 is anchored on four strategic outcomes aimed at addressing the numerous challenges faced by the RAF due to the nature of its business.

A legislative dispensation that is aligned to the principles of social security

Strategic Goal Description – Contribute towards legislative enablement by:

- **Amendments** to the current RAF Act;
- Establishing a **legislative framework** to give effect to the approved Road Accident Benefit Scheme (RABS) Policy; and
- Defending **challenges** against the RAF.

Outcome indicators

- Amending the **Road Accident Fund Act,** 1996 Act No. 56 of 1996), as amended.
- Publishing a **maximum fee** for serious injury assessments.
- Publishing a **single medical tariff.**
- Conducting **annual reviews** of the emergency medical tariff.
- Review **"serious injury" assessment** and amend Road Accident Fund Act, 1996 (Act No. 56 of 1996) and 2008 Regulations Act if a more speedy and less costly assessment method is established.
- To **support** the DoT to **enact legislation** to bring into being a **no-fault fixed benefit** dispensation (RABS).

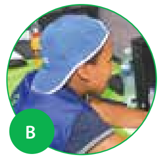
Effectively manage the RAF's finances and pursue sustainability

Strategic Goal Description –

Increase revenue, **reduce costs** and implement other means to recapitalise the RAF.

Outcome indicators

- **Reduced deficit** and improved sustainability.
- Provision for claims incurred **assessed quarterly** and an annual assessment conducted by an **independent actuary**.
- Reduction in **legal costs** by 2% annually.
- **Increased** percentage of **direct claims** originated.
- Reduced % of **direct personal claims** becoming **represented**.
- Managed and **monitored operational costs** to improve the **sustainability** of the RAF.
- **Reduction** in the number of writs of execution.
- **Accurate forecasting** of prevalence of accidents.



A customer-centric, operationally effective and efficient RAF by 2017

Strategic Goal Description –

Positive, **direct relationships** with customers based on an optimised operating model, which is more **accessible** and **efficient** and reduces the need for third-party legal support.

Outcome indicators

- **Reduced** number of open **claims**.
- Reduced **turnaround times** for the processing of supplier, funeral **claims** and Undertakings.
- Reduced turnaround times for the **processing of claims** for medical cost, loss of earnings/support and general damages.
- All **Hospital Service Centres** optimised and national footprint expanded.
- **Information** Collection Agents operational.
- Reduced prevalence of **litigated** cases.
- Improved **fraud conviction** rate.
- Number of **claimants** engaged at road shows and service centres.
- Implemented **claims system** enhancements.
- System **availability** and up-time.
- Increased percentage of **direct personal claims** settled.

A transformed and capacitated RAF by 2017

Strategic Goal Description –

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

Outcome indicators

- Reduction in the **vacancy rate**.
- Number of **performance assessments** to measure operational efficiency.
- **Recognition of employees** who exhibit the RAF's values through performance.
- RAF's contribution towards government's social and economic **transformation agenda**.

Figure 1 – Strategic outcomes

3. Performance information by objective

Strategic Objective Goal 1:
A legislative dispensation that is aligned with the principles of social security

In facilitating legislative enablement, the RAF is responsible for motivating and proposing amendments to the current legislation and supporting legislative processes that the DoT embarks on, as well as participating in relevant structures.

In measuring achievement of targets under this strategic objective, the following assumption should be considered: The RAF has no control over the legislative process, which is driven by the DoT. The RAF, therefore, can only contribute to and support the process.

Contribution to the organisation's key strategic outcomes

The liability and procedural provisions of the Road Accident Fund Amendment Act, 2005 (Act No. 19 of 2005) (the Amendment Act) came into operation on 1 August 2008. Shortly thereafter, the Law Society of South Africa and 10 other applicants brought an application challenging the constitutional validity of a number of the provisions of the Amendment Act and Regulations to that Act and also reviewing certain actions of the Minister of Transport taken in terms of the Amendment Act.

The legislative changes proposed and undertaken are critical to the achievement of key measures linked to other strategic outcomes. Any significant changes or shifts in terms of the underlying factors in this regard may therefore result in significant changes to the manner in which other measures are crafted and targets are set.

A list of other amendments to current legislation was proposed to the Minister of Transport during the 2013/14 financial year and culminated in the publication for public comment of the draft Road Accident Fund Amendment Bill, 2014, in the *Government Gazette* of 3 November 2014.

Furthermore, support and assistance are rendered to the DoT with the process of having legislation enacted towards the establishment of the RABS, which will see the current system being transformed into a no-fault, fixed benefit scheme, based on the principles of social security. The scheme will best meet the needs of all users of South African roads by providing a reasonable, equitable, affordable and sustainable system that focuses on medical requirements and rehabilitation.

Comment on all deviations

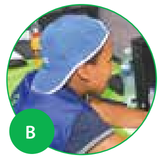
Not applicable – There have been no deviations on this target.

Strategy to overcome areas of under-performance

Not applicable – During the 2014/15 financial year, all the targets for this strategic objective were met.

Changes to planned targets

Not applicable – There were no in-year changes to the performance indicators or targets under this strategic programme.



A legislative dispensation that is aligned with the principles of social security

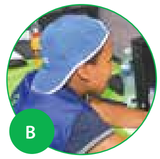
Performance indicator	Actual achievement 2013/2014	Planned target 2014/2015	Actual achievement 2014/2015	Deviation from planned target to actual achievement for 2014/2015	Comment on deviations
1. To motivate to and support the DoT to effect changes to the current legislation, law and regulations to reduce areas of wastage and inequities by:					
1(a) Amending the Road Accident Fund Act, 1996 (Act No. 56 of 1996), as amended.	The RAF provided support to the DoT to commence the Chief State Law Advisor and government consultation processes. The Bill was approved by the RAF Board in a meeting held on 29 January 2014 for submission to the DoT.	Support the DoT with public comments and the Parliamentary legislative process. Review RAF claim forms.	Proposed amendments to the RAF Act were published for public comment, the closing date of which was 3 December 2014. Public comments received were reviewed and taken into consideration to update the proposed amendments. The DoT submitted the proposed amendments to the Chief State Law Advisor for initial certification.	Target achieved. Inputs from the Chief State Law Advisor have been taken into account. The target will be pursued further by the DoT in 2015/16.	N/A
1(b) Publishing a maximum fee for serious injury assessments.	The task of publishing a maximum fee for serious injury assessment was completed in the first quarter of the 2013/14 financial year. The Amendment Regulation 2013 was published on 15 May 2013 and implemented.	Tariff reviewed by 31 March 2015.	The DoT made a submission to the Minister to publish the tariff for public comment. The Minister, however, requested another Briefing Note and presentation, which were provided. The tariff has not yet been published for public comment. The RAF, however, provided the required support to the DoT to assist in this process.	The target to support the DoT was achieved. The RAF will continue to support the DoT in its review of the tariff.	N/A

Target achieved or exceeded | Target partially achieved | Target not achieved

A legislative dispensation that is aligned with the principles of social security

Performance indicator	Actual achievement 2013/2014	Planned target 2014/2015	Actual achievement 2014/2015	Deviation from planned target to actual achievement for 2014/2015	Comment on deviations
1(c) Publishing a single medical tariff.	The RAF provided support to the DoT to commence the Chief State Law Advisor and government consultation processes. A service provider was appointed and the proposed tariff was tabled in a Board meeting held on 29 January 2014. The tariff was approved by the Board for submission to the DoT.	DoT supported with public comments and Parliamentary legislative process under paragraph (a) to provide for a single medical tariff.	The proposal to enact the Single Medical Tariff Bill was included in the legislative amendments proposed above under 1(a). The proposed amendments to the RAF Act were published for public comment, the closing date of which was 3 December 2014. Public comments received were reviewed and taken into consideration to update the proposed amendments. Target has been achieved, as the medical tariff can only be published on acceptance of 1(a) above.	The target to support the DoT was achieved. The RAF will continue to support the DoT with the legislative process to provide for the single medical tariff.	N/A
1(d) Conducting annual reviews of emergency medical tariff.	The service provider was appointed and the proposed tariff was tabled and approved for submission to the DoT in the Board meeting held on 29 January 2014. The tariff is included in the Bill under 1(a) above.	Emergency medical tariff reviewed annually in Quarter 4.	The emergency medical tariff was reviewed during Quarter 1.	The target for 2014/15 was achieved. The tariff is revised on an annual basis, and the 2015/16 review is currently underway and will be effective from 1 April 2015.	N/A

Target achieved or exceeded   Target partially achieved   Target not achieved



A legislative dispensation that is aligned with the principles of social security

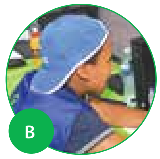
Performance indicator	Actual achievement 2013/2014	Planned target 2014/2015	Actual achievement 2014/2015	Deviation from planned target to actual achievement for 2014/2015	Comment on deviations
1(e) Review 'serious injury' assessment and amend Road Accident Fund Act, 1996 (Act No. 56 of 1996) and 2008 Regulations Act if a more speedy and less costly assessment method established.	A service provider was appointed during the 2013/14 financial year. The RAF Amendment Bill 2014 was drafted in line with the recommendations of the service provider. These recommendations were considered and approved by the RAF Board for submission to the DoT to amend the RAF Act as in 1 (a) above.	DoT supported with public comments and parliamentary legislative process under paragraph 1(a) to provide for a list of serious injuries to be used as part of the determination process of serious injuries.	The Board approved the serious injury assessment method and submitted to the DoT. The Minister of Transport approved the list of serious injury for publishing for public comment. The Minister of Transport acknowledged receipt. The assessment method can only be prescribed on acceptance of 1(a) above.	The target to support the DoT was achieved. The list of serious injury assessments was approved by the Board and is included under paragraph 1(a) above. The RAF will continue to support the DoT with the process of amending the current RAF Act, the enactment of which will lead to the implementation of the recommended list of serious injuries.	N/A

Target achieved or exceeded   Target partially achieved   Target not achieved

A legislative dispensation that is aligned with the principles of social security

Performance indicator	Actual achievement 2013/2014	Planned target 2014/2015	Actual achievement 2014/2015	Deviation from planned target to actual achievement for 2014/2015	Comment on deviations
2. To support the DoT to enact legislation to bring into being a no-fault fixed benefit dispensation (RABS)	The published RABS Bill was revised and specific provision was made in this Bill for the Minister of Transport to consult on draft RABS Regulations. Prior to the Bill coming into effect, approval is being sought from the Minister to re-publish the Bill. Provision is also made for the Board of the RAF to develop and consult on draft RABS Rules and draft RABS Forms, prior to the Bill coming into effect. The RAF has in the interim developed draft RABS Rules and draft RABS Forms to publish for comment concurrently with the next publication of the revised RABS Bill and draft RABS Regulations. The Bill was approved by the Board in a meeting held on 29 January 2014 for submission to the DoT.	DoT supported with submission of the Bill to Parliament to enact legislation and publish Regulations.	In Quarter 4, the RAF supported the DoT in enacting the RABS Bill by finalising the following key milestones: » Public comments were reviewed and the RABS Bill updated; and » The draft funding model was presented to the Board during the Board meeting held on 16–17 March 2015. Actuarial work on the funding model is on-going and once finalised will be submitted to the DoT and National Treasury for consideration. Once approved, it will have an impact on the RABS Bill.	Actuarial work on the RABS funding model is underway. The model will have an impact on the RABS Bill.	N/A

Target achieved or exceeded   Target partially achieved   Target not achieved



Strategic Objective Goal 2:
Effectively manage the RAF's finances and pursue sustainability.

The RAF's focus is on financial sustainability and seeking options to capitalise the organisation. The RAF actively engages with National Treasury and the DoT to determine Fuel Levy allocation increases annually. The development of strategies aimed at reducing legal and operational costs through internal cost management initiatives are on-going and have yielded positive results.

The legal and expert cost-to-compensation ratio as a percentage of total claim payments, for example, reduced to 14.53% compared to the 22.12% recorded in 2014/15. A contributory factor leading to this improved ratio is the drive undertaken by the RAF to increase direct claims.

Strategy to overcome areas of under-performance

The net deficit increased by 21% compared to the net deficit recorded in the previous financial year. This can be attributed largely to improved productivity, resulting in an increase in claims expenditure including accruals (excluding provisions) to R28 billion, and an increase in the provision for claims as a result of an increase in the average claims payments.

Strategies to manage under-performance in this area include the continuous monitoring of the deficit by conducting quarterly actuarial assessments of the deficit, an annual review and a clean-up of the claims database, as well as accident forecasting.

The Board will give consideration to whether this is a strategic aspiration, rather than one based solely on actuarial forecasts.

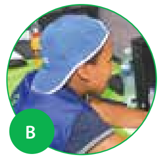
Changes to planned targets

Not applicable – There were no in-year changes to the performance indicators or targets under this strategic programme.

Effectively manage the RAF's finances and pursue sustainability

Performance indicator	Actual achievement 2013/2014	Planned target 2014/2015	Actual achievement 2014/2015	Deviation from planned target to actual achievement for 2014/2015	Comment on deviations
3. Reduced deficit and improved sustainability.	Net deficit for the year ending 31 March 2013 was R73.502 billion*. Net deficit for the period ended 31 March 2014 was R90.798 billion. An increase of 24% in the net deficit was recorded. **Prior year net deficit was revised from R51.464 billion to R73.502 billion due to an error on the provision for diesel rebate and a change in the provision for outstanding claims.*	5% annual reduction in the net deficit. (Net deficit for the 2013/14 financial year R90.798 billion*). **As per the change in accounting policy on reporting provision for outstanding claims in terms of GRAP 19.*	Net deficit for the period ended 31 March 2015 (R110.247 billion) increased by 21% from the net deficit for the period ended 31 March 2014 (R90.798 billion). Increased processing of claims and valuation of the provision for outstanding claims drive this number.	The net deficit grew to R110 billion due to the claims backlog. The Minister of Finance announced a 50 cent increase in the fuel levy, which is an effective increase of R10 billion to the annual budget. The increase will assist in alleviating some of the RAF's current financial challenges. The RAF must now expedite the support provided to the DoT for the enactment of the RABS Bill.	The additional R10 billion in funding will assist with the claim backlog reduction initiatives, undertaken by the RAF. However, the only sustainable solution is to fast-track the enactment of RABS. In this regard efforts are on-going and have recently gained momentum.
4. Provision for claims incurred assessed quarterly and an independent peer review conducted.	An annual provision of claims incurred was conducted by a statutory actuary. An assessment by an independent actuary is underway.	Provision for claims incurred assessed annually by statutory actuary and an annual assessment conducted by an independent actuary.	Quarterly actuarial valuations were conducted during the year. An independent annual actuarial valuation is also conducted. The RAF completed its Quarter 3 actuarial valuation report for the period ending 31 December 2014, and made adjustments to provide for claims incurred to be taken into account in the Quarter 4 Financial Statements.	Target achieved. An annual actuarial valuation of claims was conducted and a claims liability adjustment effected in the Statement of Financial Position.	N/A

Target achieved or exceeded | Target partially achieved | Target not achieved



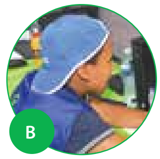
Effectively manage the RAF's finances and pursue sustainability

Performance indicator	Actual achievement 2013/2014	Planned target 2014/2015	Actual achievement 2014/2015	Deviation from planned target to actual achievement for 2014/2015	Comment on deviations
5. RAF claims data and records audited.	Management review of claims files and records was completed. An audit report on gaps identified was issued to Management and an action plan was developed to correct identified weaknesses.	Management review of claims files and records completed during 3rd quarter.	Management's review of claims files and records was completed and the report issued.	One review of claims files and data was required. The report contained recommendations to address gaps identified during the review.	N/A
6. Reduction in legal costs by 2% annually.	Legal costs as a percentage of total claims expenditure excl. medical costs for the 2012/13 financial year: 26.45%. Total legal costs (claimants' and RAF's legal costs) for the period ending 31/03/2014: R4.633 billion and total claims expenditure excluding claimant medical costs for the 2013/14 financial year: R20.943 billion. Legal costs as a percentage of total claims expenditure: 22.12%.	2% year-on-year reduction in legal costs to 20.12%.	Annual cost-to-compensation ratio: 19.47% Total legal cost payments: R5,440,878,413 Total claims-related payments: R27,942,975,133	Target achieved. Cash constraints had an impact on the legal cost reduction ratio. The RAF is committed to further reducing legal costs to ensure that beneficiaries receive all benefits due to them.	N/A

Target achieved or exceeded   Target partially achieved   Target not achieved

Effectively manage the RAF's finances and pursue sustainability

Performance indicator	Actual achievement 2013/2014	Planned target 2014/2015	Actual achievement 2014/2015	Deviation from planned target to actual achievement for 2014/2015	Comment on deviations
7. Increased percentage of direct claims originated (direct personal claims as a percentage of total personal claims).	Direct claims originated in the period ending 31/03/2014 were 14,205. Total personal claims originated in the financial year 2013/14 were 53,231. Direct claims constitute 25.25% of total personal claims lodged. The 25.25% is greater than 20%.	32.5% annual increase.	Direct personal claims originated in the period ending 31/03/2015: 17,777. Total number of personal claims lodged in the period ending 31/03/2015: 58,638. The ratio of direct claims lodged as compared to the total personal claims lodged in the same period was 30.32%.	Target not achieved. Although the target of 32.5% was not achieved, there was a significant improvement in direct personal claims originated of 5.07% compared to 25.25% in 2013/14.	The RAF is committed to improving the percentage of personal direct claims originated and will pursue the target further in its new 2015–2020 Strategic Plan.
8. Reduced % of direct personal claims becoming represented, i.e. % reduction in baseline.	The number of direct claims that became represented in the 2012/13 financial year was 1,215. Number of open direct claims for the financial year 2013/14 was 30,676. 3.9% of the total number of open direct claims was converted to represented claims.	Reduce the baseline by 30% by the end of the financial year.	Direct claims converted to represented (status all): 993 Total open direct claims (status O, R, RD, VO, VV, PS): 30,207 (993/30,207)*100 = 3.28%	The target to reduce the baseline of 4.8% by 30% was exceeded by 0.08%.	There was an 18.27% improvement from the 1,215 conversion recorded in the 2013/14 financial year.
9. Managed and monitored operational costs to improve the sustainability of the RAF.	Overall organisational operational and capital expenditure budget for the 12 months ending 31 March 2014: R1.562 billion. Actual capital expenditure and operational expenditure for the 2013/14 financial year: R1.379 billion.	10% negative variance per expenditure grouping, but not exceeding the overall organisational budget.	Operational and capital expenditure budget: R1.837 billion. Actual capital expenditure and operational expenditure: R1.636 billion. Positive 11% deviation.	Target achieved. There was an 11% saving against the budget. Therefore, spending is still within the budget.	N/A



Effectively manage the RAF's finances and pursue sustainability

Performance indicator	Actual achievement 2013/2014	Planned target 2014/2015	Actual achievement 2014/2015	Deviation from planned target to actual achievement for 2014/2015	Comment on deviations
10. Reduction in the number of writs of execution.	Average number of writs for the financial year ending 31/03/2013: 7,844. Number of writs for the financial year ending 31/03/2014: 5,595. Percentage reduction: 28.6%.	30% reduction in the number of writs of execution.	Number of writs for the period ending 31/03/2015: 10,080. Number of writs for the period ending 31/03/2014: 5,595.	Target not achieved. Percentage increase of 80.16% instead of a 30% reduction.	The target has been consistently achieved over the previous two financial periods, however approximately 80% of the writs incurred in this reporting period are directly related to the cash constraints experienced.
11. Accurate forecasting of prevalence of accidents.	An accident forecasting report was finalised during February 2014. The report is intended to be used to forecast the prevalence of accidents.	One (1) forecast conducted by 31 December 2014.	An accurate forecast of accident reports was completed and approved by the CEO on 19 December 2014.	Target achieved. The report will be used internally to forecast the prevalence of accidents and to assist the RAF with the claims valuation process.	N/A

Target achieved or exceeded   Target partially achieved   Target not achieved

Linking performance with budgets

Sub-programme name	2014/2015			2013/2014		
	Budget R'000	Actual expenditure R'000	(Over)/Under expenditure R'000	Budget R'000	Actual expenditure R'000	(Over)/Under expenditure R'000
Claims expenditure (excluding provision for outstanding claims)	22,970,453	28,027,197	(5,056,744)	18,144,000	22,280,094	(4,136,094)
Provision for outstanding claims	915,000	12,428,859	(11,513,859)	25,931	14,162,000	(14,136,069)
Total	23,885,453	40,456,056	(16,570,603)	18,169,931	36,442,094	(18,272,163)

Strategic Objective Goal 3:
A customer-centric, operationally effective and efficient RAF by 2017

In the 2013-2017 Revised Strategic Plan, the RAF undertook to implement measures to achieve operational efficiency and a seamless and appropriate customer experience. Intended operational efficiencies aim to make the RAF's systems and processes more efficient. In addition, the RAF's national footprint will be expanded and customer interaction points optimised to ensure that the total experience for the customer is of a consistently high standard.

An organisational realignment, embarked upon during the previous financial years, sought to improve operational efficiency, improve internal controls, streamline business processes and segregate duties, primarily focusing on reducing the time taken to settle claims and reduce the number of outstanding claims.

In the current year the number of hospital service centres (HSCs) increased to 96 and the RAF's service offering was extended to 27,880 claimants through the 'RAF on the Road' campaigns, as well as other events. Improved brand awareness is assisting the RAF in encouraging direct claiming as opposed to attorney-represented claiming.

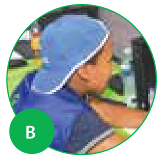
Strategy to overcome areas of under-performance

Highlighted below are some of the implemented interventions aimed at reducing turnaround times and improving service delivery:

- Cash flow management aimed at managing litigated claims. The preferred method of conducting litigation by the judiciary is within a case management regime where judges encourage pre-trial conferencing to narrow issues;
- Block settlements on non-litigated matters that have not yet been placed on the court roll are on-going; and
- Regular block settlements (meetings with plaintiff attorneys).

Changes to planned targets

Not applicable – There was no in-year change to the performance indicators or targets under this strategic programme.



A customer-centric, operationally effective and efficient RAF by 2017

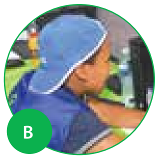
Performance indicator	Actual achievement 2013/2014	Planned target 2014/2015	Actual achievement 2014/2015	Deviation from planned target to actual achievement for 2014/2015	Comment on deviations
12. Reduced number of open claims, i.e. claims where payment of compensation and or legal costs must still be made.	Number of open and re-opened claims (O&R status) as at 31/03/2014: 198,140. Number of open claims at S status (claims where compensation is made and still awaiting legal cost payment) as at 31/03/2014: 34,145.	Number of claims reduced to 185,318 by the end of March 2015.	Number of open claims (O&R status): 179,778. S status claims (claims where compensation is made and still awaiting legal cost payment): 37,932.	Target has been achieved. The actual reduction in the number of claims is reflected below: The total amount for claims finalised and not paid increased from R377 million in 2013/14 to R6.9 billion in the 2014/15 financial year. The total number of claims finalised awaiting payment was 9,628.	There was a notable reduction in the number of open claims compared to the 198,140 reported in 2013/14, an indication that productivity improved. However, the reduction rate was impacted by the cash constraints experienced during the financial year.
13. Reduced turnaround times for the processing of supplier and funeral claims, as well as Undertakings (from date lodged to date of payment).	» Funeral claims: 599 days. » Supplier claims: 211 days. **Weighted average number of days: 238 days.* **Weighted number of days is used to calculate reported achievement. This is due to the fact that more than 90% of claims in this pool relate to supplier claims and less than 10% to funeral claims.*	Reduced to 225 days by end of the reporting period.	» Funerals – average turnaround times: 534. » Suppliers – average turnaround times: 169. » Weighted average turnaround times for the category of claims: 193.	Target achieved. (The target was exceeded by 32 days.) Interventions to reduce the age of open claims will be implemented in the 2015/16 financial year.	N/A

Target achieved or exceeded   Target partially achieved   Target not achieved

A customer-centric, operationally effective and efficient RAF by 2017

Performance indicator	Actual achievement 2013/2014	Planned target 2014/2015	Actual achievement 2014/2015	Deviation from planned target to actual achievement for 2014/2015	Comment on deviations
14. Reduced turnaround times for the processing of claims for medical costs, loss of earnings/support and general damages (from date lodged to date of payment).	» Medical costs: 1,304 days. » Loss of earnings: 1,343 days. » Loss of support: 1,110 days. » General damages: 1,648 days. » Average number of days 1,351 days.	Reduced to 1,100 days by the end of the financial year.	» General damages – average turnaround times: 1,666 days. » Loss of support – average turnaround times: 1,039 days. » Loss of earnings – average turnaround times: 1,346 days. » Medical costs – average turnaround times: 1,361 days. » Average number of days taken to settle more complex category of claims: 1,406 days.	Not achieved. Variance from target of 306 days.	These rates were influenced by the cash constraints experienced during the financial year.
15. All Hospital Service Centres (HSCs) optimised and national footprint expanded.	83 HSCs were in operation. Quality assessment reviews were conducted in existing hospitals. An independent quality assessment in respect of network accessibility to the service centres was completed.	Quality assurance reviews conducted at 90 HSCs existing as at end of the 2014/15 financial year. Additional 10% introduced and national footprint expanded.	96 HSCs are operational, 91 centres were quality assured and are compliant, and the remaining five centres were established and became operational during the last quarter of the financial year.	Target achieved. (The RAF is committed to ensuring that services are accessible to all claimants. Feasible expansion plans are currently being investigated and are planned to be rolled out in the next five years.)	N/A
16. Information Collection Agents (ICAs) operational.	22 ICA MoUs were signed with various collection agents within the motor vehicle accident (MVA) value chain.	Number of operational ICAs increased to 30 by 31 March 2015.	32 ICAs are operational and providing the RAF with crash information on a regular basis.	Target exceeded by 2 operational ICAs.	The target was successfully delivered, and an extensive crash database and a more comprehensive accident forecasting report are to be pursued further in line with the RAF's 2015–2020 Strategic Plan.

Target achieved or exceeded   Target partially achieved   Target not achieved



A customer-centric, operationally effective and efficient RAF by 2017

Performance indicator	Actual achievement 2013/2014	Planned target 2014/2015	Actual achievement 2014/2015	Deviation from planned target to actual achievement for 2014/2015	Comment on deviations
17. Reduced prevalence of litigated cases i.e. number of claims (expressed as a percentage of open claims at the end of the financial year) where the claimant referred the matter to the courts.	Number of litigated cases for the financial year ending 31/03/2014: 36,379. Number of open claims for financial year ending 31/03/2014 (O&R status): 198,140. Litigated claims represented 18.36% of open claims.	Litigated cases reduced by 10% year-on-year.	Litigated claims: 52,040. Number of open claims (O&R) as at 31/03/2015: 179,778. **28.95% of open claims are litigated.* **(52,040 / 179,778)*	Target not achieved. (The target to reduce the baseline by 10% was not met).	There has been a significant increase in the number of litigated cases from 36,379 recorded in the 2013/14 financial year.
18. Improved fraud conviction rate (i.e. number of convictions during financial year as a % of number of investigations during financial year).	Number of convictions for the 2012/13 financial year: 234. Number of convictions reported for the 2013/14 financial year: 573. Thus an improvement of 145% (573 – 234 = 339 / 234).	10% improvement in the conviction rate recorded annually.	Total reported convictions (external convictions): 627.	Target exceeded by 57.2%.	Target exceeded – number of convictions increased from 375 to a total of 627 claim-related convictions, an improvement of 67.2% compared to 2013/14.
19. Number of claimants engaged at road shows per annum.	The number of claimants engaged at road shows including other RAF events and all 'RAF on the Road' campaigns totalled 20,490.	25 000.	27,880 claimants engaged at 'RAF on the Road' and other RAF events.	Target exceeded. 2,880 additional claimants were engaged.	The '4 cities RAF on the Road' campaign that was held on 15 March 2014 contributed to this achievement, as it attracted more than 7,600 claimants.

Target achieved or exceeded   Target partially achieved   Target not achieved

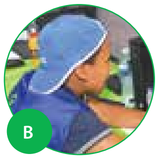
A customer-centric, operationally effective and efficient RAF by 2017

Performance indicator	Actual achievement 2013/2014	Planned target 2014/2015	Actual achievement 2014/2015	Deviation from planned target to actual achievement for 2014/2015	Comment on deviations
20. Implemented claims system enhancements.	Not scheduled for 2013/2014.	Compliance with the claim system enhancement plan.	Deliverables contained in the claims system enhancement plan, as well as claims modernisation plan, were incorporated in the Five-year ICT Strategy, approved in January 2014.	Target achieved. Included in the Five-year ICT Strategy is the Integrated Claims Management System (ICMS), which incorporates the claims system enhancement plan deliverables. The ICMS project plan has been developed and approved and is monitored on a quarterly basis.	N/A
21. System availability and up-time.	Not scheduled for 2013/2014.	98% access availability and up-time.	An average of 99.3% ICT service availability for critical services. Critical services include: » Claims processing: 100% » SAP: 99.52% » Messaging: 97.74% » Telephony: 99.81% » Call Centre: 99.81%	Target exceeded. (Annual average of 98.84% access availability.)	N/A
22. Increased percentage of direct personal claims settled (direct personal claims settled as a percentage of total personal claims settled).	Not scheduled for 2013/2014.	Increased number of direct personal claims as a percentage of total personal claims settled to 10% annually.	Total number of direct claims settled (capital payments): 9,089. Total number of personal claims settled (all capital payments incl. direct claims payments): 35,742. 25.43% of personal claims paid were direct claims payments.	Target exceeded.	The target was exceeded by 15.43%.

Target achieved or exceeded

Target partially achieved

Target not achieved



Strategic Objective Goal 4:
A transformed and capacitated RAF by 2017.

Effective communication, people and leadership are critical to ensure that the highest standard of care is provided to accident victims so as to restore balance in the social system.

To this end, the RAF aims to capacitate the organisation and promote accountability and a performance-driven ethos. Furthermore, the RAF will continue to promote and comply with legislation and policies relating to employment equity and preferential procurement.

Strategy to overcome areas of under-performance

Not applicable – All the targets under this strategic objective were met.

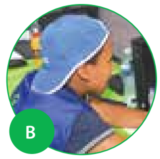
Changes to planned targets

Not applicable – There was no in-year change in the performance indicators or targets under this strategic programme.

A transformed and capacitated RAF by 2017

Performance indicator	Actual achievement 2013/2014	Planned target 2014/2015	Actual achievement 2014/2015	Deviation from planned target to actual achievement for 2014/2015	Comment on deviations
23. Reduction in the vacancy rate.	Approved budgeted posts: 2,540. Number of filled positions: 2,288. Number of vacant positions: 252. **Vacancy rate at 31 March 2014: 9.9%.*	2% less than previous year's vacancy rate, i.e. 7.9%.	Budgeted positions as at 31 March 2015: 2,746 Positions filled as at 31 March 2015: 2,555 Number of vacancies as at 31 March 2015: 191 Vacancy rate as at 31 March 2015: 6.96%	Target exceeded.	Staff count grew by 11.6% from the 2,288 reported in the 2013/14 financial year to 2,555, resulting in the target being exceeded by 1%.
24. Number of performance assessments to measure operational efficiency.	99% of employees were formally assessed in the fourth quarter of the 2013/14 financial year.	All staff formally assessed on a quarterly basis.	100% of employees were formally assessed	Target achieved. The results are based on the performance assessments conducted for the 3rd quarter. Formal performance assessments for the 4th quarter and contracting for the 2014/15 financial year are underway.	N/A
25. Recognition of employees who exhibit RAF's values through performance.	Total number of employees recognised in the 2013/14 financial year was 417.	Monthly recognition conducted through staff e-mail notification and certificates awarded to 70 staff during the year.	365 employees were formally recognised.	Target exceeded.	Annual target of 70 staff recognised was exceeded by 295.

Target achieved or exceeded   Target partially achieved   Target not achieved



A transformed and capacitated RAF by 2017

Performance indicator	Actual achievement 2013/2014	Planned target 2014/2015	Actual achievement 2014/2015	Deviation from planned target to actual achievement for 2014/2015	Comment on deviations
26. RAF's contribution towards government's social and economic transformation agenda.	B-BBEE spend was assessed at 100% for the 2013/14 financial year. Total number of employees with an equity status* employed: 2,215. Total number of employees: 2,288. Number of employees not classified with an equity status: 73. 97% of employees fall within the designated group of employees with an equity status. **Designated groups classified as black, inclusive of both genders, as well as white females.*	a) 110% B-BBEE spend (total). b) Achieve no more than 10% negative or positive variance per Employment Equity (EE) grouping as per EE NEAP targets.	113% B-BEEE rated suppliers. The RAF is within the set positive or negative 10% variance in all the main EE categories, as well as the 1% national disability target. Persons living with disabilities constitute 1.31% of the total employees.	Target exceeded. Target exceeded.	The target was exceeded by 3%. All EE categories were within the positive or negative 10% variance compared to NEAP targets. The RAF also recorded 100% compliance with the plan as per the Annual EE Report submitted to the Department of Labour.

Target achieved or exceeded   Target partially achieved   Target not achieved

Linking performance with budgets

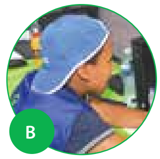
Sub-programme name	2014/2015			2013/2014		
	Budget R'000	Actual expenditure R'000	(Over)/Under expenditure R'000	Budget R'000	Actual expenditure R'000	(Over)/Under expenditure R'000
Employee costs	1,149,721	1,164,018	(14,297)	974,232	907,172	67,060
Total	1,149,721	1,164,018	(14,297)	974,232	907,172	67,060

4. Revenue collection

Revenue collection is discussed in detail under 'Operating Environment' on page 47 of this report.

5. Capital investment

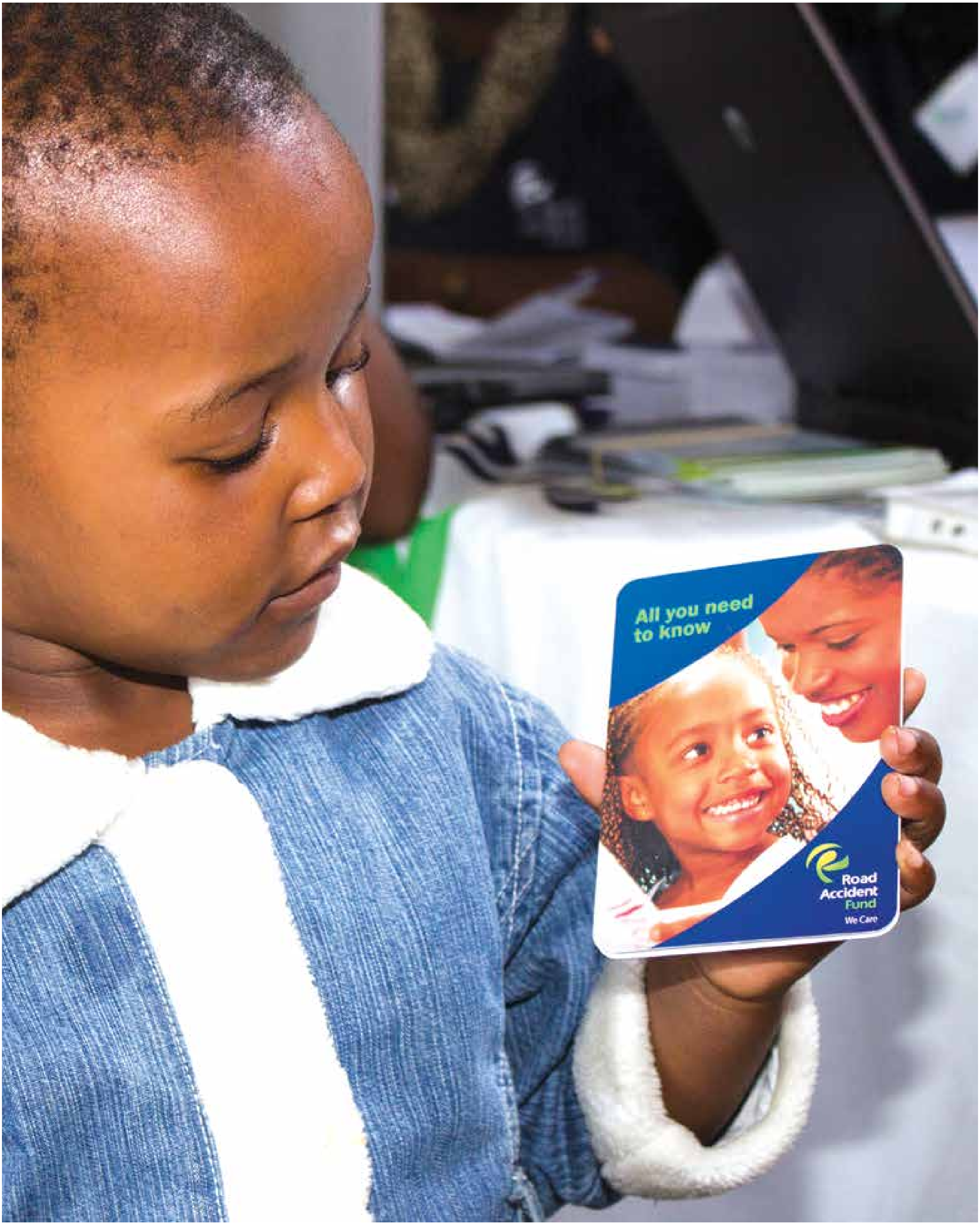
Progress made on implementing the Asset Management Plan	The bi-annual Asset Management Plan was implemented and communicated on 29 September 2014 to all regions (due date 31 March 2015) where-after anomalies were attended to. The finalisation of the annual asset verification was 31 March 2015, where-after all anomalies were finalised before the Fixed Assets Register was updated. The asset verification process was completed by 31 March 2015 although on-going. Finance communicated the Asset Management Project Plan (outstanding issues) to all regions on 13 February 2015 with due date 31 March 2015.
Infrastructure projects completed in the current year and progress in comparison with what was planned at the beginning of the year	No major infrastructure projects were concluded at Head Office or Menlyn. *Four CSCs were opened, with 5-year leases as follows:* Bloemfontein – July 2014 – value: R632,329 Kimberley – May 2014 – value: R548,959 Mahikeng – May 2014 – value: R642,110 Polokwane – June 2014 – value: R548,551 *Other projects:* Durban Office Construction: R428,508 Newcastle CSC Office upgrade: R74,200 Electrical Reticulation for Durban Office: R340,998 Prefab (Park home) Bethesda HSC: R123,125 Prefab (Park home) Ixopo HSC: R119,700 Upgrade to St Elizabeth Hospital in Lusikisiki: R75,000 Office construction at Nelson Mandela Academic Hospital in Umtata: R116,000 Refurbishment of Dora Nginza and Livingstone Hospitals in Port Elizabeth: R40,000 *East London branch:* Construction of consulting cubicles for Direct Claims Department: R113,000 Replacement of carpet tiles on 1st and 2nd floors: R293,000 Optimisation of office space on 4th floor: R383,000
Infrastructure projects in progress and expected completion date	None



Plans to close down or downgrade any current facilities	One lease was terminated on 31 January 2015 – Welkom (81m^2)
Progress made on infrastructure maintenance	All buildings are kept in good condition. The only maintenance currently under review is the air-conditioning plant upgrade at Menlyn.
Developments relating to the above expected to impact on the RAF's current expenditure	An upgrade of the Menlyn air-conditioning plant will impact on capital expenditure.
Details as to how asset holdings have changed over the period under review, including disposals, scrapping and loss due to theft	Total acquisition for the year (2015): R35,016,000 Prior year acquisition (2014): R31,400,000 Current year disposal (2015): R13,622,000 Prior year disposal (2014): R39,028,000
Measures taken to ensure that the RAF's Fixed Asset Registers remain up-to-date during the period under review	The Asset Verification Plan, implemented in September 2014, was due to be completed by all regions by 31 March 2015. FM and ICT were requested to verify their own class of assets, but ICT had not completed the exercise by the due date. The asset verification process is on-going after disposal of assets and write-off of assets have been done.
Major maintenance projects undertaken during the period under review	None.
Progress made in addressing the maintenance backlog during the period under review	The air-conditioning plant at Menlyn is being reviewed for an upgrade.

Infrastructure projects*	2014/2015			2013/2014		
	Budget R'000	Actual expenditure R'000	(Over)/Under expenditure R'000	Budget R'000	Actual expenditure R'000	(Over)/Under expenditure R'000
Property, plant and equipment	67,055	35,016	32,039	51,069	31,400	19,669
Intangibles	39,121	21,888	17,233	29,737	19,640	10,097
Total	106,176	56,904	49,272	80,806	51,040	29,766

*The RAF has no infrastructure projects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PART C

Governance

1. Introduction

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

Parliament, the Executive Authority and the Accounting Authority of the public entity are responsible for corporate governance.

2. Portfolio Committee

Parliament exercises its oversight role of the RAF by interrogating its Annual Financial Statements and other relevant documents which have to be tabled, as well as any other documents tabled from time to time, and evaluating its performance accordingly. This oversight role is fulfilled by the Portfolio Committee on Transport (PCOT) and the Standing Committee on Public Accounts (SCOPA).

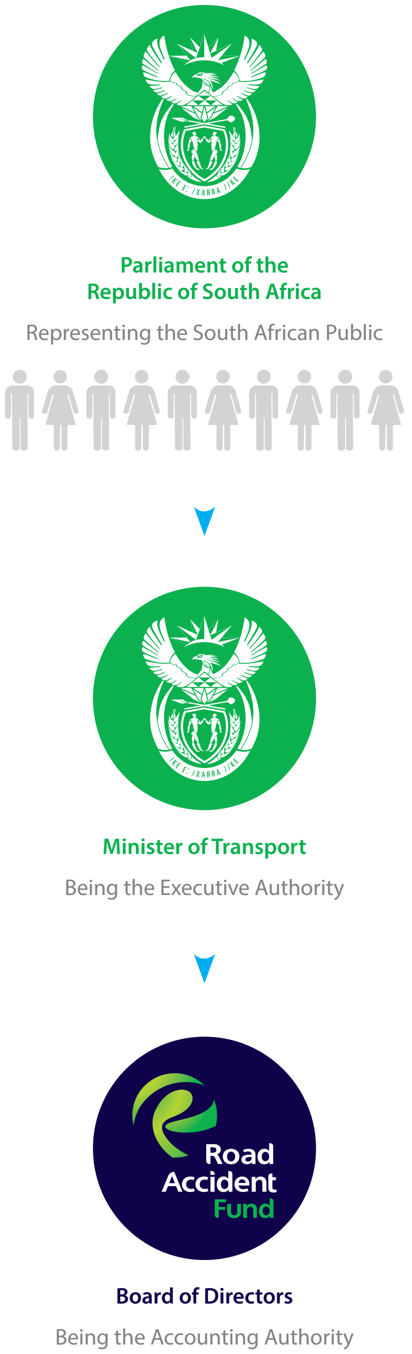


Figure 1 – Executive Authority reporting structure

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

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

3. Executive Authority

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

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

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

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

The RAF Act provides that the Executive Authority can appoint or dismiss members of the Board, including the Chairperson, Vice-Chairperson and Non-executive Board members. The Minister also appoints the CEO on such terms and conditions as may be determined by the Board.

Whenever it is necessary to appoint a member to the Board, the Minister, by notice in the *Government Gazette* and national news media, invites persons or bodies who have an interest in the operations of the RAF to nominate candidates who comply with the criteria mentioned in subsection 1(b) of the RAF Act, as amended. The Minister then publishes a list of nominees received

in response to the invitation, which includes the names of the relevant nominators. The name and expertise of the newly appointed (or reappointed) Board member is published in the *Government Gazette*.

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

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

4. Accounting Authority/The Board

Introduction

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

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

The Role of the Board

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

With the prescripts of King III and National Treasury in mind, the role of the RAF Board comprises the following:

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

This means that the Board is responsible for determining the overall direction of the RAF. The RAF is guided by a Five-year Strategic Plan and APP, both of which were submitted to the Executive Authority, the Minister of Transport, by the end of January 2015, as prescribed in terms of National Treasury Instruction Note No. 33.

The Board annually revises the Delegation of Authority Framework, which defines the delegation of powers, duties and functions of Management.

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

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

Board Charter

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

A self-assessment of the Board and Board Committees' performance took place during the year under review and action plans were put in place to address areas requiring improvement. A report in this regard was submitted to the Shareholder.

Composition of the Board

The RAF is headed and controlled by an effective and efficient Board, comprising independent Non-executive Board members representing the necessary skills to strategically guide the RAF. The Board consists of 11 Non-executive Board members, including a DoT representative. The RAF Board is diverse in respect of origin, gender, race and education. Together, the members bring a wealth of experience and expertise to the RAF and reflect the nature of its business. 36% of the Board members are women, while 81% are from historically disadvantaged communities.

The standard term of appointment for Board members is three years. Board members are eligible for re-appointment for a further two terms. The Executive Management team is appointed by the CEO after consultation with the Board. Executive Management is employed on the basis of a fixed-term contract. The maximum duration of fixed-term contracts is five years. The Board is required to meet as often as the business of the RAF requires, but at least four times a year.

Board Members

1. Dr NM Bhengu
   Non-executive Director
   (Chairperson)
2. Mr D Coovadia
   Non-executive Director
   (Vice-chairperson)
3. Adv. DS Qocha
   Non-executive Director
4. Mr DK Smith
   Non-executive Director
5. Ms A Steyn
   Non-executive Director
6. Mr LED Hlatshwayo
   Non-executive Director
7. Dr KLN Linda
   Non-executive Director
8. Mr TP Masobe
   Non-executive Director
9. Ms R Mokoena
   Non-executive Director
10. Mr AM Pandor
    Non-executive Director
11. Mr TB Tenza
    Non-executive Director
12. Dr EA Watson
    CEO (*Ex officio*)

Name	Designation	Date appointed	Qualifications	Area of expertise	Board directorships	Board committees	*No. of meetings attended
Dr NM Bhengu	Non-executive Board member (Chairperson of the Board)	01/10/2010 Re-appointed 01/10/2013	MBChB (University of Natal), Diploma in Anaesthetics (College of Medicine of South Africa), MBA (Wales University, Cardiff), Master of Public Health, Healthcare Management (Harvard University), Chartered Director (SA)	Medical and Corporate Governance	Nestlé (SA) Non-executive Advisory Board Member	Chairpersons' Committee (Chairperson)	7 of 7
Mr D Coovadia	Non-executive Board member (Vice-Chairperson of the Board)	01/10/2013	BCompt, BCompt (Hons) (Unisa), CA (SA), FIMC, CMC, FIAC, FCIS, FSAIM, BA (SA), FIIASA, PIA (SA), CAT (UK), MInstD, JP	Finance		Audit Committee Chairpersons' Committee	7 of 7
Mr LED Hlatshwayo	Non-executive Board member	01/10/2011 Re-appointed 01/10/2013	BCom (University of Zululand), BCompt (Unisa), BCompt (Hons)/CTA (Unisa), CA (SA) and MBA (University of North West, Potchefstroom) Chartered Director (SA)	Finance	Central Energy Fund	Audit Committee (Chairperson) Risk Management and Ethics Committee Chairpersons' Committee	6 of 7
Dr KLN Linda	Non-executive Board member	01/10/2013	MBChB (University of Natal), Healthcare Service Management Certificate, Advanced Management Programme (Manchester Business School UK), Post-graduate Diploma in Healthcare Information (Winchester University)	Medical	Board Member of Childsafe South Africa	Remuneration and Human Resources Committee Operations and Information Technology Committee	7 of 7

Name	Designation	Date appointed	Qualifications	Area of expertise	Board directorships	Board committees	*No. of meetings attended
Mr TP Masobe	Non-executive Board member	01/10/2013	BA (Hons) Economics (Grinnel College, USA), MSc Health Economics (University of London), BA (Hons) Econ, International Executive Development Diploma (University of the Witwatersrand and University of London Business School), Advanced Health Leadership (University of California)	Medical	Member Audit and Risk Committees – Liberty Health, Health Systems Trust (Chairperson 2004–2006) and Council for Medical Schemes Member of all three Boards/Trusts of the organisations above	Audit Committee Operations and Information Technology Committee	6 of 7
Ms R Mokoena	Non-executive Board member	01/10/2013	B Iuris (UniZul), LLB (Natal), Various certificates	Law	Non-executive Director DENEL, Alternative Non-executive Director SITA, Member of Regulation Committee ACSA, Member of Regulation Committee ATNS, Member of the Gauteng Rental Housing Tribunal	Risk Management and Ethics Committee (Chairperson) Remuneration and Human Resources Committee Chairpersons' Committee	5 of 7
Mr AM Pandor	Non-executive Board member	01/10/2013	CA (SA), MBA (Henley Management College, (UK), CISA – GGEIT	Governance	None	Operations and Information Technology Committee (Chairperson) Risk Management and Ethics Committee Chairpersons' Committee	7 of 7

Name	Designation	Date appointed	Qualifications	Area of expertise	Board directorships	Board committees	*No. of meetings attended
Adv. DS Qocha	Non-executive Board member	01/10/2010 Re-appointed 01/10/2013	BA (Law) (National University of Lesotho), LLB (National University of Lesotho), Strategic Leadership Programme (GIBS), Broadcasting Policy and Regulation (LINK Centre, Wits), Telecoms Policy Regulation and Management (LINK Centre, Wits), General Intellectual Property Course (WIPO)	Law	None	Remuneration and Human Resources Committee (Chairperson) Risk Management and Ethics Committee Chairpersons' Committee	5 of 7
Mr DK Smith	Non-executive Board member	01/10/2010 Re-appointed 01/10/2013	BSc (University of Stellenbosch) FASSA, International Senior Management Programme (Harvard Business School)	Actuarial	Sanlam Ltd, Mediclinic International Ltd, Reinsurance Group of America (SA)	Audit Committee Operations and Information Technology Committee	7 of 7
Ms A Steyn	Non-executive Board member	01/10/2010 Re-appointed 01/10/2013	BSc in Physiotherapy (University of Stellenbosch) Various other related courses	Medical	None	Human Resources Committee Operations and Information Technology Committee	7 of 7
Mr TB Tenza	Director-General (DG) representative	01/01/2010	Secondary Teachers Diploma (Indumiso College), BCom (Unisa), BCom (Hons) (Unisa), Master of Arts in Applied Economics (University of Michigan, USA), Executive Development Programme (Vaal University of Technology)	None	None	Audit Committee Risk Management and Ethics Committee Remuneration and Human Resources Committee Operations and Information Technology Committee	5 of 7

*A total of 7 Board meetings took place during the financial year. The Annual General Meeting between the Shareholder and the Accounting Authority took place on 4 September 2014.

Board Committees

The RAF Board is fully constituted and supported by various committees, which perform oversight over Management's tactical operations.

Each committee has an approved annual work plan based on the roles and responsibilities as contained in the respective terms of reference, King III, applicable provisions of the PFMA, and various Institute of Directors in Southern Africa (IoDSA) position papers. Quarterly progress reports pertaining to the annual work plans are considered by the respective committees and reported on to the Board. Independent assurance on compliance with annual work plans has been provided by an external service provider, and the sub-committees have achieved substantive compliance in terms of their work plans.

Committees: 1 April 2014 to 31 March 2015

Committee	No. of meetings held	No. of members	Name of members
Audit Committee	5	4	Mr LED Hlatshwayo (Chairperson) Mr D Coovadia Mr TP Masobe Mr DK Smith Mr TB Tenza (DG representative) CEO *(Ex officio)*
Risk Management and Ethics Committee	4	4	Ms R Mokoena (Chairperson) Mr LED Hlatshwayo Mr AM Pandor Adv. DS Qocha Mr TB Tenza (DG representative) CEO *(Ex officio)*
Remuneration and Human Resources Committee	4	4	Adv. DS Qocha (Chairperson) Dr KLN Linda Ms R Mokoena Ms A Steyn Mr TB Tenza (DG representative) CEO *(Ex officio)*
Operations and Information Technology Committee	4	5	Mr AM Pandor (Chairperson) Dr KLN Linda Mr TP Masobe Mr DK Smith Ms A Steyn Mr TB Tenza (DG representative) CEO *(Ex officio)*
Chairperson's Committee	4	6	Dr NM Bhengu (Chairperson) Mr D Coovadia Mr LED Hlatshwayo Ms R Mokoena Mr AM Pandor Adv. DS Qocha

> The RAF Board is fully constituted and supported by various committees...

» The RAF is required to implement and maintain an effective, efficient and transparent system of financial management, risk management and internal control.

Board Member Remuneration

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

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

Name	Remuneration R'000	Other allowance R'000	Other re-imbursements R'000	**Total R'000**
Dr NM Bhengu	808		5	**813**
Mr D Coovadia	619	-	11	**630**
Mr LED Hlatshwayo	592	-	6	**598**
Dr KLN Linda	538	-	4	**542**
Mr TP Masobe	538	-	6	**544**
Ms R Mokoena	592	-	5	**597**
Mr AM Pandor	592	-	9	**601**
Adv. DS Qocha	592	-	6	**598**
Mr DK Smith	538	-	4	**542**
Ms A Steyn	538	-	3	**541**
Mr TB Tenza (DG representative)	-	-	-	-
Total	5,947	-	59	6,006

5. Risk management

Background to Enterprise Risk Management

The RAF, as a Schedule 3A public entity, is required in terms of section 51(a)(i) of the PFMA to implement and maintain an effective, efficient and transparent system of financial management, risk management and internal control.

To fulfil this responsibility, the RAF has adopted (a) the ISO 31000 international risk management standards, (b) the public sector risk management framework and (c) risk management principles and guidelines as outlined by King III as its enterprise risk management framework. Combined, these risk management standards are customised and applied through a Board-approved enterprise risk management framework in identifying critical risk events and risk opportunities, assessing risks, monitoring and reporting on risks, implementing controls, decision-making and in all other business processes.

The Risk Management and Ethics Committee (RMEC) provides oversight over the fraud and corruption prevention controls and mechanisms within the RAF's operating environment. To this effect:

- » Risk incidents are logged in an operational risk register and monitored; and
- » The RAF has a toll-free Fraud Tip-off line through which employees and stakeholders are encouraged to report any suspected corrupt, fraudulent, criminal or unethical practices.

There were no material losses due to criminal conduct during the reporting period.

Risk Philosophy

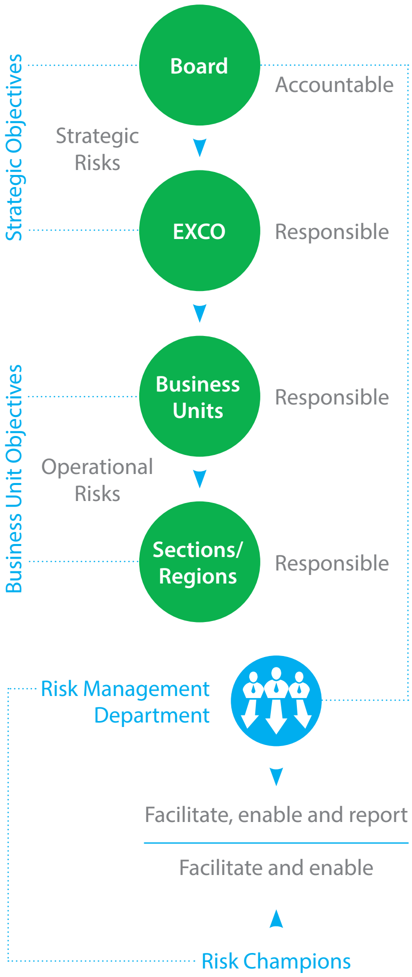
The overall risk management philosophy of the RAF is to identify and predict potential and emerging risks before they occur or materialise and implement a risk management culture and approach that is applicable to all RAF employees. A risk management culture is being implemented and embedded in the day-to-day business operations of the RAF through various initiatives outlined in the Annual Risk Management Plan.

The organisation believes that risk management is fundamental for effective corporate governance and should enable the organisation to predict what is coming next, and take advantage of future trends. The RAF further believes that risk management is fundamental to the development and maintenance of a sustainable organisation and to maintaining a sound control environment. In addition, risk management is regarded as an essential part of the business strategy and operations that impact business performance, socio-economic status, service delivery and financial results. Risks are viewed and assessed holistically and not in isolation, since a single transaction/event might have a number of risks and one category of risk can trigger other risks.

A high-level view of risk management governance at the RAF is depicted in the next column.

Risk Governance

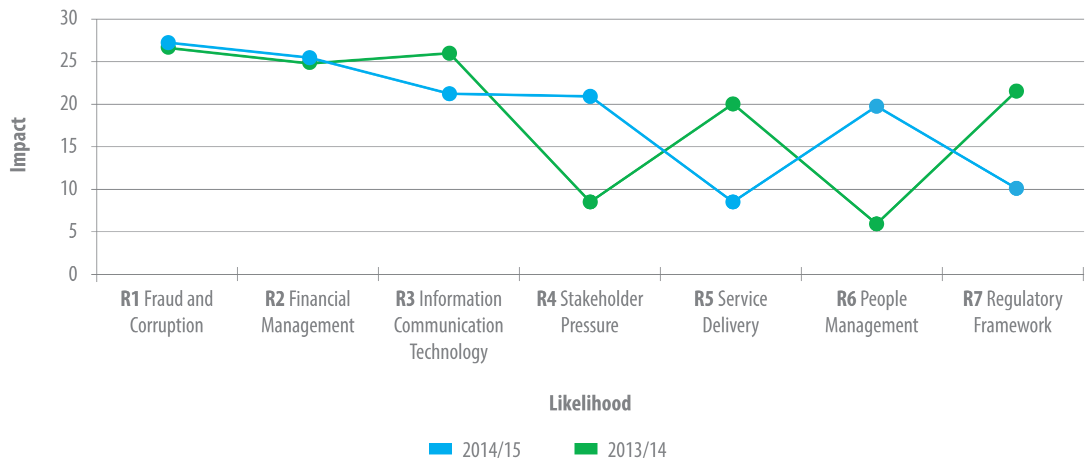
The RAF Board has promoted a 'risk matured or risk intelligent' culture and set the risk management tone through the approval of the Risk Management Policy and Framework. The Board, in discharging its risk management responsibilities, is supported by the RMEC, whose main responsibilities are to ensure that the RAF has implemented an effective Risk Management Policy and Risk Management Plan that will enhance the RAF's ability to achieve its strategic objectives.



- » The **RAF Board** is accountable for risk management.
- » The **EXCO** and management are responsible for risk management.
- » The **Risk Management Department** facilitates risk management processes in the RAF.
- » **Business Unit Risk Champions** facilitate risk identification and are enablers of the risk management process.
- » **Staff** are responsible for identifying risks and implementing treatment strategies to deal with these risks.

Figure 2 – Risk management at the RAF

Furthermore, the Board has demonstrated its governance oversight role over the entire system of risk management by monitoring the strategic risk profile, tactical risk profile, mitigation plans, emerging risks, materialised risks, accepted risks, avoided risks and key risk indicators in relation to risk-bearing capacity, risk tolerance and risk appetite. In fulfilling its governance oversight responsibility, the Board identified seven (7) strategic risks which could threaten the achievement of the RAF's strategic goals and performance targets for the 2014/15 financial year. These are depicted below according to their risk ratings:



Graph 1 – Current rating of strategic risks

An annual risk assessment is conducted for both strategic and tactical risks and is aligned with the strategic planning process of the RAF. The risks are documented utilising risk management software and monitored on an on-going basis in relation to risk mitigation strategies, relevance of existing risks and the identification of additional and new/emerging risks.

The table below provides an overview of mitigation measures implemented and actions still outstanding regarding the RAF's strategic risks:

Impacted strategic objectives	Risk (1–7)	Mitigations implemented	Actions underway or still to be implemented
A solvent, liquid and sustainable RAF. A customer-centric, operationally effective and efficient RAF.	**R1. Fraud and Corruption** The RAF operates in an environment that is targeted by internal and external fraudsters. It therefore has to continuously deal with professional syndicates and individual fraudsters. Considering the state of the organisation and claims value or claims pay-out, there is a higher propensity for fraud and corruption.	» Implemented fraud prevention strategies such as searches, internal communiqués on fraudulent activities and awareness campaigns/workshops in a collaborative manner with other assurance providers. » Published the Code of Conduct Policy and implemented the Declaration of Interest Framework in order to entrench acceptable ethical standards. » Conducted an Ethics Assessment Survey. » Appointed a Forensic Advisory Panel to direct and determine focus areas in terms of forensic investigations. » Undertook combined Fraud, Risk and Compliance awareness campaigns, inclusive of searches. » Reported fraudulent activities to third parties for blacklisting purposes, such as law societies. » Engaged and collaborated with law enforcement agencies such as the State Security Agency, National Prosecuting Authority (NPA) and Financial Intelligence Centre (FIC) on fraud-related matters.	» Capacitation of Forensics Unit with IT Forensics Specialists, to enable detection of the latest fraud trends (e.g. cyber fraud), and prediction of criminal dependencies. » Trend analysis, intelligence gathering, and data analytics in order to develop proactive mitigation measures. » Development and implementation of a comprehensive fraud detection and prevention strategy. » Data analytics in order to develop proactive mitigation measures.

Impacted strategic objectives	Risk (1–7)	Mitigations implemented	Actions underway or still to be implemented
A solvent, liquid and sustainable RAF. A customer-centric, operationally effective and efficient RAF.	**R2. Financial Management** The RAF Fuel Levy is determined with little regard for the main drivers of the RAF's claims expenditure. The prevailing disconnect between the Fuel Levy awarded by government and the RAF's operational cash requirements and improved organisational productivity are the primary cause of the poor liquidity that is experienced by the RAF. Due to its unsustainable financial model, the RAF runs at a substantial deficit each year. Consequently, a number of outstanding (open and unpaid) claims have accumulated over time, representing a liability to the RAF. Furthermore, the provision for unpaid claims grows annually due to the expected growth in the cost of settling these claims and interest factors. Since the provision for future claims exceeds the RAF's asset base, the RAF is technically insolvent.	» Requested and proposed additional funding from National Treasury via appropriate revenue model. » Implemented and monitored cost containment measures, including a consultancy reduction plan. » Actively managed cash flow, efficiently monitored claims expenditure and communicated cash flow constraints/limitations to relevant stakeholders. » Implemented processes to recover losses as a result of irregular, fruitless and wasteful expenditure. » Investigated fuel sale forecasts, benchmarking with similar organisations globally to determine their funding models, and other sources of income. » Developed the Supply Chain Management (SCM) Optimisation Turnaround Strategy for implementation. » Revised the insurance and re-insurance models to ensure appropriate cover at a reasonable cost.	» Accurately estimate the prevalence of accidents and implement the Road Safety Strategy. » Explore a national policy in relation to levies from motor cars propelled by gas and electricity. » Explore charging an RAF fee on traffic fines. » Integrate RAF systems with other social security agencies and SARS to reduce double payments. » Implement the SCM Turnaround Optimisation Strategy. » Explore the option of paying claimants in instalments rather than a lump sum.

Impacted strategic objectives	Risk (1–7)	Mitigations implemented	Actions underway or still to be implemented
A legislative dispensation that is aligned with principles of social security. A solvent, liquid and sustainable RAF. A customer-centric, operationally effective and efficient RAF. A transformed and capacitated RAF. A customer-centric, operationally effective and efficient RAF. A transformed and capacitated RAF.	R3. ICT ICT evolved from simply being a business enabler to being an essential component (strategic partner) in implementing the RAF Strategy. The business relies heavily on IT systems to effectively and efficiently deliver on its core function (claims administration) and other key support functions such as Finance (payment of claims). ICT systems are also utilised to manage and protect the large amount of claim transactions and data. The success of the proposed 'no fault' administration (RABS) relies on an adequate and well-designed ICT infrastructure. Other functions and initiatives, such as the Direct Claim Strategy, HSCs and the expansion of regional offices, depend on ICT to function optimally and to gain competitive advantage. Automation of processes and the ever-evolving nature of IT pose new risks to the RAF that require pro-active identification and management.	» Developed a Five-year ICT Strategy (RAF e-Enablement Plan) which is aimed at introducing new client experience to external and internal stakeholders putting more priority on claimants. The strategy covers the following: • IT governance and organisation; • ICT infrastructure and application modernisation in line with the business strategy; • RAF content, information and data; • Business processes; • Planning and cost management; • Skills and capacitation; • Information security and risk management; and • Digitisation of RAF business processes. » Implemented an electronic queue management system (EQMS) for the 'RAF on the Road' programme. » Implemented the Corporate Governance of ICT Policy and Framework as mandated by the DPSA. » Defined a File Plan for the RAF which was approved by the National Archives and Records Services of South Africa. » Implemented the Disaster Recovery Solution. » Revised the Citrix architecture.	» ICT Strategy (RAF e-Enablement Plan). » Establishment of enterprise architecture for the RAF. » External integration with relevant entities (SASSA, CC, SAPS, Home Affairs, SARS). » Finalisation and implementation of ICT vulnerability management and other ICT security measures. » Implementation of the Records Management Strategy.

Impacted strategic objectives	Risk (1–7)	Mitigations implemented	Actions underway or still to be implemented
A legislative dispensation that is aligned with principles of social security. A solvent, liquid and sustainable RAF. A customer-centric, operationally effective and efficient RAF. A transformed and capacitated RAF.	**R4. Stakeholder Pressure** The current scheme is complex and subjective in that it often requires time-consuming and expensive legal procedures to establish fault and the quantum of damages suffered. There is pressure to implement the RABS as it is a condition of the additional 50c that has recently been allocated to the RAF. Furthermore the RAF Amendment Bill has been published and the RAF will have to implement both these pieces of legislation concurrently.	» Continued the signing and operationalisation of 31 major Memoranda of Understanding (MoUs) with key stakeholders. » Implemented Corporate Social Responsibility, 'RAF on the Road' campaign calendar and road safety initiatives. » Developed and monitored the Stakeholder Relations Plan and Strategy. » Proactively prioritised and engaged with key stakeholders that will improve service delivery (National Treasury, DoT, Department of Health, Home Affairs and SAPS). » Proactively engaged with media, stakeholders, customers and plaintiff attorneys. » Enjoyed positive media coverage on RAF's accessibility and outreach programmes. » Marketed the direct claims processes.	» Monitoring of the Stakeholder Relations Strategy and Plan. » Monitoring adherence to the Corporate Social Responsibility (CSR) and Road Safety Policies. » Capacitate relationship owners with requisite skills for relationship management. » Foster relationship management in line with RAF policies and record deviations.
A solvent, liquid and sustainable RAF. A customer-centric, operationally effective and efficient RAF. A transformed and capacitated RAF. A legislative dispensation that is aligned with principles of social security.	**R5. Service Delivery** The RAF has a large number of outstanding claims, mainly because of underfunding in past years. It is therefore unable to pay claims at the rate it receives them. The organisation is focusing on becoming more customer-centric, effective and efficient to ensure that claims are processed speedily and accurately, costs are contained and fraud is eliminated.	» Implementation of Pillar 5 Strategy. » Continuously engaged with the public through the 'RAF on the Road' campaign in all the provinces to enhance accessibility to the RAF's services. » Analysed key drivers for APP targets to identify key corporate initiatives that will improve the RAF's efficiencies. » Finalised quantum determination (review of how we determine the settlement amount). » Explored alternative dispute resolution mechanisms (e.g. RAF court and Arbitration Foundation of South Africa).	» Alignment of claims processing value chain with Claims Procedure Manual. » Optimise, standardise, and re-engineer claims value chain/pillars. » Implement the Integrated Claims Management System. » Develop the Litigation Management Strategy.

Impacted strategic objectives	Risk (1–7)	Mitigations implemented	Actions underway or still to be implemented
A customer-centric, operationally effective and efficient RAF. A transformed and capacitated RAF.	**R6. People Management** The RAF is a labour-intensive service organisation that relies on people to effectively deliver on its mandate. Therefore, the attraction and retention of leadership and a workforce that is appropriately skilled, motivated, performance-driven, customer-centric and committed to providing excellent service is crucial. The RAF, therefore, invests in growing and developing employees and ensuring optimal staff capacity.	» Implemented leadership development programmes and forums to ensure a capacitated leadership and achievement of RAF goals. » Developed and implemented the Change Management Strategy. » Implemented measures to ensure safety and confidentiality of staff records. » Operationalised the Performance Management electronic system. » Revised and updated the Succession Plan. » Rolled out the Knowledge Management Strategy. » Trained employees. » Aligned performance scorecards with APP targets. » Revised key Human Capital policies.	» Review Reward and Recognition Policy. » Optimise usage of the Performance Management System. » Train and create awareness of Human Capital Policy to ensure compliance. » Automate recruitment processes (e-recruitment). » Monitor the implementation of the Absence Management Framework.
A legislative dispensation that is aligned with principles of social security. A solvent, liquid and sustainable RAF. A customer-centric, operationally effective and efficient RAF. A transformed and capacitated RAF.	**R7. Regulatory Framework** The current scheme is complex and subjective in that it often requires time-consuming and expensive legal procedures to establish fault and the quantum of damages suffered. There is pressure to implement the RABS Bill as it is a condition of the additional 50c that was awarded to the RAF. Furthermore, the RAF Amendment Bill was published and both this and the RABS will have to be implemented concurrently.	» RAF resource seconded to the DoT to support RAF legislative matters and provide capacity. » Rolled out a combined assurance model. » Business process compliance review and improvement exercise undertaken. » Conducted compliance testing and monitoring and follow-up checks throughout the year.	» Assess the organisational readiness for RABS implementation. » On-going monitoring, scanning, advising of changes in the legislative landscape. » Trend analysis and court challenges to inform/improve business processes. » Develop and implement the compliance risk management plan for all core and enabling RAF legislation. » Regular engagements between DoT and the RAF on the RAF Amendment Bill and the RABS Bill.

Risk Maturity

The RAF strives to have a risk-matured and risk-intelligent culture by 31 March 2017. The RAF currently has a maturity level of 4 (managed), which is the second highest maturity level, as assessed independently in the year under review. The RAF has elevated risk management as a strategic enabler and has implemented the following:

- There are fully operational risk governance structures in place, namely a Risk Management and Ethics Committee (RMEC), Executive Management Committee (EXCO) where risk management is a standing agenda item, Risk Management division, and a Risk Champion Forum (where all Risk Champions from all business units throughout the RAF discuss cross-functional risks).
- A Three-year Plan was developed to assist the RAF to achieve the desired maturity level and maturity is monitored quarterly.
- Risk Management forms part of the performance contracts for all employees within the RAF.
- All business units and regions have been allocated Risk Champions and Risk Advisors, who monitor and report on emerging, materialised, avoided and accepted risks (to the business) to the EXCO and the RMEC.
- A Risk Appetite Framework (which includes a Risk-bearing Capacity) has been established, which forms part of the risk-taking philosophy and establishes principles of managing risks. This includes the escalation process for risks within the RAF and is monitored and reported on a monthly basis to EXCO and quarterly to RMEC.
- The Risk Management team began using Data Analytics to establish Total Cost of Risk.

Combined Assurance

The Combined Assurance Plan was approved by the Audit Committee in January 2015 and is currently being implemented within the RAF. The following items have been completed:

- Identification of combined assurance providers and the type of assurance they should be providing;
- Mapping of the strategic and tactical risks to the combined assurance providers;
- Development of Terms of Reference and a Combined Assurance Map; and
- Consolidated reporting of the combined assurance provider's opinions to the Audit Committee.

6. Internal Audit and Audit Committee

Key Activities and Objectives of Internal Audit

The RAF's Internal Audit function is an integral part of its corporate governance system. Its purpose is to evaluate whether the RAF's systems of control are effective and to adequately mitigate business risks. Ultimately, the assurance provided by Internal Audit serves to assist the Board in fulfilling its disclosure obligations under its corporate governance codes and to report annually to the Minister of Transport and the Portfolio Committee on Transport (PCOT) on the effectiveness of the RAF's systems of control.

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

The Internal Audit Plan was developed and implemented after taking into account the major risks identified by Management and Internal Audit. A risk-based approach was followed in developing this plan. The plan provides coverage across all major processes of the RAF.

Internal Audit also attends to requests from Management. All Management requests during the reporting period were attended to.

In February 2015, the Internal Audit function underwent an external Quality Assurance Review as required by the Institute of Internal Auditors' standards. The review, conducted by an external audit service provider, resulted in a favourable rating of "Generally Conforms". This was a first for the Fund.

Key Activities and Objectives of the Audit Committee

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

Audit Committee Meeting Attendance

The table below discloses relevant information on the Audit Committee members:

Name	Qualifications	Internal or external	Date appointed	No. of meetings attended
Mr LED Hlatshwayo (Chairperson)	BCom (University of Zululand), BCompt (Unisa), BCompt (Hons)/CTA (Unisa), CA (SA) and MBA (University of North West, Potchefstroom) Chartered Director (SA)	External	01/10/2011	5 of 5
Mr D Coovadia	BCompt, BCompt (Hons) (Unisa), CA (SA), FIMC, CMC, FIAC, FCIS, FSAIM, BA (SA), FIIASA, PIA (SA), CAT (UK), MInstD, JP	External	01/10/2013	5 of 5
Mr TP Masobe	BA (Hons) Economics (Grinnel College, USA), MSc Health Economics (University of London), BA (Hons) Econ, International Executive Development Diploma (University of the Witwatersrand and University of London Business School), Advanced Health Leadership (University of California)	External	01/10/2013	5 of 5
Mr DK Smith	BSc (University of Stellenbosch) FASSA, International Senior Management Programme (Harvard Business School)	External	01/10/2010	5 of 5

Name	Qualifications	Internal or external	Date appointed	No. of meetings attended
Mr TB Tenza (DG representative)	Secondary Teachers Diploma (Indumiso College), BCom (Unisa), BCom (Hons) (Unisa), Master of Arts in Applied Economics (University of Michigan, USA), Executive Development Programme (Vaal University of Technology)	External	01/01/2010	4 of 5

7. Compliance with laws and regulations

The RAF has established an effective Compliance function with supporting processes, the management of compliance risks and the conduct of compliance-driven activities, in line with legislative requirements and best practice guiding frameworks.

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

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

Furthermore, the RAF has developed and risk-rated the regulatory universe and implementation of the Compliance Risk Management Framework. Compliance Risk Management Plans are being developed for all core and/or high-risk applicable legislation, with which the RAF must comply.

Compliance with applicable laws and regulations is undertaken in line with Principle 7.1 of the King III Report.

Compliance Unit

The Compliance Unit fulfils the function of ensuring that all business units comply with the necessary legislation applicable and relevant to public entities, including internal policies, processes and procedures.

8. Fraud and corruption

Fraud Prevention Policy

The Fraud Prevention Policy was updated and approved by the Board in 2013. A revised strategy is being developed to include detection, prevention, investigation and resolution issues.

Mechanisms in Place to Report Fraud and Corruption

The RAF has a Whistle-blowing Policy in place which resides in the Ethics Office. The Forensic Investigation Department (FID) is in charge of the Fraud Tip-off Line, through which fraud and corruption can be confidentially recorded. A duty is placed on employees, in several policies, to report suspicious activities to the FID, or anonymously through the Fraud Tip-off Line.

FID statistics for the period 1 April 2014 to 31 March 2015 bear witness to the extent that fraud is experienced and managed by the organisation, as well as the RAF's commitment to combat fraud and corruption (refer to table on next page).

Fraud Tip-off Line

The Fraud Tip-off Line is the RAF's confidential and independent reporting hotline which enables employees, customers, suppliers, managers and other stakeholders to raise concerns about conduct that is considered to be contrary to the RAF's values on a confidential basis.

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

RMEC holds the oversight responsibility for ensuring the adequacy of the hotline procedures, while Internal Audit is responsible for the day-to-day monitoring of the process, and ensures that Management is informed about reported issues, and that risks are adequately managed.

Political Donations, Gifts and Bribes

The RAF is opposed to corruption and illegal practices in all forms. It does not tolerate the giving and receipt of bribes, nor does it condone anti-competitive practices in dealings with government and in the marketplace. The RAF does not permit contributions or donations for political purposes, and requires any lobbying undertaken to be in line with the RAF's ethics

and internal policies. The policies with regard to these matters are set out in the Donations Policy. RAF employees shall not solicit or accept a gift, hospitality, benefit or money from any service provider, attorney or claimant.

Fraud Cases Reported and Actions Taken

The table below outlines activities within the RAF's FID for the year under review.

External investigations	
Files carried over	3,434
Files received	5,669
Files closed	6,951
No. of arrests	325
No. of convictions	627
Repudiations	417
Repudiations claimed amount	R178,702,835
Repudiations estimate amount	R154,297,983
Total claims no estimate amount	102

Internal investigations	
Investigations carried over	114
Investigations received	168
Investigations finalised	97
Claim files carried over*	151
Claim files on investigations received	190
Claim files on investigations finalised	217
Claim files at year-end	124
Investigations where misconduct/fraud was identified	47
Cases where disciplinary action was recommended	31
Investigations where disciplinary action was instituted	8
Resignations due to or during investigations	4
Suspensions	10
Convictions (internal)	24
Cases registered with SAPS	13

*NB: The number of files carried over is dependent on the SAPS

» RAF employees shall not solicit or accept a gift, hospitality, benefit or money from any service provider, attorney or claimant.

9. Code of conduct and conflict of interest

The Code of Conduct and the Code of Ethics of the RAF are informed by King III. These Codes are binding on the Executive, Management and all officials of the RAF.

The RAF is determined to discharge its legislative mandate in a moral and ethical climate that ensures that its claimants are fairly and justly compensated, its officers are trained and motivated and its service providers are remunerated.

Non-compliance with the Codes is a punishable offence and is dealt with in line with the RAF's disciplinary procedures.

The effectiveness and adequacy of the Ethics Programme was assessed by an external assurance provider as required in terms of Principle 1.3 of King III. The control design was found to be partially adequate and partially effective for the achievement of organisational objectives.

The RAF manages conflict of interest within the RAF through the Declaration of Interest Policy. The policy states that conflict of interest will not be accepted. Acceptance of gifts in any kind is prohibited.

Supply Chain Management (SCM) processes:

- » Appropriate disclosure of conflicts of interest must be made and monitored through the entire SCM process;
- » SCM Committee members are expected to declare any conflict in any matter to be considered by the SCM Committee; and
- » Disciplinary measures, according to the RAF's disciplinary procedures, are followed if there is evidence that processes have been flawed.

10. Health, safety and environmental issues

The RAF regards Occupational Health and Safety (OHS) as a very high priority at all its offices nationally and procured the services of an external OHS service provider to conduct health and safety compliance audits at its Regional Offices and Customer Service Centres (CSCs) during the year under review.

The regional outcomes indicate general improvements across the spectrum as outlined in the table below:

Regional Office	2013/14 %	2014/15 %	Result
Eco Glades	89	97	9% improvement
Menlyn	77	80	3% improvement
Johannesburg	90	97	7% improvement
Durban	74	93	19% improvement
East London	78	93	15% improvement
Cape Town	96	99.80	3.80% improvement

Analysis: Regions

A total of five offices scored above the targeted measure of 85%. Cape Town topped the list followed by Eco Glades and Johannesburg. Durban and East London, with a 19% and 15% improvement respectively, are commended for the huge improvements made to their OHS requirements. Work is on-going to have all RAF offices complying at a high level.

Analysis: CSCs

Newly established CSCs were added to the audit to measure their level of compliance so as to create a baseline for the next audit. Five of the CSCs were opened in the year under review. The outcomes are illustrated below:

CSC	2014/15 %	Result
Bloemfontein	93%	Satisfactory
Mahikeng	79%	Not satisfactory
Kimberley	69%	Not satisfactory
Nelspruit	73%	Not satisfactory
Polokwane	73%	Not satisfactory
PE Forensic	66%	Not satisfactory
Walk-in Centre (PTA)	79%	Not satisfactory

From the outcomes it is clear that the level of OHS compliance at most CSCs is not satisfactory. Regional Offices, with the support of Head Office, are in the process of developing action plans and measures to improve the conditions at

these centres. Close monitoring and quarterly audits will be performed and evaluated to bring the centres to compliance with targeted levels.

11. Corporate Secretary

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

» Providing a central source of guidance and support to the Board on matters of good governance;
» Assisting with the Board induction and training programmes;
» Ensuring Board and Committee Charters are kept up to date;
» Preparing and circulating Board documents;
» Eliciting responses for Board and Board Committee meetings;
» Drafting annual work plans;
» Ensuring preparation and circulation of minutes of Board and Board Committee meetings; and
» Assisting with the evaluation of the Board, Committees and individual Board members.

12. Support functions

Stakeholder Mapping

Good progress was made with mapping stakeholders according to their ability to influence strategic planning and decision-making and their level of interest in and influence on the RAF. Stakeholders were categorised as primary and secondary stakeholders. Primary stakeholders are 'shareholding' and policy-making government departments, while secondary stakeholders are other government departments, the various provincial governments and municipal entities, organised labour, civil organisations, employees and the public at large. The categorisation and segmentation of stakeholders are intended to facilitate allocation of responsibilities to Management. In addition, stakeholders are prioritised in terms of urgency of issues at any one particular time. For instance, in the year under review, the RAF prioritised and assisted the DoT with the facilitation of stakeholder engagements for the RABS Bill.

The Board of the RAF effectively retains oversight of stakeholder management, whilst the implementation and monitoring of stakeholder engagement is the responsibility of the Management teams of the RAF.

Stakeholder Engagements

For the year under review, RAF's focus was on establishing and maintaining stakeholder relations based on trust and encouraging proactive engagement with key stakeholders to share thoughts and views, and also to deepen the RAF's accountability and transparency to its stakeholders. These opportunities were also used to create awareness of the RAF's business proposition and to position the brand.

The RAF has focused on issues-based engagements with key stakeholders, which are prioritised in line with the organisation's operational context and issues at hand.

The Board and Executive Management led stakeholder engagements to ensure a balance in the treatment of stakeholders. This, *inter alia*, afforded them the opportunity to meet with stakeholders, share the organisation's material concerns, and understand stakeholder concerns, their views, needs, performance expectations and perceptions associated with material issues.

Some relationships were formalised through the signing of MoUs, which resulted in the RAF partnering and collaborating with stakeholders to find solutions to challenges, and working together to address issues of common interest.

The table below outlines some of the stakeholder engagements that took place during the year under review:

Stakeholder	Nature of engagement
The medical fraternity	Acknowledging that the Department of Health (DoH) is an important stakeholder, every effort was made to harness a co-operative relationship between the DoH and the RAF. A series of engagements was embarked upon and yielded outcomes in terms of outstanding payments, duplicate claims, fraudulent claims and statutory medical reports (SMR). Furthermore, the RAF agreed to collaborate towards the management of litigation against the DoH on cases of medical malpractice. This will entail sharing of services and best practice. To improve the quality of service to claimants, the RAF engaged with health professionals in the private healthcare sector. Ninety professionals from the Western Cape, Eastern Cape, Gauteng, KwaZulu-Natal and Free State were engaged on the RAF's service offering, adequate provisioning of information for SMRs and management of medical Undertakings.
Transport stakeholders	Two transport sector engagements were held in the Eastern Cape and Limpopo Provinces, with 172 transport sector stakeholders using sector workshops as the channel of engagement.
Policy and regulatory stakeholders	Eight engagements were held with policy and regulatory stakeholders. An issues-based stakeholder engagement approach was adopted and implemented. Engagements with the DoT were around the financial status of the RAF and new legislation including the RABS Bill and the draft RAF Amendment Bill.
National Treasury	As of June 2014, the RAF operated with a monthly shortfall on income totalling R6 billion at financial year-end. The need therefore arose to urgently engage with National Treasury regarding liquidity constraints. National Treasury stipulated that the future dispensation under the proposed RABS system must be structured in a manner that will make the scheme sustainable in the long term. To this end, a 50c increase in the RAF Fuel Levy was approved by the Minister of Finance during his 2015/16 Budget Speech.
Panel of Attorneys	The Panel of Attorneys comprises legal firms appointed by the RAF to attend to and deal with its litigation matters. Contracts with some of the appointed law firms came to an end and as a result they were required to return the files they had been handling on behalf of the RAF. Some of the firms refused and the RAF was forced to go to arbitration to resolve the matter. The arbiter ruled in favour of the RAF, however, this delayed the handover process. The intervention of RAF's attorneys and the RAF's internal legal team, through various engagement platforms, yielded positive results. A total of 45,309 files (81% of the total number of files sought) were returned by the end of March 2015.
Provincial and local government leaders	In a bid to enhance access to the RAF's services, the RAF's outreach programme, 'RAF on the Road', is used as a vehicle to lobby and mobilise provincial and local government leaders to extend themselves as ambassadors and information sources in support of the RAF's business. This helps to expand the RAF's footprint by ensuring that local communities can use local leaders and municipal offices as information centres to gain a basic understanding of the RAF's service offering. The RAF formalises such relationships through signed MoUs. During the year under review, 20 new MoUs were secured, enabling the RAF to collaborate with the various stakeholders to find solutions to challenges of common interest, such as the prevention of road crashes, improving the MVA claims management process, and curbing illicit behaviour in the MVA insurance claims process.

Stakeholder	Nature of engagement
International stakeholders	During the period under review, the RAF's Protocol Management Framework was approved by the Board and an International Relations Policy was drafted for approval during the next financial year. The Protocol Management Framework sets out the framework within which all official visits will be planned and executed. Most importantly, it brings some predictability and certainty to the programme of the visits, as well as the courtesies to be extended, depending on the nature and purpose of each visit. More than 85 RAF personnel across all levels in the regional offices received Protocol Training at the Department of International Relations and Co-operation. The training supports the RAF strategic objective, "A customer-centric, operationally effective and efficient RAF", as it is expected that these officials will improve their conduct when interacting and providing services both to RAF customers and when dealing with high-level stakeholders.
Official visits	A total of 10 official incoming and outgoing visits were facilitated during the period.
High-profile events	For the year under review, the RAF held 27 events of a high-profile nature, all of which followed the correct protocol prescripts. These included, amongst others, the RAF Annual General Meeting, media briefings, 'RAF on the Road', CSR launches and the opening of CSCs.
International relations	In accordance with South African Foreign Policy of strengthening relations with SADC countries, the RAF held engagements with three SADC countries to share information of strategic importance with sister MVA Funds. These engagements included: » A CEO Forum meeting held in Botswana; » A Senior Officials work session held in Swaziland; » Two Human Resource working sessions held in Botswana and South Africa respectively; » A visit by Botswana to South Africa for benchmarking purposes; » A Project Management Office benchmarking visit to Botswana; » A study tour to Namibia by RAF officials; and » RAF participation in SADC road safety discussions held in Gaborone, Botswana. During the year under review, the RAF continued to participate in strengthening good relations with other international institutions. In this regard, two RAF representatives participated in a study tour to Monash University in Australia. The RAF was further invited by the Free State Provincial MEC of Health, Dr Benny Malakoane, to form part of a high-level working delegation that visited Unfallkrankenhaus Berlin (UKB) Trauma Hospital in Berlin, Germany.
Investing in the community	For the RAF, its CSR function presents an opportunity to exhibit its commitment to behaving ethically whilst contributing to addressing socio-economic development challenges that affect some of the communities within which the RAF operates.
CSR governance environment	The RAF Board approved the Corporate Social Responsibility (CSR) Policy, together with an annual operational plan outlining the strategic direction of the RAF on CSR for the year under review. The policy guides the RAF to consider vulnerable stakeholders when performing both internal and external operations and commits to the promotion of the values of human dignity, equality and human rights, as enshrined in Chapter 2 of the Constitution of the Republic of South Africa, 1996. A CSR Committee is in place which reviews and approves CSR and sponsorship plans and performance, and assesses projects in relation to the achievement of business goals and values.
Employee participation	The RAF's commitment to CSR also enables its employees to participate in eradicating poverty by participating in certain CSR initiatives. One such example is the RAF's Book Drive campaign which is driven by the donation of used and unused books by staff and stakeholders. These books are then donated to a previously disadvantaged school library in order to promote reading in schools. To date, over 400 books have been donated to Osizweni Primary School in Mpumalanga.

Road Safety

The RAF endeavours to gain insight into factors that contribute to increased road crash and injury risk on South African roads and collaborates with road safety entities to implement mitigation strategies, with the aim being to reduce the RAF's liability.

To guide the RAF's role in the road safety management arena, the RAF Board approved a Road Safety Policy and Standard Operating Procedures during the year under review. The policy provides a framework within which the RAF manages its participation and contributions to road safety.

Giving impetus to the Road Safety Policy is an Integrated Road Safety Strategy, which was also approved by the RAF Board in 2014/15. The five pillars of the Decade of Action for Road Safety; the National Road Safety Strategy; the RAF Act; and the RAF's Strategic Plan 2015–2020 form the basis of the RAF's Road Safety Strategy 2014–2017. Pillar Five of the United Nations (UN) Decade of Action for Road Safety, as well as South Africa's commitment to contributing to a reduction in road crashes of at least 50% by 2020, also guides the RAF's strategic focus on road safety.

Furthermore, annually, in December, the RAF develops a Road Crash Forecasting Report, using data from various information collation agents such as the Road Traffic Management Corporation (RTMC), public and private emergency services, hospitals, provincial and local government traffic authorities, as well as from Statistics South Africa and the AA. Amongst other matters, this provides for scientifically based road safety interventions and strategies and allows safety enforcement agents to align their strategies and campaigns in response to the identified road crash causes and anticipated trends.

Thus, the road safety focus for 2014/15 was both reactive and proactive and focused on the following:

Event	Description
Road Safety in Schools Programme	Through the Road Safety in Schools Programme, learners at 17 schools throughout the country were exposed to information on road safety. The programme focused on: » The Child in Traffic Programme – which teaches the basic rules of crossing the road safely; and » The RAF issued 170 reflective school bags and jackets to learners who walk long distances, with the aim of promoting safe walking.
'Road Safety begins with Us' Campaign	Launched in June 2013 in all RAF regional offices, the 'Road Safety Begins with Us' campaign has the following objectives: » To enhance driving skills among the RAF workforce; » To create safe and responsible road user behaviour; » To encourage compliance with the National Road Traffic Act, 1996 (Act No. 93 of 1996); and » To encourage the workforce to take responsibility for road safety and act as road safety ambassadors. During the review period, the campaign included vehicle and driver fitness checks, defensive driving presentations and fatigue management operations. Five provinces (North West, Western Cape, Limpopo, Eastern Cape and Free State) received defensive driving training, aimed at equipping public transport (bus and taxi) drivers with safe driving skills. These skills included reducing driving risks through anticipation of eventualities and making well-informed decisions, and overcoming negative psychological factors such as unnecessary stress, fatigue, emotional distress and road rage. 900 bus, taxi and truck drivers benefited through the campaign. The RAF also collaborated with law enforcement agencies to promote fatigue management programmes. Drivers were encouraged to rest for some time before continuing with their trips; and in the process were given tips on road safety, and energy drinks and water to instil the culture of resting. Drivers also had an opportunity to gain information about the RAF's service offering. Nine operations were conducted in collaboration with Limpopo, North West, Mpumalanga and Gauteng.
Campaign for taxi drivers	As part of the 'Road Safety Begins with Us' campaign, taxi drivers and operators were given road safety awareness training. The aim was to encourage taxi drivers to take responsibility for their own safety and that of their passengers. Aspects emphasised included visibility, wearing of safety belts, fatigue management and driver and vehicle fitness. In partnership with SANTACO, the RAF conducted awareness campaigns at eight taxi ranks in the Eastern Cape, Limpopo, Gauteng, KwaZulu-Natal and the Western Cape.
Road Safety Summit	The Sixth Annual Road Safety Summit took place from 4–5 November 2014 at the CSIR in Pretoria. The Summit created a platform for road safety stakeholders and practitioners to discuss the future of promoting safer roads in South Africa. Participation in the Summit included road safety promotion officers from most provinces and metros, as well as transport entities, the law enforcement fraternity, engineering professionals, civil society organisations dealing with road safety, private companies and individuals who have a passion for road safety. The RAF facilitated a session dealing with the challenge of poorly co-ordinated road safety initiatives in South Africa leading to a debate on ensuring better co-ordination in the future.
Impolompolo Project	In partnership with Ukhozi FM (SABC radio station), the RAF is involved with the Impolompolo project, aimed at creating road safety awareness for truck drivers in KwaZulu-Natal. The project culminates in an annual road safety event, which has been running since the 1990s, to instil a culture of mutual respect between fellow road users, compliance with traffic laws and tolerance among road users. Through the project, truck drivers interact on a daily basis on Ukhozi FM, every Thursday from 3:00 to 5:00, reaching between 800,000 and 1,2 million listeners. Truckers share information about road accidents and incidents throughout their respective journeys, discuss socio-economic and health-related matters that affect them, and entertain each other in a bid to keep alert and safe whilst conducting their strenuous jobs during the night. The event took place in October 2014 in Richards Bay, KwaZulu-Natal, reaching over 1,000 drivers. The organisers of Impolompolo have registered an association for truck drivers and to date have registered just over 300 members.

Event	Description
Seatbelt Campaign	Approximately 450 South Africans suffer spinal cord injuries annually as a result of road accidents. In partnership with the Quad-Para Association of South Africa, the RAF launched the Seatbelt Campaign with the theme, 'Buckle Up, We Don't Want New Members'. 19 fuel stations on South Africa's major routes facilitated the promotion of this campaign and 9,618 road users pledged to use their seatbelts.
Child restraint car seats	Ejection from a vehicle is one of the most injurious events that can happen to a person in a crash, and 75% of all vehicle occupants ejected from a vehicle during a crash die as a result. Based on the aforementioned, the RAF launched its Child Safety Programme in December 2014 at Mamelodi Hospital. Various campaigns held in conjunction with law enforcement roadblocks in a variety of locations in Gauteng, Limpopo, Mpumalanga and North West also followed. 65 car seats were distributed to parents found driving without child restraints for their infants.
Infrastructure interventions	The last official road crash data issued by the RTMC in 2011 indicated that speed was one of the main causes of accidents involving pedestrians on South Africa's roads. The RAF partners with local and provincial road engineering authorities to invest in speed-calming measures (such as speed bumps and clear road signs), as well as the repair of dangerous potholes. To this end, eight speed bumps and road sign sets were erected in Mpumalanga and KwaZulu-Natal during the review period. Learners on scholar patrol crossings make use of these bumps, which help calm traffic near school entrance points. The RAF partnered with SANCO Development Institute and the Hibiscus Coast Municipality in July 2014 in an effort to repair 6,000 potholes in the Hibiscus Municipality, KwaZulu-Natal, between 2014 and 2015. A total of 65 people, mostly young women, attained employment for the duration of the project and 3,600 potholes have been repaired to date. Hibiscus Municipality further mobilised these youth into seven co-operatives and facilitated the provision of technical and business management training for them through the local FET College. This will enable them to exist as small business entities with the ability to compete for low cost jobs within the municipalities in the Ugu District.
Information Collection Agents (ICAs)	The Road Safety Unit secured and operationalised 30 ICAs, which was the RAF's APP target for the 2014/15 financial year. These are institutions that can provide information to be used in the compilation of statistical reports and the identification of hazardous locations to inform road safety initiatives. They also assist the RAF to gather documentation and information regarding specific road crashes, which are vital in originating and speeding up the processing of claims.
Road Safety Co-ordinating Committee	During the year under review, the RAF launched a Road Safety Co-ordinating Committee (RSCC) to assist its Road Safety Management Unit to assess operational strategies, evaluate road safety initiatives and guide the impact assessment programmes that are to be implemented by every financial year-end. The RSCC comprises Management representatives from Stakeholder Relations; Marketing and Communications; PMO; Risk, Legal and Compliance; as well as Operations. The RSCC has set up a protocol to achieve objectivity in the process of approving requests for partnerships from external stakeholders involved in road safety and to ensure that such requests support the RAF's business objectives. The RSCC has also made a major contribution to the implementation of a monitoring and evaluation tool for road safety activities in order to assess impact, thereby ensuring that initiatives lead to a reduction in traffic mortalities.

Corporate Social Responsibility

For the year under review, R3,403,961 was spent on CSR, constituting 0.02% of the RAF's total budget allocation for the year. The following areas were funded by this budget:

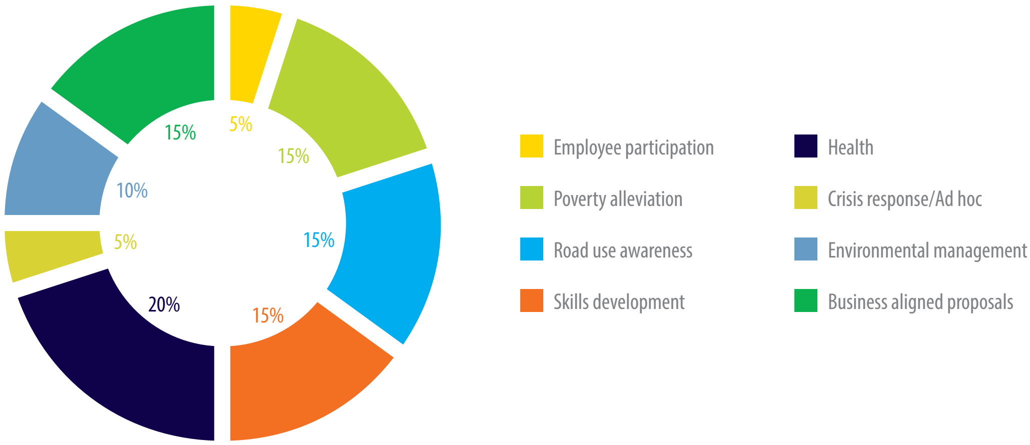


Figure 3 – CSR budget breakdown 2014/15

The table below reflects the RAF's various Corporate Social Responsibility (CSR) projects for 2014/15:

Project Name	Description	Number of beneficiaries	Actual spend
'Back to school' campaign	Assistance to disadvantaged learners	1,500 pairs of school shoes and 1,100 school bags were distributed to school-going children	R389,800.01
Soweto Drift	A road safety promotion initiative for youth with an interest in vehicle drifting	2,500 young people in Soweto attended the event that was partly sponsored by the RAF	R31,575.18
Poverty Alleviation	Food security » Lwandle community	± 3,000 families	R232,487.25
Bursary Payment	Contribution to a schools' debating competition aimed at promoting road safety in schools	7 matriculants were awarded bursaries for their tertiary studies	R20,000.00
Mufongodi Primary School	Kitchen built in this rural school in Thohoyandou to cater for children in the school. » Building » Interior fittings » Handover and catering	270 schoolchildren	R661,342.26
Driving School Academy	Project aims to empower people living with disabilities within Mhlathuze Local Municipality and surrounding areas in partnership with Transnet	87 disabled women	R500,000.00
Renovation of the Polokwane Provincial Hospital	Renovation of the Children's Ward at Polokwane Provincial Hospital	29-bed capacity	R230,750.00
Donation of 40 wheelchairs to Helen Joseph Hospital	40 wheelchairs donated to Helen Joseph Hospital in support of MVA victim rehabilitation	Receives an estimated 250 trauma patients per month	R162,456.00
Balfour Crèche	Built a crèche in an informal settlement in Balfour	44 children	R528,696.18
Handover of school shoes in Mamelodi	Catering	50 pairs of school shoes provided to school-going children in Mamelodi community	R17 450.00
Artefacts for Botswana	Artefacts from South Africa procured for Botswana Inter-Fund	South African artefacts provided	R151,870.00
Distribution of Solar Lights	Initiatives in provinces for the reduction of the carbon footprint through provision of solar lights to schoolchildren	Five regions and Eco Glades identified at least one project school	R178,500.00
Distribution of Water Tanks	Promotion of sustainable waste management through provision of water tanks to primary schools	Five regions and Eco Glades identified at least one project school	R211,035.00
Distribution of Chess Boards	Promotion of numeracy through chess	Three schools provided for in Gauteng, North West and Free State	R88,000.00

13. Information and communications technology

During the year under review, the ICT Department continued to effectively enable the organisation through the implementation of technology, using internal ICT resources to pursue its strategic objectives of:

- Ensuring 98% availability of all ICT services;
- Reviewing of all claims data; and
- Implementing claims system enhancements.

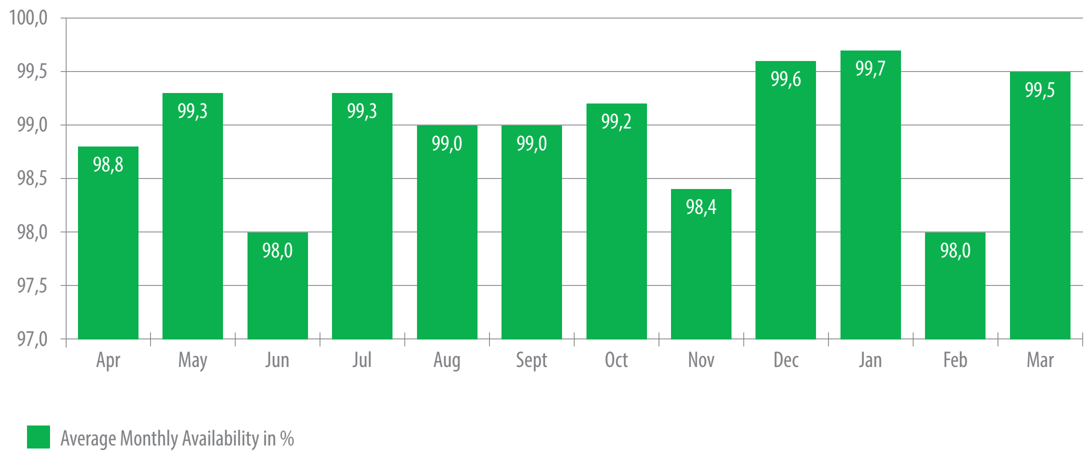
The department developed a Five-year ICT Strategy named the RAF e-Enablement Plan, which is aimed at introducing a new client experience that is simple, empowering, engaging and comforting, for both internal and external clients. The plan outlines how ICT will connect and provide services as well as vital information to employees, claimants, third party providers, claimant representatives and other stakeholders, using technology. This is the first company-wide ICT strategy and supporting governance model to oversee the development and delivery of ICT for the RAF.

The strategy focuses on the following:

- Establishment of the basis for current and future ICT planning and investment, providing a sound basis for investment decisions across the Fund;
- Defining a high-level implementation plan and next steps;
- Outlining where efficiencies can be made through improved use of technology, resulting in further reduction of paper usage and costs; and
- Adapting to new imperatives or opportunities resulting from the rapid maturing or introduction of new business needs or technologies.

The department continued to provide good ICT service availability levels and exceeded its strategic objective of ensuring 98% service availability. The ICT Service Desk received 33,335 requests and incident reports, of which 10,290 (30.9%) were resolved first time around (First Time Resolution).

The graph below outlines the performance of the ICT Service Desk during 2014/15.



Graph 2 – Monthly ICT core service availability

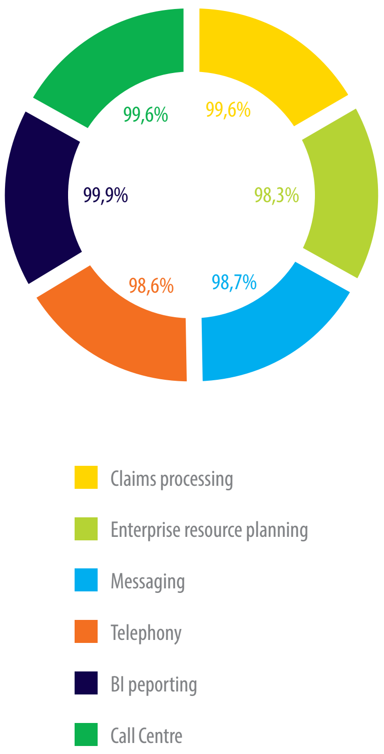


Figure 4 – ICT core service availability – 2014/15

The average monthly availability was met for all ICT core services and overall availability attained was 99%.

During the reporting period, Enterprise Resource Planning was impacted by power failures in the Menlyn area and Messaging was affected by connectivity disruptions. BI Reporting and the Call Centre were categorised as core services in October 2014 and are subsequently only reported from that time.

The department successfully developed and implemented an IT Governance Framework (Corporate Governance of ICT Policy Framework) which is mandatory for all public entities. Upon review by the DPSA, the RAF's IT Governance interpretation was rated the best. As a result, the RAF's CIO was approached by SITA, on the recommendation of the DPSA, to lead the IT Governance stream (Techniclick) during the 2014 GovTech Conference, held in Durban.

During the reporting period, Management introduced a training programme for ICT staff to ensure that they are fully capacitated and equipped to deliver an effective and efficient service to the business. The training programme included:

- ITIL Foundation;
- Cobit;
- Records Management;
- Business Analysis; and
- Project Management.

To ensure alignment of ICT with business, the department defined and is in the process of implementing an Information Security and Risk Management Strategy. The department also developed and is in the process of implementing an RAF Records Management Strategy to ensure compliance with certain pieces of legislation. A File Plan was developed and approved by the Department of Arts and Culture for the National Archive and Records Service of South Africa. This plan was rated the best written upon review by the National Archivist.

The ICT Department continued to enable the organisation to achieve its strategic and operational objectives by providing system connectivity to the Marketing and Operations Departments. This enabled them to promote direct claims through the RAF's flagship customer engagement programme, 'RAF on the Road'. In addition, a Queue Management Solution was successfully deployed to manage queues during the programme. The programme has proven to be immensely successful in driving direct claims, as well as building mutually beneficial relationships with stakeholders.

Through the departments' system connectivity strategy, 96 HSCs and five CSCs have been facilitated in support of the RAF's strategic objective to expand its footprint.

14. Marketing and communications

Marketing

During the year under review, the Marketing Department continued to pursue its APP targets of engaging more claimants on 'RAF on the Road' community outreach campaigns and other road shows, as well as promoting direct claims. Strategic objectives included increasing brand awareness, educating the public on the Fund's products and services, promoting road safety and enhancing the organisation's reputation and image. All of this was done through internal and external marketing and communications initiatives.

Internally, the department spearheaded corporate identity training, which was conducted by the Learning and Development Department. Staff members were given training on the brand, what it represents and how it is linked to the company values. It is imperative that the RAF brand consistently looks and feels the same to both internal and external stakeholders. Later in the year, the brand standard operating procedures were approved and communicated to reinforce the issue of compliance when using the RAF brand and logo.

This was followed by the issuing of uniforms to frontline qualifying employees to entrench consistency of the brand throughout the organisation.

In order to obtain buy-in for the brand from staff internally, the Marketing Department embarked on an exciting project called 'I wanna be famous', where employees were selected to create an RAF library of images. All images are consistent and in line with our corporate identity campaign in order for staff to internalise it. The images are now used in all advertising executions, e.g. print adverts, newsletters, online advertising, office branding, etc.

Brand visibility and the promotion of road safety were also enhanced by a number of RAF sponsorships, including but not limited to the Comrades Marathon halfway mark (at Drummond), the Rand Show, the Two Oceans Marathon, the Gauteng Motor Show, 702 Walk the Talk, etc.

During the period under review, the Fund also embarked on a fresh approach to promote direct claims and educate communities on the RAF's service offering. Various church denominations were targeted, including two of Soweto's spiritual hubs, Grace Bible Church and the historical Regina Mundi.

The Marketing and Communications Department continued to promote direct claims in its messaging across different marketing platforms. The RAF's flagship customer engagement programme, 'RAF on the Road', has proven to be a huge success in driving direct claims, as well as building mutually beneficial relationships with stakeholders. Building on the success of the '4 Cities RAF on the Road' campaigns held in March 2014, the Fund again hosted '4 Cities' during October 2014. During the month of February 2015, the Fund hosted its very first '5 Cities'. This event was broadcast on Morning Live and was attended by officials from all tiers of government, including the Minister of Transport.

During the past year alone, 16 communities were called on and more than 18,000 claimants assisted.

The 'RAF on the Road' concept won numerous awards during the financial year, including the Department of Public Service and Administration's (DPSA's) Batho Pele Service Excellence Award, which recognises solution-focused initiatives in servicing the public; and was first runner-up in the Centre for Public Service Innovation (CPSI) Awards, under the category of 'Innovative Service Delivery Institutions'. As a result of this achievement, the Fund received automatic entry into the United Nations Innovation Awards for 2015.

'RAF of the Road' events are always supported by below- and above-the-line advertising. Adverts are broadcast on television; community, regional and national radio stations; as well as via print adverts. LED trucks are utilised during some mobilisation periods to advertise the event to the general public and encourage them to attend the event. In addition, mobilisation teams start canvassing the communities two to three weeks in advance.

For the period under review, a number of research studies were commissioned. These included a Customer Satisfaction Survey, a Brand Tracking Survey and a Stakeholder Perception Survey. Overall, the trends were satisfactory, although there is still room for improvement.

To create brand awareness, all recently opened CSCs were branded. The branding exercise continues with the HCSs across all regions. Continued marketing and branding advice is also offered to all business units in procuring their own promotional materials.

The promotion of RABS commenced in all earnest and informative advertorials were placed in a number of newspapers. RABS consultations were held between August and September and radio live reads and newspaper adverts were placed in regional media inviting people to attend the public participation engagements.

During the festive season, the department embarked on one of its most successful road safety campaigns to date. #FutureYou – which mainly focused on the youth – was a call-to-action to live long enough to meet the 'future them' by obeying the rules of the road. This campaign was regonised by *Business Day* as one of the most innovative road safety campaigns over the holiday period.

Based on the success of the campaign, it was decided to extend it to the Easter holiday period. The campaign was also launched internally. The total estimated reach of this campaign was 33,381,258.

During the Easter period, the department was at its busiest at garage forecourts nationwide, engaging the public about road safety and sharing information about the Fund.

During the 2015/16 financial year, marketing efforts will be aimed at increasing accessibility to the RAF's services, promoting the benefits of claiming directly, conducting a Customer Satisfaction Survey and supporting road safety.

Communications

The Communications Department is responsible for supporting all business functions with their respective communications requirements. This may vary from publishing Human Capital advertisements, Management Directives and Delegations of Authority and other announcements in the form of internal communiques on a daily basis, to translations, editing, proofreading, designing and issuing newsletters and news updates to internal stakeholders.

Internal Communications is the custodian of content development not only for the Fund's website and intranet, which are continuously updated with fresh and relevant content, but also for various other communication platforms, such as the Weekly Highlights, Monthly Bulletins, promotional materials, the *Road Ahead* staff quarterly publication, 'Making a Difference' reflections and other news updates and articles.

During the year under review, speeches and messages of support were prepared for government and RAF leadership and employees across the country. The unit also provided photography for the Fund's main events. The Fund's main publications, including the APP, the Strategic Plan and the Annual Report were compiled and/or edited and finally produced by this department.

In entrenching the brand values, the department was also responsible for organising all internal events, i.e. the Women's Month celebration which saw two large events being held during August; 16 Days of Activism against Abused Women and Children; Heritage Day, and also assisting Employee Wellness Services (EWS) with the Sports and Wellness Day event in December.

All campaigns run by the Marketing Department normally have an internal element. As such, the month of September

saw the launch of an internal anti-fraud campaign. The purpose of this campaign was to curb fraudulent activities within the business.

The internal festive season campaign was launched in December. It was accompanied by a social media drive to encourage employees to participate on RAF social media platforms, i.e. Facebook, Twitter and Instagram. This was done in the form of a competition where employees were encouraged to share their five road safety images/tips with a chance to win an IPad.

The Communications Unit worked tirelessly to grow and promote the Fund's social media platforms with Facebook and Twitter having a combined following in excess of 45,000. The team posted thousands of messages in addition to interacting with claimants and the general public, providing information and responding to numerous enquiries. The RAF Instagram page (established in March 2014) grew to more than 600 followers with over 2,300 pictures covering important RAF events, as well as messages promoting road safety and educating the public about the RAF's services.

Communications took community mobilisation for RAF events to a different level, especially during 'RAF on the Road'. It ensured that these events, held in 16 communities across the country in 2014/15, were well attended, and in addition ensured that thousands more people were empowered with knowledge about the RAF's services through these mobilisation efforts. The Communications team also played an important support role during RAF events, ranging from engaging with stakeholders for support, to performing a variety of additional tasks pre-, during and post- the event.

The Language Unit forms part of the Communications Department and was established in December 2014. The unit comprises a Manager and three Language Practitioners who are responsible for translating source documents into isiZulu, Xitsonga and Setswana. This unit has become increasingly popular, as can be seen from the influx of translation requests.

Going forward, the Department will focus on becoming more accessible to the business as a whole and implementing a more focused, integrated approach to communication that ensures maximum penetration, awareness and understanding of the RAF's business imperatives.

Media and Public Relations

According to Newsclip Media Monitoring Agency, the RAF received a total Advertising Value Equivalency of over R136 million in the financial year under review, with media coverage continuing to yield positive spin-offs and steady growth across all platforms – radio, television, online and social media. The RAF entrenched its radio presence with weekly educational talk shows on 11 of the 12 South African Broadcasting Corporation (SABC) platforms and enjoyed coverage on several community radiostations.

Countrywide coverage was achieved across a wide spectrum of national, provincial and community newspaper titles. There was also a marked improvement in television appearances, particularly by the Chief Executive Officer.

The RAF's reputation has been optimised with proactive media engagement through informative and publishable press releases, timely responses to media and public enquiries and steady messaging about services, RABS, fraud, road safety, 'RAF on the Road', Easter and the #FutureYou campaign. Existing partnerships with certain SABC radio stations on which the RAF has weekly and monthly consumer slots are being formalised, while other collaborative agreements are also being finalised with community media.

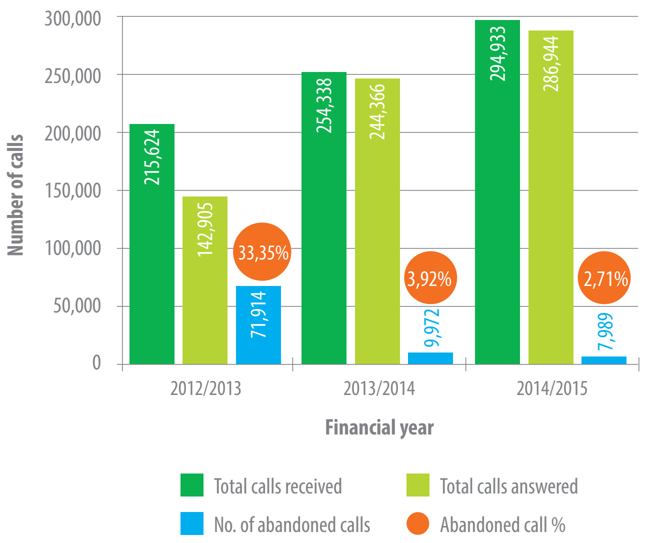
As the RAF comes under heavier media scrutiny, it has become necessary to provide media training for the Executive, Regional General Managers, Senior Managers and key vernacular spokespeople in order to cultivate the skills and knowledge necessary for them to communicate effectively and confidently with journalists. A Spokesperson's Policy, which outlines who has the authority to speak to the media,

» The Call Centre received 294,933 calls, of which 286,944 were responded to.

is being finalised and will create a co-ordinated and consistent approach for all communications by authorised spokespersons, while maintaining a high degree of transparency, accountability and professionalism.

Call Centre

The figures and table below provide an overview of the Call Centre's performance over the past three financial years.



Graph 3 – Call Centre statistics

The RAF Call Centre is an inbound centre that deals with all claim queries from general information, latest claim status, claim payments, Undertakings, supplier queries, plaintiff and defendant queries and any other RAF service-offering-related queries.

During the year under review, the team achieved its main objective of reducing the abandoned call rate and servicing claimants. The Call Centre received 294,933 calls, of which 286,944 were responded to. The average service level for the year was 91.31%, which means that most of the incoming calls were answered within 10 seconds and the average talk time per call was 03:54. These improvements are in line with industry standards.

During the reporting period, Management introduced other service offerings such as quality assurance (QA) and a dedicated training programme for Call Centre staff, according to which accuracy of information provided to callers and claimants was measured.

The focus for the team going forward is to maintain these achievements and take the service experience to the next level. The largest priority will be continuous monitoring of QA. This will also improve the training programme, as areas that staff members are falling short on will be identified and addressed.

Overall, the Call Centre experience will assist in driving APP targets in respect of customer-centric deliverables by ensuring that customer experience and the promotion of direct claims are improved in all interactions.

15. Supply chain management

Supply Chain Management (SCM) is obliged to adhere to the Constitution of the Republic of South Africa, the PFMA, National Treasury Regulations, Instruction Notes, the PPPFA, the B-BBEE Act, as well as the SCM Policy Framework, amongst other Acts and regulations.

The past year saw a lot of effort being put into re-defining and positioning SCM to achieve its vision of being the respected internal partner for supply chain requirements. This was achieved through the provision of appropriate advice, best-value procurement and best practice processes, as well as by being responsive to the organisation's requirements as an enabler to strategically assist the organisation in optimally achieving its objectives. This led to the development of a turnaround strategy which is currently in the process of implementation. The expected outcome is the alignment of current RAF SCM processes with best practice and an increase in efficiency, which will result in optimisation of resources and cost management through a targeted operating model (TOM), with the primary focus being on service delivery.

The objectives of the TOM include: having an improved customer interface, improved governance, improved strategic supplier management, enhanced and automated SCM process end-to-end, being an SCM of excellence, and being a credible and capable SCM with trusted performance.

This level of commitment requires leadership that can see this turnaround through and definitive action was taken which saw, amongst other achievements, the successful appointment of the SCM General Manager.

Some of the key targets for the coming financial year are to have the revised SCM Policy and its operating procedures, the revised Delegations of Authority, the RAF's B-BBEE Policy, and the Enterprise Development Implementation Plan approved by the RAF Board, to enable the organisation to implement strategic sourcing.

A skills audit was conducted for SCM permanent staff to assess skills levels and identify skills gaps so that appropriate, targeted training interventions can be put in place to close the gaps. The aim is to build capacity and have a proficient workforce to enable SCM to achieve its goals and objectives.

The RAF commits to being assessed for B-BBEE annually and to using the certificate as a measure of its continued effort to improve its overall B-BBEE rating. The RAF was previously assessed under the Generic Codes of Good Practice. The most recent B-BBEE assessment was undertaken under the B-BBEE Sub-sector for Public Sector – Transport, which requires the attainment of a higher point score than the generic scorecard. This resulted in a drop to level 7 in the RAF's rating.

16. Report of the Audit Committee

The Report of the Audit Committee is included on page 139 under Part E: Financial Information.

PART D

Human Resource Management

1. Introduction

During the year under review, the Human Capital Division achieved significant progress against its strategic goals as contained in the APP for 2014/2015.

The Human Capital Division's plans support the overall organisational objectives in line with strategy implementation and the cascading of operational targets from the APP. The performance against APP targets reflects the activities of the Shared Services, Organisational Development, Centre of Excellence, Learning and Development, and Customer Services Departments, as well as Facilities Management, including Occupational Health Services (OHS).

The following is a synopsis of the most notable achievements against the Human Capital APP targets:

Vacancy Rate

» A key objective was the reduction of the vacancy rate by 2% year-on-year. The Human Capital Division exceeded the target of 7.9% reduction achieving a vacancy rate of 6.96%.

» The RAF employee headcount was 2,555 for the period ending 31 March 2015, against 2,746 budgeted positions.

» The RAF achieved 100% of employee contracting and quarterly reviews.

Employee Performance Assessments

» The RAF achieved 100% of employee performance contracting and quarterly reviews.

Employee Recognition

» As part of the approved Remuneration and Employee Recognition Programme, a total of 1,101 employees were recognised for living the RAF values.

RAF Employment Equity

» The RAF's contribution towards government's social and economic transformation agenda remains on course. The RAF remains within the set positive or negative 10% variance of the main employment equity (EE) categories.

- 34 employees are living with a disability, representing 1.3% of total employees, exceeding the 1% APP target by 0.3%.
- Employees meeting the EE status represent 97% of total employees.

2. HR priorities and outcomes

Priority	Outcomes for the 2014/15 financial year
Talent Acquisition	579 internal and external appointments were made year-to-date. The percentage of internal appointments versus external appointments for Senior Managers was 20%, Managers 30% and Bargaining Unit 28%. The percentage of internal appointments versus external appointments was 27%. Key and strategic appointments in vacant positions included: **Executive level:** Chief Strategy Officer, Chief Financial Officer, Chief Marketing Officer. **General Manager level:** Supply Chain Management, ICT Applications and Modernisation, ICT Strategy and Programme Management, and Forensics.
Policy Reviews	Human Capital developed the undermentioned policies and key guidelines to promote diversity and transformation: Disability Management Policy: The purpose of this policy is to assist the RAF and its employees living with disabilities to understand their rights and obligations, to promote certainty and reduce disputes to ensure that persons living with disabilities can enjoy and exercise their rights at work. Reasonable Accommodation Guidelines: The purpose of this policy is to implement the approved Disability Management Policy. Gender Policy: The purpose of this policy is to establish a framework within which the RAF manages gender equality. The following policies were enhanced and approved by the Board: » Leave Policy; » Resourcing Policy; and » Performance Management Policy. An Absenteeism Management Framework was developed as a guide for Management to curb absenteeism in the workplace.
Knowledge Management	With the approval of the Knowledge Management (KM) Strategy by EXCO, the KM team completed Regional and Head Office awareness sessions for all staff on the impact and importance of KM in preserving institutional memory, capturing, and storage of knowledge for future use by the Fund's staff.
Employee Wellness	A national Health and Wellness Day was held on 5 December 2014, which included exhibits from health and wellness service providers augmented by interdepartmental regional sports events. Employees participated in the various sports codes, including: soccer; netball; volley ball; athletics; action cricket; tug of war; chess; etc. The event held across regions, proved to be beneficial to RAF employees, and was regarded as a major success by all employees.
Facilities Management	Facilities Management rolled out a new Fleet Management Strategy. Panic buttons were issued to all hospital service consultants. The aim of this intervention was to improve security control measures for staff placed at hospitals.
Succession Management	The RAF Board approved the RAF Integrated Talent and Succession Management Report for 2014/2015 in October 2014.

» The Human Capital recruitment team won first runner-up award for the best Internal Recruitment Team in the Avusa Media Annual Recruitment Awards.

3. Other notable achievements

The Human Capital recruitment team won first runner-up award for the Best Internal Recruitment Team in the Avusa Media Annual Recruitment Awards (AMARAs).

Furthermore, the Knowledge Management function within Human Capital was responsible for the profiling of the 'RAF on the Road' flagship programme, which translated into the following awards and outcomes:

- Centre for Public Service Innovation: Runner-up in its category;
- Batho Pele Excellence Awards: Winner in its category;
- Publications in the GIBS and Wits Business School journals; and
- Publication of the Crash Victims booklet.

4. Organisational development

Performance Management

The RAF Performance Management System is directly linked to other Human Capital processes and is aligned with the division's reward, recognition and development opportunities to retain and motivate employees and address poor performance.

The performance cycle begins in April and ends in March the following year. All employee contracts must be concluded by latest in the month of May.

One of the key guiding principles of performance management as per the RAF policy is that, "Performance management processes shall link to broad and consistent staff development plans and align with the RAF's strategic goals". In order to facilitate the contracting process the following initiatives were implemented:

- Revision of the balanced scorecard template (2014) customised to the Fund's organisational levels, which includes generic management factors and a focus on the RAF values and leadership competencies;
- The Generic Factors section 3 and Values section 4 in the Executive template were reviewed and aligned with SMART principles. Section 5, which included leadership competencies, was added to the Executive Management contract during 2014; and
- The approved RAF 2014/15 APP and divisional objectives and targets were cascaded down through each organisational level.

The template ensures that performance measures are set and measured and may be used to evaluate performance against targets.

The achievement of performance assessment submissions for the 2014/15 performance cycle was as follows:

Quarter	Submission
1st Quarter	100%
2nd Quarter	100%
3rd Quarter	100%
4th Quarter	100%

Performance management contracting and assessments are supported by on-going training and management consultation.

Organisational Design and Job Evaluation

Organisational design is aimed at aligning the structure of the organisation with its objectives, with the ultimate aim of improving the efficiency and effectiveness of the organisation. In the period under review the following initiatives were undertaken:

- Confirmation of organisational structure – per Division, Region and per Department on a quarterly basis to ensure appropriate updating of the current approved structure; and
- Job evaluation – the job evaluation system in use within the RAF is the TASK job evaluation system, owned by Deloitte Consulting Pty Ltd. In the period under review, 49 jobs were subjected to job evaluation to determine appropriate grading within the support departments. As at the end of March 2015, 72% of staff had been trained in job evaluation across all facets of the RAF in an effort to create awareness and share information on job evaluation and grading.

5. Maintaining a skilled and capable workforce

Talent and Succession Management

The RAF is continuously engaged in developing and building talent pools, moving from reactive to proactive talent management, ensuring operational continuity and the sustainability of the organisation, and having the right people with the right skills in the right roles.

The RAF has embarked on a rigorous process to identify critical positions and proactively identify and develop a pool of potential, high-performing successors at each Management level. Its learning and development interventions are directly linked to the RAF competence framework and learning and development training solutions.

In addition, the RAF has created Leadership Forums as a platform for leaders to engage formally, build trust and create shared understanding on technical, tactical, operational, cultural, strategic and people issues. The Forums are held on a quarterly basis for different categories of Management at Executive, General Management, Senior Management and Managerial levels. The Forums are chaired by the Chief Executive Officer.

During the financial year 2014/2015 RAF Leadership Forums were held as follows:

- 08 and 09 May 2014: Executive Management and General Management;
- 22 September 2014: Executive Management, General Management and Senior Management; and
- 02 and 03 February 2015: All categories of Managers. The event was attended by 340 delegates.

The Leadership Forums are utilised as a platform for the development and identification of talent. Leaders actively participate in their respective divisions during the group break-away sessions and Managers are given the opportunity to present and facilitate.

RAF CEO Leadership Initiatives

The launch of the RAF CEO Leadership Initiative was the first of its kind to inspire future leaders and identified successors. During the year under review, the RAF extended invitations to two CEOs in the Transport fraternity to address talented Managers at all levels on their respective career paths, experiences and expertise. The CEO from SAMSA, Commander, Tsetsi Mokhele addressed the male Managers on 27 March 2015 and the Director of the Civil Aviation Authority, Ms Poppy Khoza, addressed female talented Managers on 02 April 2015.

Change Management

During the period under review, Change Management focused on the following initiatives:

- Building an RAF Change Champion Network; and
- Providing capacity.

Through these initiatives the change champions went through various training sessions which included training on the RAF's value proposition, training on how to participate in the Values Entrenchment Programmes and training on how to be brand ambassadors. The change champions were engaged through regional visits and video conferences and also focusing on establishing networks.

Change management implementation is on-going and transversal. Divisional-specific projects outlined below were conducted in conjunction with the regional change champions:

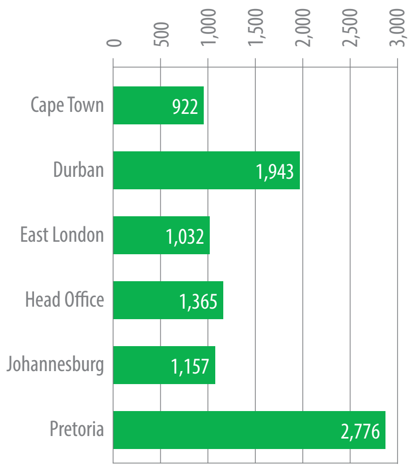
- Implementation of the ICT Five-year Strategy and e-Enhancement Change Management Plan;
- ICT Records Management Project;
- POPI Guidelines awareness sessions;
- SCM Change Management Plan and Change Champions Engagement Plan;
- Ops Job Project champions workshops; and
- Project Siyenza.

Learning and Development

Learning and Development focused on the following interventions during the review period:

Operational training: MVA Foundation Course	The training was based on the RAF curriculum. It was conducted on a continuous basis for Hospital Service Consultants and Operational staff. *Ad hoc* training was provided for specific interventions requested by Operations. Training on the Service Level Agreement for attorneys was conducted nationally.
Brand and logo training	The purpose of this training was to equip staff with the necessary knowledge, skills and ability to utilise the RAF corporate identity as a tool which distinguishes the brand of the RAF in the market, and communicates the positioning of the RAF.
Accreditation of the RAF Skills Programme	This programme includes the following training courses: MVA Foundation, Customer Service, Report Writing, Performance Management, General Insurance and Research Cost associated with Births, Deaths and Education.
Quality Council for Trades and Occupations (QCTO)	The Learning and Development Department was part of the team that was established to manage and co-ordinate qualifications in the Occupational Qualifications Framework. The task team developed the Claims Assessor qualification which was submitted to the QCTO for registration and use by the insurance sector. As a result of this initiative, the RAF was recognised in the INSETA magazine and its operations are now recognised within the industry.
Promotion of Access to Information Act (PAIA) training	The last sessions of PAIA training were rolled out across the regions during the period. The roll-out was aimed at empowering all staff members to deal with the dissemination of information, both within and outside the RAF. The impact of this training has been significant, as staff now have a clear understanding of the PAIA process within the RAF.
'On-boarding' of new recruits	The On-boarding Programme continues on a monthly basis nationwide. Through this programme, newly appointed staff members are able to enter the organisation with a sound knowledge and understanding of the core values and the service offering of the RAF.
SAP system training	This training was provided to all staff members with access to the Enterprise Resource Planning System (SAP). The training supports the practical business processes within the SAP environment. The dedicated SAP trainers, together with the various departments, identify gaps in the knowledge of SAP users and address them accordingly.
Claims viewing training	The RAF claims viewing system was enhanced to create a more modern and up-to-date look and feel. The enhancements also provide more user-friendly applications to support the claims handling process. Training was offered on all system changes.

2014/15 Training Statistics



Graph 1 – Number of employees trained
1 April 2014–31 March 2015

Centre of Excellence

The Centre of Excellence plays an integral part towards making the RAF an employer of choice by supporting the establishment of a culture of performance through employee recognition and reward.

In support of the above and to assist the RAF to improve performance and encourage behaviour that supports the achievement of its vision and objectives, the unit provides strategic direction in reward management, appropriate types and levels of pay and benefits; encourages a work/life balance for employees; maintains a well regulated and compliant RAF through policy development; and facilitates institutional knowledge management.

Recognition and Reward of Performers

In recognition of the achievement of APP targets for 2013/14, the Board approved the payment of performance bonuses for Task Levels 1–20. The bonuses were paid in July 2014 to all staff who qualified.

In addition, 1,101 staff members were recognised in the 2014/15 financial year in the form of spot, monthly and quarterly awards for living the RAF values in their daily execution of tasks.

A benchmarking survey was conducted to compare total benefits with market-related benefits. The RAF participated in three salary surveys, the results of which will be used to enhance remuneration practices.

Maintenance of Institutional Knowledge and Engagements

With the aim of promoting shared learning through the management of tacit and explicit knowledge, the Knowledge Management Strategy was approved by EXCO in August 2014. The strategy highlights initiatives and specific activities to create awareness of Knowledge Management and promoting the capture, storage and preservation of institutional memory and knowledge for future use amongst RAF staff.

In an effort to realise the value of managing and retaining corporate knowledge, a submission was put together for the 2014 Centre for Public Service Innovation Awards, showcasing the flagship project 'RAF on the Road', the 2014 National Batho Pele Excellence Awards, and the 2014/15 United Nations Africa Awards for Public Service. As a result, the RAF received the 1st runner-up award in the category for Innovative Service Delivery Institutions. The organisation further won the National Batho Pele Excellence Award for Best Implemented Programme/Project of the Year. It further reached the first round of evaluations for the United Nations Africa Awards.

In order to promote knowledge sharing, the organisation established a Centre of Excellence portal and a Knowledge Management portal from which valuable information can be accessed. The Knowledge Management Unit was also instrumental in the establishment of a New Idea/Innovation database where staff can contribute new ideas or innovations to improve on the service delivery of the RAF. Apart from the 'RAF on the Road' profile and news articles published in various media, i.e. The New Age, the SA Breaking News website and in the journals of GIBS and Wits, a Crash Victims Booklet was also developed and published to showcase ten stories of crash victims.

Furthermore, the RAF Library was incorporated into the Knowledge Management Unit and since its inception, the library space has been reorganised to ensure that effective and efficient library and information services can be provided to all RAF staff. One of the key highlights was the successful hosting of Library Week where staff members were exposed to products and services offered by the Library.

Regulation and Compliance

A number of achievements were attained during the review period with regard to regulation and compliance within the RAF.

The following new policies were developed in 2014 and approved by the Board and/or CEO:

- Disability Management Policy;
- Gender Policy; and
- Reasonable Accommodation Guidelines.

Advocacy was done in all RAF regional offices on the approved Disability Management Policy and Reasonable Accommodation Guidelines. RAF employees living with disabilities, the employees' Line Managers and Human Resources Business Partners (HRBPs) were taken through the provisions of these approved documents.

The RAF had consultations with the Union on policies, which were subsequently endorsed by EXCO and REMCO, with the exception of the Remuneration and Reward Policy, which was set aside to address LRA amendments which impact on the policy provisions. The endorsed policies were the following:

» Leave Management;
» Resourcing;
» Performance Management Policy; and
» Remuneration and Reward Policy.

The Legal, Compliance and Regulations Department contract was utilised to benchmark best practices and a partnership was established with IBM on Human Capital Practices.

The following policies are currently under review by the Centre of Excellence:

» Incident and Grievance Policy;
» Recognition of Prior Learning Policy (new policy in RAF);
» Uniform Policy; and
» Incapacity Policy.

Well Maintained Work/Life Balance

The Employee Wellness Services (EWS) Unit plays a critical role in the RAF and is positioned to assist with and facilitate the reduction of behavioural crises that are associated with personal problems that could result in absenteeism and low productivity levels. An integrated health and wellness approach is used which also contributes to staff retention.

The services provided during the reporting period are depicted in the adjacent graph.

Graph 2 – Combined in-house and outsourced EWS utilisation

Managing Absenteeism

In South Africa, the cost of absenteeism is estimated at over R12 billion and this trend was confirmed by the data that was extracted from the RAF leave system. In light of this, absenteeism is a concern within the organisation and has led to the development of a Framework for Absenteeism Management to assist with the curbing absenteeism. The framework provides Managers with mechanisms to better manage absenteeism through monitoring leave and implementing the 'Return to Work' form to manage sick leave abuse. Apart from this, training was also provided to ensure that Managers can identify health and wellness problems that might impact on productivity and refer such issues appropriately.

Health Risk Assessment Month

In July 2014, the RAF hosted a Wellness Month to address health and wellness issues in the workplace. Various wellness activities took place and the attendance was above 60%.

National Health Calendar

Important days on the national health calendar are celebrated annually highlighting World Aids Day and Disability Day during the month of December. In addition, the 2014 Women's Day celebrations highlighted health issues that affect women, while International Men's Day celebrations focused on health issues that affect men.

National Sports and Wellness Day

In line with the government agenda on sports and recreation in the workplace, the RAF successfully hosted a National Sports and Wellness Day across all the RAF offices during December 2014. With the inclusion of sporting events for employees living with disabilities, the day was attended by ± 900 employees from all regions.

Discovery Health Index 2014 Survey

The RAF participated in the 2014 Discovery Health Index. The purpose of this was to assess the impact of the organisation's wellness strategies and to redesign appropriate programmes to address the unique needs of the organisation. This was the first assessment in which the RAF participated since the establishment of the Employee Wellness Services Unit.

Employee Assistance Programme

Through the Employee Wellness Services, combined counselling and advisory services are offered to employees and Management. In some cases, matters are referred to the Independent Counselling and Advisory Services (ICAS). Below are statistics for some of the in-house services utilised:

- 42.7% of RAF employees participated in ICAS and Disease Management Programmes;
- 19.1% of RAF employees registered on the HIV Programme as per medical aid reports received; and
- 585 HCT tests were completed.

In terms of ICAS, the overall engagement rate, which includes uptake of all services provided, amounted to 42.7% during the review period.

The table below reflects the top five (5) areas for ICAS consultations amongst RAF staff:

Quarter 1	Quarter 2	Quarter 3	Quarter 4
Relationship issues	Stress	Relationship issues	Relationship issues
Stress	Relationship issues	Stress	Personal development
Child and family	Personal development	Information and resource	Stress
Legal issues	Mental illness/ Psychiatric	Mental illness/ Psychiatric	Health and lifestyle
Organisational issues	Information and resource	Personal development	Mental illness/ Psychiatric

Of importance is the fact that consultation for stress and relationship issues was prevalent in all four (4) quarters, followed by mental illness issues in the last three (3) quarters. Stress management sessions were arranged nationally in response to the report. The most commonly utilised service was professional counselling, which constituted 53% of total engagement in the most recent period.

6. Capacity and capacity building

Leadership Development

The objective of Capacity and Capability Building is to unlock leadership potential and develop critical leadership skills and expertise to ensure that the RAF has the right calibre of Managers through:

- Development of a customised and aligned Management Development Programme (MDP) targeting entry level management category;
- Exchange programmes and training on strategic interventions with sister entities either through secondments and/or training; and
- Benchmarking with the above entities on best practice Human Capital solutions and practices.

Human Capital Multi-lateral Agreement

The RAF entered into a Human Capital Multi-lateral Agreement with the MVA Funds of Botswana, Namibia and Swaziland in 2013/2014 and it was implemented during the year under review. The purpose of this agreement is to facilitate discussion on various issues of mutual concern.

The engagements are opening up avenues to benchmark best practices and lessons learned on a number of initiatives that the Funds are embarking upon.

The agreement further provides the Funds with an opportunity to:

- Exchange ideas and opinions;
- Work collaboratively to share expertise and experiences;
- Identify and address training needs; and
- Build the capability of the various professions within the Funds.

7. Medical and pension schemes

Employees continue to enjoy the benefit of two medical schemes. A third medical scheme was introduced during the reporting period. The purpose was to increase the pool of medical schemes in order to give employees more options to choose from according to affordability.

Pension Fund Board meetings were held quarterly and status reports were submitted to REMCO.

A personnel file audit was completed and a report recommending enhancements to the document management system was submitted to EXCO.

8. Human Resource Information System (HRIS)

The SAP HR process mapping was completed in the 2014/15 financial year and the process was work-shopped in all the regions. The purpose for mapping the processes came about as a result of the decentralisation of the SAP HR functions to the regions. The process enables the HC offices to work efficiently.

An on-line Overtime Application was implemented in the previous financial year and the application was stabilised to ensure that it works efficiently. It has reduced the paperwork and human intervention that caused incorrect capturing of overtime claims and other mistakes.

Furthermore, SAP HR access was reviewed to identify all employees who were not supposed to have access, in order to comply with the POPI Act so as to ensure that the data is not compromised. The exercise assisted in ensuring that access is provided correctly and there is segregation of duties.

During the year under review, online recruitment was implemented. The RAF Careers tab was replaced with an online application. RAF vacancies now appear on Careers 24 and Jobs Indeed. Job seekers are now able to respond to RAF job adverts online, while the RAF's own system is being implemented.

9. Talent sourcing

This unit's main focus has been to capacitate the RAF by reducing the vacancy rate. Adequate human resources were attracted and retained through the implementation of various resourcing initiatives. The vacancy rate decreased to less than 7% as at 31 March 2015 and the vacant positions were 191.

During the year under review, significant progress was made in recruitment. The vacancy rate target was set at 7.9% and the annual budgeted positions were 2,746. The headcount as at 31 March 2015 was 2,555.

10. Priorities and future plans

The following Human Capital priorities have been identified for the new financial year:

Optimise Organisational Performance

- Operationalise and enhance the Electronic Performance Management System to ensure accurate and effective management of organisational performance;
- Reinforce a high-performance culture through on-going performance management training and coaching; and
- Implement a 360° assessment tool at Executive level.

Improve Workforce Skills and Placement for Current and Future Requirements

- Implement and introduce the Learning Management System (LMS). The system is designed to be an all-encompassing Learning and Development system which will allow for the establishment of a Learning Academy;
- Conduct a skills audit to ensure staff is equipped with the right skills to fulfil the RAF's mandate and ultimately ensure a smooth transition to RABS;
- Continue talent and succession management thereby ensuring capacity availability of leaders to fill strategic and critical positions supported by continued implementation of Management and leadership development interventions; and
- Develop career paths for mission-critical and strategic positions, to develop and attract talent with the right skills and right roles.

Contribution to Government's Social and Economic Transformation Agenda

- Implement talent attraction programmes to maintain gender equity and attract females to Management positions, thereby contributing to government's social and economic transformation agenda; and
- Implement e-Recruitment portal to reduce the administrative burden of screening applications.
  The system will enable the RAF to screen CVs, create an audit trail and save a database of applications, thus also improving turn-around times.

Absenteeism Management

- Reduce absenteeism rate and implement an electronic absenteeism management tool. The biometric time and attendance system will integrate with SAP to report on real time absences. It will assist in monitoring trends and flagging possible leave abuse; and
- Continue with training and capacitation of Managers on the management of absenteeism.

During the year under review, Employee Relations and Capacity Building conducted training on absenteeism management and Disciplinary Committee matters for Managers in all the regions.

Employee Relations

- Enhance employee relations and engagement to promote a conducive working relationship by developing and implementing a range of customer-focused engagement strategies.

Facilities Management

- Maintain national oversight of Facilities Management activities, such as Spatial Plans, Lease Agreements, Facilities Management standards, etc.

11. Human resource oversight statistics

Personnel Cost by Programme

Programme	Total expenditure for the entity (R'000)	Personnel expenditure (Total employment cost (TEC) and Non-TEC HR related costs) (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
All	42,132,174	1,164,018	2.76%	2,555	R456

Personnel Cost by Salary Band (TEC)

Level	Personnel expenditure (R'000)	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee (R'000)
Top Management	4,616	0.5%	1	4,616
Senior Management	32,031	3.4%	20	1,602
Professional qualified	253,075	26.6%	344	736
Skilled	502,122	52.9%	1,410	356
Semi-skilled	156,219	16.4%	763	205
Unskilled	1,929	0.2%	17	113
Total	**949,993**	**100%**	**2,555**	**372**

Performance Rewards

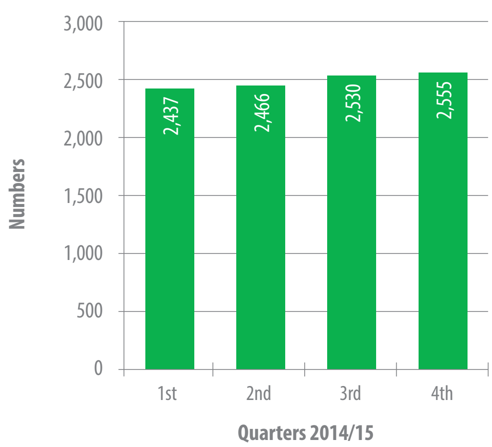
Programme	Performance rewards (R'000)	Personnel expenditure (R'000)	% of performance rewards to total personnel cost
Top Management	1,849	4,616	40%
Senior Management	5,166	32,031	16%
Professional qualified	30,215	253,075	12%
Skilled	41,630	502,122	8%
Semi-skilled	13,017	156,219	8%
Unskilled	137	1,929	7%
Total	**92,014**	**949,993**	**10%**

Training Costs

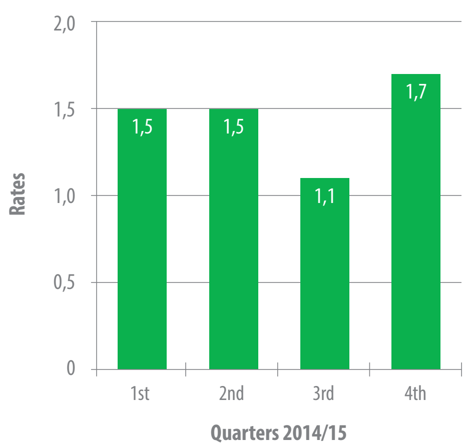
Business unit	Personnel expenditure (TEC and Non-TEC HR related costs) (R'000)	Training expenditure (R'000)	Training expenditure as a % of personnel cost	No. of employees trained	Average training cost per employee
RAF Learning and Development	1,164,018	11,022	1%	2,396	R4,600

Employment and Vacancies

Programme	2013/2014 No. of employees	2014/2015 Approved posts	2014/2015 No. of employees	2014/2015 Vacancies	% of vacancies
Top Management	1	1	1	0	0%
Senior Management	18	25	20	5	20%
Professional qualified	297	363	344	19	5.2%
Skilled	1,255	1,514	1,410	104	6.9%
Semi-skilled	697	821	763	58	7.1%
Unskilled	20	22	17	5	22.7%
Total	**2,288**	**2,746**	**2,555**	**191**	**6.9%**



Graph 3 – Staff complement per quarter



Graph 4 – Staff turnover rate per quarter

Salary band	Employment at beginning of period	Appointments Internal	Appointments External	Terminations	Employment at end of the period
Top Management	1	0	0	0	1
Senior Management	17	7	0	4	20
Professional qualified	297	50	21	28	344
Skilled	1,251	211	116	93	1,410
Semi-skilled	697	146	24	25	763
Unskilled	20	3	1	0	17
Total	2,283	417	162	150	2,555

Reasons for Staff Leaving

Reason	Number	% of total no. of staff leaving
Death	6	4%
Resignation	124	83%
Dismissal	13	9%
Retirement	3	1%
Ill health	2	1%
Expiry of contract	1	1%
Other	1	1%
Total	150	100%

Labour Relations

Labour Union

During the year under review, assistance was provided in co-ordinating the South African Transport and Allied Workers Union (SATAWU) National Council, where the new shop stewards were elected. The facilitation of Relationship by Objective (RBO) between SATAWU and Senior Management also took place during the year.

Negotiations were held with the Union with regard to a third medical aid and a broker for SATAWU members.

A new RAF Management team was introduced to the Central Bargaining Committee, and is responsible for collective bargaining with the Union in the workplace.

Incidents and Complaints Management

There were 41 incidents and grievances lodged which constitutes a decline of more than 70% compared to the previous reporting period. This can be attributed to training and engagements conducted with staff across all the regions.

Disciplinary Matters

Type	2013/14	2014/15
Dishonesty	17	4
Absence-related misconduct	2	32 (Informal matters)
Gross insubordination	3	4
Gross negligence/incompetence	4	2
Financial misconduct	0	1
Failure to disclose	9	1 (Informal matter)
Other	4	4
	39	**29**

Litigated Matters (CCMA and Labour Court)

During the financial year, 20 referrals were made to the CCMA, which are categorised as follows:

	Withdrawn	Pending	IFR	IFE	Review	Dismissal	Other	Total
Unfair labour practice	3	2	1	1	0	1	2	**10**
Unfair dismissal	0	4	2	0	2	0	2	**10**

(IFR – In favour of RAF; IFE – In favour of employee)

Two cases brought against the RAF for unfair dismissal were found by the CCMA to be procedurally and substantively fair.

Employment Equity

Employment Equity (EE) Statistics in terms of APP Target

Type	Total	Percentage
Total number of RAF employees (including non-permanent) as at 31 March 2015	2,602	100%
Employees living with disabilities	34	1.3%
White male employees	74	2.8%
Total EE status employees	2,528	97%

The RAF is within the set positive or negative 10% variance of the main EE categories as per set APP targets.

34 employees are living with disabilities, representing 1.3% of total employees, and exceeding the 1% national target by 0.2%.

The ± 10% variance from the set NEAP target has been exceeded in main categories used to calculate NEAP targets.

Employees meeting EE status are currently at 97%.

Equity Target and Employment Equity Status

Levels	Male							
Permanent Employees	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	1	0	0	0	0	0
Senior Management	5	8	1	1	1	0	0	1
Professional qualified	129	140	11	20	13	7	32	22
Skilled	508	574	33	82	25	27	33	90
Semi-skilled	249	311	27	44	9	14	9	49
Unskilled	0	7	0	1	0	0	0	1
Total	**891**	**1,040**	**73**	**148**	**48**	**48**	**74**	**164**

Levels	Female							
Permanent Employees	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	11	7	0	1	0	0	2	1
Professional qualified	123	118	13	17	7	4	16	17
Skilled	603	482	68	71	58	16	82	69
Semi-skilled	377	261	49	38	17	8	26	37
Unskilled	15	6	2	1	0	0	0	1
Total	**1,129**	**874**	**132**	**128**	**82**	**28**	**126**	**125**

	African		Coloured		Indian		White	
	Male	Female	Male	Female	Male	Female	Male	Female
Employees living with Disability	10	18	0	2	0	1	2	1


Road
Accident
Fund

PART E

Financial Information

The reports and statements set out below comprise the Financial Statements presented to Parliament:

Report of the Auditor-General to Parliament on the Road Accident Fund

Report on the financial statements

Introduction

1. I have audited the Financial Statements of the Road Accident Fund (RAF) set out on pages 153 to 221, which comprise the Statement of Financial Position as at 31 March 2015, the Statement of Financial Performance, Statement of Changes in Net Assets, Cash Flow Statement and the Statement of Comparison of Budget Information with Actual Information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's Responsibility for the Financial Statements

2. The Board of Directors, which constitutes the Accounting Authority is responsible for the preparation and fair presentation of these financial statements in accordance with the Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act (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.

Auditor-General's Responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Financial Statements.

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

Opinion

6. In my opinion, the Financial Statements present fairly, in all material respects, the financial position of the RAF as at 31 March 2015 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMA.

Emphasis of Matters

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

Going Concern

8. Note 35 to the Financial Statements indicates that the Road Accident Fund had accumulated deficits of R110,377,787,000 and that the public entity's current liabilities exceeded its total assets by R110,247,252,000 as at 31 March 2015. These conditions, along with other matters as set forth in the Accounting Authority's report,

indicate the existence of a material uncertainty that may cast significant doubt on the public entity's ability to operate as a going concern.

Irregular Expenditure

9. As disclosed in note 27 to the financial statements, the public entity has incurred irregular expenditure of R14.6 million. This was as a result of non-compliance with supply chain management processes.

Financial Reporting Framework

10. As disclosed in note 6 of the Annual Financial Statements, RAF has adopted International Financial Reporting Standards 4 (IFRS 4 Insurance Contracts) for the first time upon instruction received from the Accounting Standards Board. The effect on the Annual Financial Statements is limited to presentation and disclosures of the claims liability.

Report on other legal and regulatory requirements

11. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined Objectives

12. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2015:
    - A legislative dispensation that is aligned to the principles of social security
    - Effectively manage the Fund's finances and pursue sustainability
    - A customer-centric, operationally effective and efficient RAF

13. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

14. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).

15. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

16. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following objectives:
    - A legislative dispensation that is aligned to the principles of social security
    - Effectively manage the Fund's finances and pursue sustainability
    - A customer-centric, operationally effective and efficient RAF

Additional Matter

17. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matter:

Achievement of Planned Targets

18. Refer to the annual performance report for information on the achievement of the targets for the year.

Compliance with Legislation

19. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Internal Control

20. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

Auditor-General

Pretoria

31 July 2015

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Report of the Audit Committee

The Audit Committee is pleased to present its report for the financial year ended 31 March 2015.

The Audit Committee is an independent statutory committee appointed by the Board of the RAF. The duties and responsibilities of the Audit Committee as delegated by the Board of the RAF are included in this report.

Audit Committee Terms of Reference

The Audit Committee has adopted formal Terms of Reference as its Audit Committee Charter that has been approved by the Board of the RAF. The Committee has conducted its affairs in compliance with this Charter and has discharged its responsibilities contained therein. The Charter is available on request.

Audit Committee Members and Attendance

The Audit Committee consists of four independent, Non-Executive Board members. It meets at least four times per year, as specified in terms of the Audit Committee Charter.

The Chairman of the Board, Chief Executive Officer, Chief Financial Officer, Chief Audit Executive, external auditors and other assurance providers (legal, compliance, risk, health and safety) attend meetings by invitation only.

During the year under review five meetings were held. (Apologies were rendered for meetings not attended.)

Name of member	24 Apr 2014	26 May 2014	24 Jul 2014	23 Oct 2014	27 Jan 2015	Total attended
LED Hlatshwayo	✓	✓	✓	✓	✓	5
D Coovadia	✓	✓	✓	✓	✓	5
T Masobe	✓	✓	✓	✓	✓	5
DK Smith	✓	✓	✓	✓	✓	5

Director General's Representative	24 Apr 2014	26 May 2014	24 Jul 2014	23 Oct 2014	27 Jan 2015	Total attended
T Tenza	✓	✓	✓	✓	×	4

× – Apologies were rendered for meeting not attended

» The Audit Committee is an independent statutory committee appointed by the Board of the RAF.

Roles and Responsibilities

The Audit Committee's roles and responsibilities include its statutory duties as per the PFMA, as well as the Treasury Regulations issued in terms of the PFMA and the responsibilities assigned to it by the Board.

The Committee was responsible for performing its duties as set out in the Audit Committee Charter, which included reviewing the following:

- The effectiveness of the RAF's internal control systems;
- The risk areas of the RAF's operations to be covered in the scope of the internal and external audits;
- The accounting and auditing concerns identified as a result of the internal or external audits;
- The RAF's compliance with legal and regulatory provisions, in particular the Road Accident Fund Act, 1996 (Act No. 56 of 1996) (RAF Act); the Road Accident Fund Amendment Act, 2005 (Act No. 19 of 2005) (RAF Amendment Act); the PFMA, as well as the National Treasury Regulations;
- The activities of the Internal Audit function, including its work programmes, coordination with the external auditors, the reports of significant investigations and the responses of Management to specific recommendations;
- The independence and objectivity of the external auditors;
- The review of the Annual Financial Statements with specific attention to:
  - Underlying accounting policies or changes thereto;
  - Major estimates and managerial judgements;
  - Significant adjustments flowing from the year-end audit;
  - Compliance with effective SA Standards of GRAP, the PFMA, IFRS 4 and other statutory precepts; and
  - The appropriateness of the going concern assumption.

The Audit Committee also undertook the following activities during the year under review:

- Reviewing and recommending the Internal Audit Department's Charter for approval by the Board
- Reviewing and approving the Internal Audit Plan;
- Conducting investigations within its Terms of Reference; and
- Encouraging communication between Members of the Board, Senior and Executive Management, Internal Audit Department and the external audit partner.

External Auditors

During the year, the Audit Committee met with the external auditors and with the Chief Audit Executive without Management being present. The Audit Committee is satisfied that it complied with its legal, regulatory or other responsibilities.

The Audit Committee, in consultation with Executive Management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the 2015 financial year.

Financial Statements and Accounting Policies

The Audit Committee has evaluated the Accounting Policies and Annual Financial Statements of the RAF for the year ended 31 March 2015 and concluded that they comply, in all material respects, with the requirements of the PFMA, and were prepared in accordance with the effective SA Standards of GRAP issued by the the ASB.

The Audit Committee has established a process to receive and deal appropriately with any concerns and complaints relating to the reporting practices of the RAF. No matters of significance have been raised in the past financial year.

Unauthorised, Irregular and Fruitless and Wasteful Expenditure

The Audit Committee is satisfied with the processes in place to detect and disclose unauthorised, irregular and fruitless and wasteful expenditure. Any unauthorised, irregular or fruitless and wasteful expenditure that exceeds the materiality limit of 5% of the total asset value as documented in the Materiality Framework will be disclosed. For the year under review, there has been no such expenditure which has breached the materiality limit of R368,324,850 either individually or in totality.

Internal Financial Controls

The Audit Committee's assessment of the internal financial controls in the claims environment is that the systems, although enhanced, could still be improved. Despite this, and based on the information and explanations given by Management and the Internal Audit function, together with discussions held with the Auditor-General of South Africa on the result of their audits, the Audit Committee is of the opinion that the internal financial controls are adequate to ensure that the financial records may be relied upon for preparing the Annual Financial Statements, and accountability for the assets and liabilities is maintained.

Based on the results of the formal documented review of the design, implementation and effectiveness of the RAF's system of internal financial controls conducted by the Internal Audit function during the 2014/15 financial year and, in addition, considering information and explanations given by Management and discussions with the external auditor on the results of their audit, the Audit Committee is of the opinion that the RAF's system of internal financial controls is effective and forms a sound basis for the preparation of reliable Annual Financial Statements.

Whistle-blowing

The Audit Committee receives and deals with any concern or complaints, whether from within or outside the RAF, relating to the accounting practices and Internal Audit of the RAF, the content or auditing of the RAF's Annual Financial Statements, the internal financial controls of the RAF and related matters.

Reporting and Combined Assurance

The Audit Committee fulfils an oversight role regarding the RAF's Annual Report and the reporting process, including the system of internal financial control. Furthermore, the Audit Committee oversees co-operation between the internal and external auditors and other service providers. A Combined Assurance Forum has been formed which is chaired by the Chief Audit Executive and reports to the Audit Committee on a quarterly basis.

Going Concern

The Audit Committee reviewed a documented assessment by Management of the going concern premise before agreeing that the adoption of the going concern premise is appropriate in preparing the Annual Financial Statements (refer to the Report of the Board as it pertains to the section on 'going concern').

Governance of Risk

The Board has assigned oversight of the RAF's risk management function to the Risk Management and Ethics Committee (RMEC).

The Chairperson of the Audit Committee is a member of the RMEC to ensure that information relevant to these Committees is transferred regularly. The Audit Committee fulfils an oversight role regarding financial reporting risks, internal financial controls and fraud and information technology risks as it relates to financial reporting.

> » The Audit Committee is responsible for ensuring that the RAF's Internal Audit function is independent and has the necessary resources, standing and authority ...

Internal Audit

The Audit Committee is responsible for ensuring that the RAF's Internal Audit function is independent and has the necessary resources, standing and authority within the RAF to enable it to discharge its duties.

The Internal Audit function reports centrally with responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all of the RAF's operations. The Chief Audit Executive is responsible for reporting the findings of the Internal Audit work against the agreed Internal Audit Plan to the Audit Committee on a regular basis.

The Chief Audit Executive has a functional reporting line to the Audit Committee, primarily through its Chairperson and reports administratively to the CEO. The Audit Committee is also responsible for the assessment of the performance of the Chief Audit Executive and the Internal Audit function.

Evaluation of the Expertise and Experience of the Chief Financial Officer and Finance Function

The Audit Committee has satisfied itself that the Chief Financial Officer has appropriate expertise and experience. The Audit Committee has considered, and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the Finance function and experience of the senior members of Management responsible for the Finance function.

Mr LED Hlatshwayo
Chairperson of the Audit Committee
31 July 2015

Statement of Responsibility by the Board

The Annual Financial Statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB).

The Public Finance Management Act (PFMA) requires the Accounting Authority (Board) to ensure that the Road Accident Fund (RAF) keeps full and proper records of its financial affairs. The Annual Financial Statements should fairly present the state of affairs of the RAF, its financial results, its performance against predetermined objectives and its financial position at the end of the year in terms of the effective SA Standards of GRAP.

The Annual Financial Statements are the responsibility of the Board. The external auditors are responsible for independently auditing and reporting on the Annual Financial Statements.

To enable the Board to meet the above-mentioned responsibilities, the RAF Board sets standards and oversees systems of internal control. The controls are designed to provide cost-effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed.

Policies, procedures, structures and approval frameworks provide direction, accountability and division of responsibilities, and contain self-monitoring mechanisms. The controls throughout the RAF focus on the critical risk areas identified by operational risk management and confirmed by Executive Management. Both Management and the Internal Audit Department closely monitor the controls and actions taken to correct deficiencies as they are identified.

Based on the information and explanations given by Management and the Internal Audit Department, and discussions held with the Auditor-General of South Africa on the result of their audits, the Board is of the opinion that the internal financial controls are adequate to ensure that the financial records may be relied upon for preparing the Annual Financial Statements, and accountability for the assets and liabilities is maintained.

> » ... the Board is of the opinion that the internal financial controls are adequate to ensure that the financial records may be relied upon for preparing the Annual Financial Statements ...

» In the opinion of the Board, based on the information available, the Annual Financial Statements fairly present the financial position of the RAF at 31 March 2015 ...

Nothing significant has come to the attention of the Board to indicate that any material breakdown has occurred in the functioning of these controls, procedures and systems during the year under review.

In the opinion of the Board, based on the information available, the Annual Financial Statements fairly present the financial position of the RAF at 31 March 2015 and the results of its operations and cash flow information for the year.

Though the RAF will continue to face material cash flow constraints it is believed that based on the initiatives implemented to date, the support from its stakeholders, the absence of any indication that it should no longer execute its statutory obligations and by continuing to work with its service providers, that the RAF will be able to meet its obligations arising.

On an annual basis following the Minister of Finance's Budget Speech in Parliament, the Taxation Amendment Act indicates what the RAF Fuel Levy will be for the applicable financial year.

The Annual Financial Statements of the RAF for the year ended 31 March 2015, which have been prepared on the going concern basis (refer to the Report of the Board as it pertains to the section on 'going concern'), have been approved by the Board and signed on its behalf by:

Dr NM Bhengu
Chairperson of the Board
31 July 2015

Report of the Board

1. Introduction

The Board presents its report which forms part of the Annual Financial Statements of the RAF for the year ended 31 March 2015 to the Minister of Transport, who is the Executive Authority in terms of section 55(1)(d) of the PFMA.

The RAF, as established by the RAF Act, is listed as a National Public Entity in accordance with Schedule 3A of the PFMA. The Board acts as the Accounting Authority in terms of the PFMA.

2. Board members and Corporate Secretary of the RAF

The Board members and Corporate Secretary as at the date of this report are as follows:

Non-Executive Board Members

- » Dr NM Bhengu (Chairperson)
- » Mr D Coovadia (Vice Chairperson)
- » Dr KLN Linda
- » Adv. DS Qocha
- » Mr TP Masobe
- » Mr A Pandor
- » Mr DK Smith
- » Ms R Mokoena
- » Ms A Steyn
- » Mr LED Hlatshwayo
- » Mr T Tenza (DG representative)*

* The Director-General of the Department of Transport or any other Senior Officer in the Department of Transport, designated by him or her for a particular purpose, serves as an *ex officio* member of the Board.

Chief Executive Officer

- » Dr EA Watson

Chief Financial Officer

- » Ms Y van Biljon

Corporate Secretary

- » Ms JR Cornelius

3. Review of activities

To provide appropriate cover to all road users within the borders of South Africa; to rehabilitate persons injured, compensate for injuries or death and indemnify wrongdoers as a result of motor vehicle accidents in a timely, caring and sustainable manner; and to support the safe use of our roads.

The detailed review of the results of the RAF for the year ended 31 March 2015 is included under the Performance Information in the Annual Report.

4. Solvency and going concern

We draw attention to the fact that at 31 March 2015, the entity had an accumulated deficit of R110,377,787,000 and that the entity's total liabilities exceeded its assets by R110,247,252,000.

In the course of this financial year the RAF continued to complete and settle more claims than it could honour from available funding. The Fund was able to honour an improved settlement rate as a result of cash reserves accumulated over a number of years. When the reserves were finally depleted, the Fund was again limited to paying claims up to the value of the annual Fuel Levy it receives, a levy that bears no reference to the historic or forecasted claims profile, the value of claims settled or the operational capacity the entity has to settle claims.

The assessment and the assumptions used to conclude on the continued appropriateness of the application of going concern as a basis for the preparation of the Annual Financial Statements are explored below. The assessment and assumptions inform mitigation measures being implemented.

Assessment:

- Updated cash flow forecasts are being prepared on a regular basis to reflect the latest available financial status both in-year and multiyear and to identify the funding shortfall for any next steps.
- A Legal Opinion was obtained on what it means for the RAF to be considered 'insolvent', whether it can be classified as a 'going concern' and any potential adverse implications.
- A Technical Accounting Opinion was obtained with respect to the basis on which the financial statements of the RAF should be prepared and how the institution should mitigate the risk to its going concern status.
- The perceived risk was assessed against the risk-bearing capacity of the institution.
- The RAF Act contemplated that the RAF may be 'unable' to pay and may be insolvent, but to liquidate the Fund is not possible under the said Act. To wind up the business of the RAF will require an Act of Parliament. Section 21 of the Act provides for the revival of the common law claim of the person injured in the road crash, or the dependents of the person killed as a result of the injuries sustained in the road crash, to sue the wrongdoer. Should section 21 of the RAF Act be 'triggered' by the RAF's inability to pay claimants the implications for the public, and the State, would be dire. The RAF cannot stop making payments despite the cash flow constraints.
- In the past, the RAF received additional financial support from National Treasury in the form of cash injections over and above the normal Fuel Levy income as and when it faced liquidity problems. During the 2006 financial year, it received a cash injection of R2.502 billion and in the 2009 financial year it received R2.550 billion. The support was again affirmed when, following engagements, with National Treasury and the Department of Transport, a 50c per litre increase in the Fuel Levy as of 1 April 2015 was announced in the Budget Speech of 26 February 2015, this in contrast to the 8c per litre of fuel sold annual increase over the past six years. The increased Fuel Levy amount (approximately R11bn per annum) succeeds in effectively reducing the gap between productivity and funding on a monthly basis going forward. Due to the delay in implementation, it does not address the backlog in claims requested for payment but not yet paid that has accumulated since forecasted cash flow constraints became a reality in 2014. The backlog amounts to R6,938,384,000 on 31 March 2015.

The RAF developed and implemented the following actions and continuous realignment is taking place:

- A cash management strategy was designed and implemented to ensure available funding was distributed in an equitable and fair manner.
- An extensive communication strategy and related initiatives were designed and implemented to keep all service providers informed in a transparent and frank manner.
- The entity, on a continuous basis, sought to reduce its own cost base, by freezing headcount growth and implementing various savings initiatives and projects designed to seek cost optimisation.
- Internal processes and procedures were identified for review with the goal of securing efficiency and responsiveness.
- Extensive engagements with stakeholders took place, namely National Treasury, the Department of Transport and other relevant parties and forums – and continue on an on-going basis to ensure awareness, to present status updates and to seek solutions.

- Numerous possible funding models were and continue to be explored.
- One of the conditions the 50c per litre increase was premised on is that there must be an active drive to ensure RABS is implemented. Actions in this regard have therefore been accelerated and relevant support is being provided to the DoT.
- The institution did not curtail its performance-based culture. Despite the constraints the Fund kept on executing its mandate and delivering on its value of performance excellence. The Minister and Deputy Minister approved the RAF Strategic Plan on the clear basis that productivity must not reduce.

Assumptions:

- The ability of the RAF to continue as a going concern cannot be considered, primarily because it is not a commercial enterprise. The RAF is, as its name implies, a fund. It is a receptacle of all monies procured from the National Treasury pursuant to section 5(1) of the RAF Act from which all claims for damages arising from bodily injuries are to be paid. The Fund therefore has no realistic alternative other than to continue to operate in accordance with the abovesaid legislation.
- The RAF is incapable of being liquidated. To wind up the business of the RAF will require an intervention through an Act of Parliament. The winding up process will however not absolve the RAF from the debts that it would have incurred as at the time of the culmination of such a process. There is currently no indication of any intention to repeal the Act.
- Cash flow forecasts for the next 12 months indicate that the extent to which Net Liabilities exceed Net Assets is expected to increase and the backlog on its Accounts Payable Book will increase until such time as the additional funding starts flowing in. The impact of a deficit will remain a matter of emphasis as has been the case. The uncertainty thus remains.
- The power to levy rates or taxes enables the RAF to be considered a 'going concern' even though it may operate with negative net assets.
- Support from its stakeholders repeatedly expressed and visibly actioned in the past and recently with the approval of an extraordinary Fuel Levy increase continues.
- The actions referred to above are being implemented.
- Active continuation of the pursuit of the promulgation of RABS will see the financial viability of a social security system currently via a mechanism like the RAF become affordable and appropriately funded going forward.

» Despite the constraints the Fund kept on executing its mandate and delivering on its value of performance excellence.

It is further important to take note of the following:

- On an annual basis, following the Minister of Finance's Budget Speech in Parliament, the Taxation Amendment Act indicates what the applicable Fuel Levy will be for the financial year. The National Budget, inclusive of the Fuel Levy amount, is submitted and approved by the South African Parliament via the Taxation Amendment Act. Government also commits to the RAF budget in its Medium-Term Expenditure Framework (MTEF).
- It should further be noted that the RAF can only be dissolved by an Act of Parliament which repeals the current Act and will result in the common law residual claim being revived. Once triggered, common law delictual claims may be instituted against the wrongdoer and it is also likely that claims would be instituted against the State on the basis that the State is required to ensure that the RAF is funded to pay claims. There is currently no indication of any intention to repeal the Act.

The RAF will continue to face material cash flow constraints until the claims requested for payment but not yet paid has reduced to what is considered manageable by all those affected. It is believed that, based on the initiatives implemented to date, the support from its stakeholders, the absence of any indication that the RAF should no longer execute its statutory obligations and by continuing to work with its service providers, that the RAF will be able to meet its obligations arising.

On the basis of the above, the going concern basis used in preparing the Annual Financial Statements is thus still believed to be appropriate. 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 and it is the opinion of the Board that this will be achieved. The following table depicts the total assets and the total liabilities of the RAF over the past five years. From the table below it is clear that the RAF has not been solvent for a number of years. The net deficit has increased by R19,452,243,000 in the 2014/15 financial year.

	2015 **R'000**	2014 R'000	2013 R'000	2012 R'000	2011 R'000
Total assets	**7,366,587**	7,694,347	10,717,258	8,572,312	4,566,637
Total liabilities	**(117,613,839)**	(98,492,105)	(84,219,622)	(73,660,604)	(48,583,820)
	(110,247,252)	(90,797,758)	(73,502,364)	(65,088,292)	(44,017,183)

5. Subsequent events

No undisclosed material events have taken place between the Statement of Financial Position date and the authorisation of the Annual Financial Statements.

6. Accounting policies

During the current financial year the Fund adopted IFRS 4 for the first time upon instruction received from the ASB. The effect on the Annual Financial Statements is limited to presentation and disclosures, and has not affected the measurement of any assets, liabilities, income or expenditure.

The Annual Financial Statements are prepared in accordance with the prescribed SA Standards of GRAP issued by the ASB as the prescribed framework by National Treasury.

7. Materiality framework

A materiality framework has been developed for reporting losses through criminal conduct and irregular, fruitless and wasteful expenditure, or for significant transactions that require approval by the Executive Authority, as envisaged in Section 54(2) of the PFMA. The framework was finalised by the RAF and approved by the Board on 6 February 2014.

8. Fruitless and wasteful expenditure and irregular expenditure

Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure, of R24,508,993 (2014: R30,440,500), relating to administrative costs, interest, sheriff costs and writ costs, has been disclosed in Note 26 of the Annual Financial Statements.

Interest, Sheriff Costs and Writ Costs

Interest cost is the cost paid for the late payment of the claim compensation as agreed to in a settlement agreement or an order of the court, and taxed legal bills settled through taxation as these costs are due immediately. The interest is charged under the Prescribed Rate of Interest Act of 1975 at 15.5% as per *Government Gazette no. 15143* issued on 1 October 1993. This interest rate was amended to 9.0% with effect from 1 August 2014 as per *Government Gazette no. 37831* issued on 18 July 2014.

Sheriff cost is the cost paid to the sheriff for its service with regard to serving the warrant of execution (writs) on the Fund.

As per the definition in the PFMA, fruitless and wasteful expenditure means "expenditure which was made in vain and could have been avoided had reasonable care been exercised". The amounts listed above are costs incurred in the settlement process of claims influenced by external legal processes and time limits legally enforced on the RAF in the settlement of claims.

The total value of claims-related fruitless and wasteful expenditure included in the Annual Financial Statements for the year ended 31 March 2015 is R24,265,919 (2014: R30,440,500) representing a 21% reduction. This, as a percentage of claims expenditure is 0.06% (2014: 0.08%). The total value of the claims-related fruitless and wasteful expenditure, had it not been reduced for the current cash position and Management Strategy, would have been R59,172,712.

Fruitless and wasteful expenditure decreased by 21% and this is due to improved reporting and adherence to the Writs Standard Operating Procedures (SOP).

The number of taxed legal cost bills has reduced as a result of the cash constraints where the compensation of claims are delayed, which results in a delay in the bills being submitted and taxed.

The legal costs create operational constraints as there are no legal obligations for plaintiff attorneys to submit the bill within stipulated time frames. The majority of legal cost bills are disputed because their content or the items billed are incorrect or invalid. The process of taxation of legal cost bills through the office of the Taxation Master is the only option to settle these disputes.

The taxation of legal cost bills exposes the RAF to a risk of non-compliance to court processes, despite an Instruction Note from National Treasury that all payments from legal settlements must be paid within 30 days from the date of settlement. Court rules require that taxed bills must be paid immediately after taxation and plaintiff attorneys issue warrants of execution immediately after settlement.

As a result, payments may comply with the PFMA but not the court rules.

The following information relates to the legal cost bills settled through taxation for 2014/15:

» Number of bills settled through taxation: 21,112 (2013/14: 26,698) – and it has decreased by 21%.
» Number of bills where a saving was made through taxation: 20,177 (2013/14: 25,677) – and it has decreased by 21%.
» Amount saved through taxation: R633,269,897. (2013/14: R966,168,695) – and it has decreased by 34%.
» The success rate in terms of saving legal cost bills is 96% (2013/14: 96%).

RAF officials are required to diligently apply the process of the legal cost bills assessment. Writs SOPs are in place to ensure that all taxed bills are paid timeously to minimise the impact of the interest cost at a rate of 15.5% and 9% from 1 August 2014. It must be noted that the sheriff costs from the taxation process cannot be minimised as time frames are not in place as per court rule requirements.

The number of writs received in 2014/15 was 10,080 (2013/14: 5,962). It is 69% higher than in 2013/14 and is related to the documented cash flow constraints.

The fruitless and wasteful expenditure is monitored closely by the Executive and Board. There are processes which have been undertaken to ensure that this risk is mitigated.

Fruitless and wasteful expenditure relating to administrative costs totals R243,074 and is comprised of interest on late payment of suppliers, additional travel costs, which could have been avoided, advertising costs and other sundry items.

Disciplinary action has been taken against staff members as a result of negligence resulting in the payment of sheriff and interest costs, as well as duplicate payments and administrative costs. During the financial year, 194 staff received counselling, and 34 verbal warnings, 93 written warnings and 1 final written warning were issued. No dismissals were necessary.

Irregular Expenditure

Irregular expenditure of R14,645,000 (2013/14: R18,457,000) was condoned during the financial year and is disclosed in Note 27 of the Annual Financial Statements.

Irregular expenditure arose as a result of:

» Non-compliance with supply chain management practices.
» Failure to comply with procurement process when procuring goods or services as stipulated in the Supply Chain Management Policy and also committing acts that contravene or fail to comply with a provision of the PFMA and RAF Act.
» Non-compliance with the provisions of the RAF Financial Misconduct Policy and PFMA of 1999 constitute financial misconduct and warrants disciplinary actions.

Any employee who commits an act which undermines the financial management and internal control system of the RAF as required by relevant legislations and policies is dealt with in terms of the Disciplinary Policy. Employees who make or permit irregular expenditure or fruitless and wasteful expenditure as required by section 57 of PFMA exposes themselves to appropriate disciplinary measures.

In 2014/15 the RAF instituted disciplinary steps that included recovery of expenditures as a result of financial misconduct where employees were found to have contravened provisions of the Acts and internal policies.

Upon review, the number and type of irregular expenditure had improved by 64% from 92 in 2013/14 to 33 at the end of the 2014/15 financial year. This reduction confirms the efficiency of Management interventions and a continued reduction is expected.

9. Addresses

Business address:	Eco Glades Office Park 2 420 Witch-hazel Avenue Centurion 0046
Postal address:	Private Bag X178 Centurion 0046
Website:	www.raf.co.za

10. Approval

The Annual Financial Statements which have been prepared on the going concern basis, were approved by the Board on 31 July 2015 and were signed on its behalf by:

DR NM BHENGU
Chairperson of the Board
31 July 2015

DR EA WATSON
Chief Executive Officer
31 July 2015

Corporate Secretary's Certification

I hereby certify that the RAF has lodged all returns as required by the Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended by Act No. 29 of 1999.

Ms JR Cornelius
Corporate Secretary
31 July 2015

Statement of Financial Position
as at 31 March 2015

	Note(s)	2015 R'000	2014 R'000
Assets			
Current Assets			
Cash and cash equivalents	3	**1,048,224**	2,504,775
Receivables from non-exchange transactions	4	**5,887,118**	4,768,710
Receivables from exchange transactions	5	**4,356**	16,116
Other financial assets	6	**140,855**	132,974
Consumable stock	7	**4,929**	3,603
		7,085,482	7,426,178
Non-current Assets			
Property, plant and equipment	8	**251,050**	246,997
Intangible assets	9	**30,055**	21,172
		281,105	268,169
Total Assets		**7,366,587**	7,694,347
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	**177,946**	139,009
Other financial liabilities	11	**79,243**	83,200
Claims liabilities	12	**34,393,743**	24,460,545
Other provisions	13	**935,119**	848,561
		35,586,051	25,531,315
Non-current Liabilities			
Other financial liabilities	11	**3,613**	616
Claims liabilities	12	**81,973,500**	72,916,834
Employee benefit obligation	14	**50,675**	43,340
		82,027,788	72,960,790
Total Liabilities		**117,613,839**	98,492,105
Net Assets		**(110,247,252)**	(90,797,758)
Reserves			
Revaluation reserve		**130,535**	127,786
Accumulated deficit		**(110,377,787)**	(90,925,544)
Total Net Assets		**(110,247,252)**	(90,797,758)

Statement of Financial Performance
for the year ended 31 March 2015

	Note(s)	2015 R'000	2014 R'000
Revenue			
Revenue from Exchange Transactions			
Other income	16	961	1,918
Reinsurance income	17	-	153
Investment revenue	18	64,630	236,361
Total Revenue from Exchange Transactions		65,591	238,432
Revenue from Non-exchange Transactions			
Net fuel levies	15	22,614,340	20,278,011
Total Revenue		22,679,931	20,516,443
Expenditure			
Claims expenditure	19	(40,456,056)	(36,442,094)
Reinsurance premiums	20	(23,385)	(22,571)
Employee costs	21	(1,164,018)	(907,172)
Depreciation and amortisation	22	(45,177)	(38,132)
Finance costs	23	(67,265)	(28,946)
Loss on disposal of assets		(1,509)	(885)
General expenses	24	(374,764)	(376,209)
Total Expenditure		(42,132,174)	(37,816,009)
Deficit for the Year		(19,452,243)	(17,299,566)

Statement of Changes in Net Assets
for the year ended 31 March 2015

	Revaluation reserve R'000	Accumulated deficit R'000	Total net assets R'000
Balance at 01 April 2013	123,614	(73,625,978)	(73,502,364)
Changes in net assets			
Revaluation of land	626	-	626
Revaluation of buildings	3,546	-	3,546
Deficit for the Year	-	(17,299,566)	(17,299,566)
Total Changes	4,172	(17,299,566)	(17,295,394)
Balance at 01 April 2014	127,786	(90,925,544)	(90,797,758)
Changes in net assets			
Revaluation of land	412	-	412
Revaluation of buildings	2,337	-	2,337
Deficit for the the Year	-	(19,452,243)	(19,452,243)
Total Changes	2,749	(19,452,243)	(19,449,494)
Balance at 31 March 2015	130,535	(110,377,787)	(110,247,252)

Cash Flow Statement

for the year ended 31 March 2015

	Note(s)	2015 R'000	2014 R'000
Cash Flows from Operating Activities			
Receipts			
Fuel levies		21,582,491	19,651,219
Interest income		76,390	252,966
Reinsurance claims received		-	153
Other income		961	1,918
		21,659,842	19,906,256
Payments			
Employee costs		(1,164,018)	(907,172)
Claims expenditure		(21,466,192)	(22,184,827)
Finance costs		(67,265)	(28,946)
Reinsurance premiums		(23,385)	(22,571)
Other expenditure		(338,659)	(351,626)
		(23,059,519)	(23,495,142)
Net Cash Flows from Operating Activities	28	(1,399,677)	(3,588,886)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	8	(35,016)	(31,400)
Proceeds from sale of property, plant and equipment	8	30	884
Purchase of other intangible assets	9	(21,888)	(19,640)
Net Cash Flows from Investing Activities		(56,874)	(50,156)
Net Decrease in Cash and Cash Equivalents		(1,456,551)	(3,639,042)
Cash and cash equivalents at the beginning of the year		2,504,775	6,143,817
Cash and Cash Equivalents at the End of the Year	3	1,048,224	2,504,775

Statement of Comparison of Budget and Actual Amounts
for the year ended 31 March 2015

Budget on cash basis	Approved budget R'000	Adjustments R'000	Final budget R'000	Actual amounts on comparable basis R'000	Difference between final budget and actual R'000	Notes
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other income	-	-	-	961	961	
Investment revenue	90,880	-	90,880	64,630	(26,250)	36
Total Revenue from Exchange Transactions	90,880	-	90,880	65,591	(25,289)	
Revenue from non-exchange transactions						
Transfer revenue						
Net fuel levies	22,310,963	-	22,310,963	22,614,340	303,377	
Total Revenue	22,401,843	-	22,401,843	22,679,931	278,088	
Expenditure						
Employee costs	(1,149,721)	-	(1,149,721)	(1,164,018)	(14,297)	
Claims expenditure	(23,885,453)	-	(23,885,453)	(40,456,056)	(16,570,603)	36
Depreciation and amortisation	(47,888)	-	(47,888)	(45,177)	2,711	
Finance costs	(12,355)	-	(12,355)	(67,265)	(54,910)	36
Reinsurance premiums	(23,485)	-	(23,485)	(23,385)	100	
General expenses	(485,295)	-	(485,295)	(374,764)	110,531	36
Loss on disposal of assets	-	-	-	(1,509)	(1,509)	
Total Expenditure	(25,604,197)	-	(25,604,197)	(42,132,174)	(16,527,977)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(3,202,354)	-	(3,202,354)	(19,452,243)	(16,249,889)	

Accounting Policies
for the year ended 31 March 2015

1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 91(1) of the Public Finance Management Act (Act No. 1 of 1999).

These Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies applied in the preparation of these Annual Financial Statements are disclosed below and are consistent with those applied in the prior period, except for the disclosures arising from IFRS 4 Insurance Contracts, which was adopted for the first time in the current financial year. The full impact of the adoption of the Standard does not stretch beyond that of disclosures in the Annual Financial Statements. There was no impact on the Statement of Financial Position and the Statement of Financial Performance as a result of the adoption of IFRS 4.

1.1 Significant Judgements and Sources of Estimation Uncertainty

In preparing the Annual Financial Statements, Management is required to make estimates and assumptions that affect the amounts represented in the 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:

Impairment Testing

A non-cash generating asset is impaired when the carrying amount of the asset exceeds its recoverable service amount. These calculations require the use of estimates and assumptions.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Outstanding Claims Provision

The estimation of the ultimate liability arising from claims incurred but not settled at the reporting date, is the RAF's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the amount that the RAF will ultimately pay for such claims. The provision for outstanding claims is actuarially determined on an annual basis. The measurement of the obligations in respect of this liability requires actuarial estimates and valuations. An actuary is engaged to perform these calculations. More detail on the actuarial assumptions can be found in Note 12 – Claims Liabilities.

Post-Retirement Benefits

The RAF provides a defined benefit pension plan and a post-retirement medical plan to some of its employees. The measurement of the obligations (and assets) in respect of this liability requires actuarial estimates and valuations. An actuary is engaged to perform these calculations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 14.

Impairment of Financial Assets Held at Amortised Cost

Financial assets held at amortised cost includes receivables from exchange transactions, receivables from non-exchange transactions and other financial assets held at amortised cost. On the financial assets an impairment loss is recognised in surplus or deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition. Additional information is disclosed in Note 6 and Note 24.

Revenue Recognition on the Road Accident Fund Fuel Levy

With effect from 1 April 2006, the responsibility for the collection of the Fuel Levy was devolved from the Central Energy Fund (CEF) to the South African Revenue Services (SARS).

The changes to the Customs and Excise Act, 1964 (Act No. 91 of 1964) have introduced new provisions that require the fuel companies to pay 50% of the RAF Fuel Levy at the end of the month following the month of removal of the fuel from the refinery and the remaining 50% at the end of the following month.

The effect of these provisions is that cash receipts of RAF Levies do not correspond with the accrual of Fuel Levy revenue by the RAF. This particularly impacts the year-end revenue receivable raised from the RAF Fuel Levy. To correctly accrue for the revenue for the period, RAF Management makes an estimate as to what the expected Fuel Levy income should be based on historical evidence. Additional information is disclosed in Note 4 and Note 15.

Diesel Refunds

Diesel refunds are concessions deducted from the Fuel Levy received. Diesel concessions are granted to certain sectors of the economy on the basis of the level of use by the diesel consumer in primary production activities.

In terms of section 5(2) of the RAF Act, after being amended by the Revenue Laws Amendment Act, 2005 (Act No. 31 of 2005), the RAF receives the RAF Fuel Levy net of diesel refund after it has been collected by SARS.

Diesel refunds affect the amount of revenue to be recognised and cannot be measured accurately at the point of revenue recognition. Consequently, estimates are made by Management as to what the value of the diesel refunds will be. The estimates are based on historical evidence, and Management formulates a percentage that is applied to the RAF Fuel Levy. The percentage range for diesel refunds for the current year is between 11% and 12% of the gross Fuel Levy for the year. Additional information is disclosed in Note 13 and Note15.

Revaluation of Land and Buildings

Land and buildings held for administrative purposes are carried at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are performed by an independent valuer on a yearly basis, such that the carrying amounts do not differ materially from those that would be determined using fair values at the reporting date. The fair value of land and buildings measured using the valuation model is based on market values. The market value of property is determined by taking into account the market rentals that are paid in the immediate area. The applicable relevant market rental is used to determine potential income. Thereafter, the relevant expenditure is deducted to determine the net income and with a relevant capitalisation rate, the market value is calculated. Additional information is disclosed in Note 8.

1.2 Property, Plant and Equipment

Property, plant and equipment are tangible non-current assets, including infrastructure assets, that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

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

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as seperate items (major components) of property, plant and equipment.

Cost includes costs incurred initially to aquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by Management.

Major spare parts and stand-by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand-by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings, which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Land is not depreciated.

Revaluations are performed by an independent valuer on a yearly basis, such that the carrying amounts do not differ materially from those that would be determined using fair values at the reporting date. The fair value of land and buildings measured using the valuation model is based on market values. The market value of property is determined by taking into account the market rentals that are paid in the immediate area. The applicable relevant market rental is used to determine potential income. Thereafter, the relevant expenditure is deducted to determine the net income and with a relevant capitalisation rate, the market value is calculated.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average Useful Life
Buildings	30 years
Office furniture	15 years
Motor vehicles	5 years
Office equipment	10 years
IT equipment	7 years
Leasehold improvements	3 years

The residual value, the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate, unless expectations differ from the previous estimate.

The depreciation charge for each period is recognised in surplus or deficit, unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 Intangible Assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

Where an intangible asset is acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided for on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Useful Life
Computer software	5 years

Intangible assets are derecognised:

- » on disposal; or
- » when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

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.

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 either cash, a residual interest of another entity, a contractual right to receive cash or another financial asset from another entity, exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the RAF.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity, or exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the RAF.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that the entity designates at fair value at initial recognition, or are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
    - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
    - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
    - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated a fair value at initial recognition; and
    - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The RAF has the following types of financial assets, in terms of classes and category, as reflected on the face of the Statement of Financial Position and in the Notes thereto:

Class	Category
Advance payment in respect of suppliers' claims	Financial asset measured at amortised cost
Employee debtors	Financial asset measured at amortised cost
Sundry debtors	Financial asset measured at amortised cost
Claims debtors	Financial asset measured at amortised cost
Other deposits	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Rent-a-Captive insurance	Financial asset measured at amortised cost

Advance payment in respect of suppliers' claims represents a payment made to a third party to settle claims on the RAF's behalf. Though all the ring-fenced claims have been settled, an overall debtor remains. Claims debtors represent overpayments, duplicate payments and wrong payments made to claimants. These items are financial assets and do not meet the criteria of an insurance asset as defined in IFRS 4.

The RAF has the following types of financial liabilities (classes and category) as reflected on the face of the Statement of Financial Position and in the Notes thereto:

Class	Category
Trade and other creditors	Financial liability measured at amortised cost
Unrecognised portion of straight-lined leases	Financial liability measured at amortised cost

Initial Recognition

The RAF recognises a financial asset or a financial liability in its Statement of Financial Position when the entity becomes a party to the contractual provisions of the instrument.

The RAF recognises financial assets using trade date accounting.

Initial Measurement of Financial Assets and Financial Liabilities

The RAF measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent Measurement of Financial Assets and Financial Liabilities

The RAF measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

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 directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial Assets

The RAF derecognises financial assets using trade date accounting.

The RAF derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the RAF:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial Liabilities

The entity removes a financial liability, or a part of a financial liability, from its Statement of Financial Position when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1.5 Tax

Tax Expenses

The RAF is exempt from taxation in terms of the provision of section 10(1)(cA)(i) of the Income Tax Act, 1962 (Act No. 58 of 1962) and section 16 of the Road Accident Fund Act, 1996 (Act No. 56 of 1996).

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating Leases – Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Consumable Stock

Consumable stock is initially measured at cost except where consumable stock is acquired through a non-exchange transaction, when its costs is its fair value as at the date of acquisition.

Subsequently, consumable stock is measured at the lower of cost and net realisable value.

Consumable stock is measured at the lower of cost and current replacement cost where it is held for distribution at no charge or for a nominal charge.

Current replacement cost is the cost the RAF incurs to acquire the asset on the reporting date.

The cost of consumable stock comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the consumable stock to its present location and condition.

The cost of consumable stock is assigned using the weighted average cost formula. The same cost formula is used for all consumable stock having a similar nature and use to the RAF.

When consumable stock is utilised, the carrying amounts of the consumable stock are recognised as an expense in the period in which the stock is distributed. The amount of any write-down of consumable stock to net realisable value or current replacement cost and all losses of consumable stock are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of consumable stock, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of consumable stock recognised as an expense in the period in which the reversal occurs.

1.8 Impairment of Cash-generating Assets

Cash-generating assets are those assets held by the RAF with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return, that generates cash inflows from continuing use, that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the RAF; or
(b) the number of production or similar units expected to be obtained from the asset by the RAF.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The RAF assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the RAF estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the RAF also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Reversal of Impairment Loss

The RAF assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the RAF estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit *pro rata* with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

» its recoverable amount (if determinable); and
» the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated *pro rata* to the other assets of the unit.

1.9 Impairment of Non-cash-generating Assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The RAF assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the RAF also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in Use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated Replacement Cost Approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration Cost Approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service Units Approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and Measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss, which is recognised immediately in the surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value, if any, on a systematic basis over its remaining useful life.

Reversal of an Impairment Loss

The RAF assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the RAF estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.10 Employee Benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Short-term Employee Benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance-related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the RAF recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the RAF recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The RAF measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonuses, incentives and performance-related payments when the RAF has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the RAF has no realistic alternative but to make the payments.

Post-employment Benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than State plans and composite social security programmes) or defined benefit plans (other than State plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment Benefits: Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate legal entity (a pension fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment Benefits: Defined Benefit Plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the RAF recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a benefit fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and these assets are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity, or the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation, which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive, that is, when benefits are introduced or changed so that the present value of the defined benefit obligation increases or negative, that is, when existing benefits are changed so that the present value of the defined benefit obligation decreases. In measuring its defined benefit liability,

the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The RAF accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the RAF's informal practices. Informal practices give rise to a constructive obligation where the RAF has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the RAF's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement.

The amount determined as a defined benefit liability may be negative (an asset). The RAF measures the resulting asset at the lower of the amount determined above or the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The RAF determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity, such that the amounts recognised in the Annual Financial Statements do not differ materially from the amounts that would be determined at the reporting date.

The RAF recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The RAF uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- » the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- » the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The RAF offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial Assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- » estimated future salary increases;
- » the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- » estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Termination Benefits

Termination benefits are recognised as an expense when the RAF is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the RAF has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

1.11 Provisions and Contingencies

Provisions are recognised when:

- the RAF has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money will affect the decisions of the users of the Annual Financial Statements, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

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

Where some or all 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 RAF 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 deficit.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
  - necessarily entailed by the restructuring; and
  - not associated with the on-going activities of the RAF.

No obligation arises as a consequence of the sale or transfer of an operation until the RAF is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition, contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of the amount that would be recognised as a provision, and the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in Note 34.

1.12 Payables

Liabilities are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

Provisions can be distinguished from other liabilities, such as payables and accruals because there is uncertainty about the timing or amount of the future expenditure required in settlement. By contrast:

» payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier (and include payments in respect of social benefits where formal agreements for specified amounts exist); and
» accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees (for example, amounts relating to accrued leave pay).

Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much less than for provisions.

The RAF reports accruals and provisions as part of Accounts Payable.

Recognition

The RAF recognises payables in accordance with GRAP 19.

A provision shall be recognised when:

» an entity has a present obligation (legal or constructive) 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 amount of the obligation.

If these conditions are not met, no provision shall be recognised.

An accruals recognition criterion is similar to that of the provisions, except that the amount of the obligation is not estimated.

The amount recognised is accurately determined using the relevant report, contract or invoice.

In most instances, the system is used to derive these amounts.

Measurement

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation the reporting date.

It will often be impossible or prohibitively expensive to settle or transfer an obligation at the reporting date. However, the estimate of the amount that the RAF would rationally pay to settle or transfer the obligation gives the best estimate of the expenditure required to settle the present obligation at the reporting date.

The estimates of outcome and financial effect are determined by the judgment of the Management of the RAF, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date.

The RAF measures the accruals based on the actual amount as per internal and external reports including contracts and invoices.

The risks and uncertainties that inevitably surround many events and circumstances shall be taken into account in reaching the best estimate of a provision.

With regard to accruals, there is little to no risk and uncertainty as compared to provisions as actual amounts are used.

1.13 Revenue from Exchange Transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which one entity receives assets or services, or has liabilities extinguished, and directly 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.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Income

Income arising from the use by others of entity assets yielding interest, reinsurance income and other income is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the RAF, and the amount of the revenue can be measured reliably.

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

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

Reinsurance income comprises income received in terms of high-value claims insured by reinsurance companies and commutation offers received from same.

Other income comprises fees that are collected for published tenders, vending machines and parking fees received from employees.

1.14 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.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

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.

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 RAF 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 RAF.

The main income received by the RAF is a levy that is based on fuel sales known as the RAF Fuel Levy. The RAF Fuel Levy income is a charge levied on fuel throughout the country and the quantum of the RAF Fuel Levy per litre is determined by National Treasury. The RAF Fuel Levy amendments are communicated through the Budget Speech.

The RAF recognises revenue from Fuel Levies when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the RAF.

Revenue is measured at the fair value of the consideration received or receivable (net of the diesel rebate).

1.15 Investment Revenue

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

1.16 Borrowing Costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded, i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Translation of Foreign Currencies

Foreign Currency Transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:

» foreign currency monetary items are translated using the closing rate;
» non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
» non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous Annual Financial Statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.18 Claims Payments

An insurance contract is defined as a contract under which the insurer accepts significant insurance risk from another party (the policy holder) by agreeing to compensate the policy holder if a specified uncertain future event (the insured event) adversely affects the policy holder. The RAF does not have any insurance contracts, but does accept insurance risk as it is mandated by legislation to compensate victims of road accidents for injuries suffered as a result of motor vehicle accidents.

Claims Incurred

Claims incurred comprise claims and related expenses incurred and paid during the year and changes in the claims finalised but not yet paid at year-end and provisions for outstanding claims, including related external expenses, together with any other adjustments to claims from previous years.

Provision for Outstanding Claims Recorded

Provision is made at the year-end for the estimated cost of claims incurred, but not yet settled at the reporting date. Claims outstanding are determined as accurately as possible on the basis of a number of factors, which include previous experience in claims patterns and claims settlement patterns.

Further, the outstanding claims provision is calculated taking the following elements into account:

- Estimates of additional claims payments that may be required on claims that have already been reported to the RAF and are still open;
- Estimates of additional claims payments that may be required on claims that have already been reported to the RAF and are closed, but could be reopened in the future; and
- Estimates of external claims handling expenses, i.e. legal and medical experts, assessors and other experts – excluding the RAF's overhead administrative costs.

The outstanding claims estimate is reflected in the Financial Statements at a discounted value, based on expected monetary values at the expected time of payment of those claims.The discount rate is the rate before tax that reflects current market assessments of the time value of money and the risks specific to the liability. Reserves for internal or indirect claim handling expenses (e.g. administration costs) are specifically excluded from the estimates.

Provision for IBNR Claims

Provision is made at year-end for the cost of claims incurred but not yet reported (commonly referred to as "Claims IBNR") to the RAF. This provision represents claims which are deemed to have happened before the valuation date, but which are not yet registered on the claims system.

An adjusted Bornheutter Fergusson method is used to determine the number of IBNR claims. This requires two separate estimates to be made of ultimate expected claims per accident year.

A best estimate of the amount that the RAF would rationally pay to settle its claims obligation has been calculated. As the claims received every month are funded by the Fuel Levy received each month, there is no unexpired risk exposure. Therefore, the total claims liabilities are considered to be adequate.

Reinsurance Contracts Held

The RAF procures reinsurance cover for the purposes of limiting its net loss potential. The reinsurance policies do not release the RAF from its direct obligations to its claimants, as the duty to compensate the claimants remains with the RAF in spite of the fact that the reinsurance cover has been procured.

The contracts entered into by the RAF with reinsurers, under which the RAF is compensated for losses on one or more "contracts" issued by the RAF and that meet the classification requirements for the insurance contracts above, are classified as reinsurance contracts held. Only the rights under contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

Reinsurance premiums are charged to the Statement of Financial Performance over the period that the reinsurance cover is provided based on the expected pattern of the reinsured risks.

Reinsurance assets comprise contracts with reinsurers under which the entity is compensated for losses on one or more contracts which are classified as insurance contracts. Reinsurance assets on contracts that do not meet this classification are classified as financial assets.

Reinsurance assets principally include the reinsurer's share of liabilities in respect of the legislative obligation to claimants. Amounts recoverable under reinsurance contracts are recognised in a manner consistent with the reinsured risks and in accordance with the reinsurance contract.

The RAF does not recognise reinsurance assets except for claims which have already been lodged with reinsurers and liability acknowledged, due to uncertainty regarding the successful realisation of the claims.

Reinsurance assets are assessed for impairment at each reporting date. Impairments on reinsurance assets are recognised in surplus/deficit.

A reinsurance asset is impaired if, and only if:

(a) there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the RAF may not receive all amounts due to it under the terms of the contract; and

(b) that event has a reliably measurable impact on the amounts that the RAF will receive from the reinsurer.

Claims Requested for Payment and Not Paid at Year-end

Claims requested for payment which have not been paid at the reporting date are recognised as an insurance liability in the Statement of Financial Position when the value of the claim has been determined and the payment of the claim has been requested.

At initial recognition, claims requested for payment but not yet paid at year-end are measured at fair value. The fair value of a claim is the amount payable by the RAF to extinguish its obligation in respect of the claim, and represents the future cash flows arising from the request for the claim to be paid.

The claims requested for payment but not paid at year-end are subsequently measured at amortised cost. These liabilities are considered to be short-term, as they will be settled within 12 months of the reporting date and are therefore not discounted.

1.19 Comparative Figures

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

1.20 Fruitless and Wasteful Expenditure

Fruitless expenditure as defined in Section 1 of the PFMA is expenditure which was made in vain and could have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Irregular Expenditure

Irregular expenditure as defined in Section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

(a) this Act; or

(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/09 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year-end and/or before finalisation of the Financial Statements must also be recorded appropriately in the Irregular Expenditure Register. In such an instance, no further action is required with the exception of updating the Note to the Financial Statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year-end must be recorded in the Irregular Expenditure Register. No further action is required with the exception of updating the Note to the Financial Statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure Note to the Financial Statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the Irregular Expenditure Register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the Accounting Officer or Accounting Authority may write off the amount as debt impairment and disclose such in the relevant Note to the Financial Statements. The Irregular Expenditure Register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the Note to the Financial Statements and updated accordingly in the Irregular Expenditure Register.

1.22 Budget Information

Entities are 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 an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 1 April 2014 to 31 March 2015.

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

The Annual Financial Statements and the budget are prepared on the same basis of accounting; therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of Comparison of Budget and Actual Amounts. Material movements will be explained in the Statement of Comparison of Budget and Actual Amounts and movements of greater than 10% will be assumed material.

1.23 Related Parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the RAF, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that Management in their dealings with the RAF.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

2. New Standards and Interpretations

2.1 Standards and Interpretations Issued, But Not Yet Effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 1 April 2015 or later periods:

GRAP 20: Related Parties

The objective of this Standard is to ensure that a reporting entity's Financial Statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents Financial Statements under the accrual basis of accounting (in this Standard referred to as the reporting entity) shall apply this Standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;

- identifying the circumstances in which disclosure of the items above is required; and
- determining the disclosures to be made about those items.

This Standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate Financial Statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This Standard also applies to individual Financial Statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the Standard for the first time when the Minister has set the effective date for the Standard.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the Standard is not yet set by the Minister of Finance.

The entity expects to adopt the Standard for the first time when the Minister has set the effective date for the Standard.

Notes to the Annual Financial Statements
for the year ended 31 March 2015

	2015 R'000	2014 R'000
3. Cash and Cash Equivalents		
Cash and cash equivalents include the following:		
Short-term deposits	1,041,366	2,497,771
Current accounts	2,347	2,505
Deposit accounts	4,464	4,464
Cash on hand	47	35
	1,048,224	2,504,775
Cash and cash equivalents held by the entity that are not available for use by the economic entity	4,464	4,464

The effective interest rate on call deposits in 2014/15 was 5.40% and 5.07% in 2013/14.

4. Receivables from Non-exchange Transactions

	2015 R'000	2014 R'000
Fuel Levy receivable	5,887,118	4,768,710

The RAF Levies are recovered directly from the oil refineries by the South African Revenue Service (SARS) and are paid into the National Revenue Fund. SARS pays the funds into the National Revenue Fund after certain deductions are made in terms of Section 47 of the Customs and Excise Act, 1964 (Act No. 91 of 1964), section 5 of the RAF Act, as well as Schedule No. 6 to the Customs and Excise Act, 1964. National Treasury then pays these levies from the National Revenue Fund to the RAF.

Approximately 50% of the levies due are payable by the refineries at the end of the month following the month of removal from the refinery, and the remaining 50% at the end of the following month.

This amount is reduced by any bad debts that the refineries have sustained that need to be refunded by the RAF.

5. Receivables from Exchange Transactions

	2015 R'000	2014 R'000
Interest receivable from money market investments	4,356	16,116

	2015 R'000	2014 R'000

6. Other Financial Assets

At Amortised Cost

Advance payment in respect of supplier claims and other	27,089	22,479
Employee debtors	733	1,005
Sundry debtors	2,056	2,959
Rent-a-Captive insurance	124,388	118,282
Other deposits	119	181
Claims debtors	4,120	7,273
	158,505	152,179
Impairments of claims, advance payment, employee and sundry debtors	(17,650)	(19,205)
	140,855	132,974

Current Assets

At amortised cost	140,855	132,974

Financial Assets at Amortised Cost

Financial Assets at Amortised Cost Past Due but Not Impaired

Financial assets which are past due but are not considered to be impaired amount to R860,000 as at 31 March 2015, and R4,883,000 in 2014.

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

Employee debtors (greater than 90 days)	-	550
Sundry debtors (greater than 90 days)	-	477
Claims debtors (greater than 90 days)	860	3,856

Financial Assets at Amortised Cost Impaired

Claims, advance payment, employee and sundry debtors that are impaired were R17,650,000 as at 31 March 2015, and R19,205,000 in 2014.

These were impaired and provided for.

The breakdown of amounts is as follows:

Claims debtors	3,888	6,133
Employee debtors	323	289
Advanced payment in respect of supplier claims and other	13,439	12,783

	2015 R'000	2014 R'000
6. Other Financial Assets (continued)		
Reconciliation of Provision for Impairment of Financial Assets at Amortised Cost		
Sundry debtors		
Opening balance	-	2,069
Amounts written off as irrecoverable	-	(2,069)
	-	-
Claims debtors		
Opening balance	6,133	6,342
Provision for impairment	901	897
Amounts written off as irrecoverable	(3,146)	(1,106)
	3,888	6,133
Employee debtors		
Opening balance	289	-
Provision for impairment	34	289
	323	289
Advance payment in respect of supplier claims and other		
Opening balance	12,783	-
Provision for impairment	656	12,783
	13,439	12,783

The creation and release of provision for impairment receivables have been included in General Expenses Note 24.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The RAF does not hold any collateral as security.

7. Consumable Stock

Consumable stock	4,929	3,603

Included in consumable stock is printing paper, printer cartridges and stationery.

8. Property, Plant and Equipment

	2015			2014		
	Cost/ Valuation R'000	Accumulated depreciation and accumulated impairment R'000	Carrying value R'000	Cost/ Valuation R'000	Accumulated depreciation and accumulated impairment R'000	Carrying value R'000
Land	25,890	-	25,890	25,478	-	25,478
Buildings	124,458	(35)	124,423	126,320	(23)	126,297
Office furniture	33,225	(12,618)	20,607	28,599	(12,769)	15,830
Motor vehicles	15,643	(12,628)	3,015	15,740	(10,634)	5,106
Office equipment	30,020	(19,701)	10,319	28,956	(18,002)	10,954
IT equipment	195,284	(128,556)	66,728	179,562	(116,230)	63,332
Leasehold improvements	16,440	(16,372)	68	16,367	(16,367)	-
Total	440,960	(189,910)	251,050	421,022	(174,025)	246,997

Reconciliation of Property, Plant and Equipment – 2015

	Opening balance R'000	Additions R'000	Disposals R'000	Transfers R'000	Revaluations R'000	Accumulated depreciation of disposed assets R'000	Depreciation R'000	Total R'000
Land	25,478	-	-	-	412	-	-	25,890
Buildings	126,297	-	-	-	2,337	-	(4,211)	124,423
Office furniture	15,830	7,229	(2,604)	-	-	2,074	(1,922)	20,607
Motor vehicles	5,106	386	(483)	-	-	351	(2,345)	3,015
Office equipment	10,954	1,589	(4,617)	978	-	4,034	(2,619)	10,319
IT equipment	63,332	25,739	(5,918)	(978)	-	5,622	(21,069)	66,728
Leasehold improvements	-	73	-	-	-	-	(5)	68
	246,997	35,016	(13,622)	-	2,749	12,081	(32,171)	251,050

8. Property, Plant and Equipment (continued)

The carrying amount of fully depreciated property, plant and equipment that is still in use is as follows:

	2015 R'000	2014 R'000
Cost	**60,239**	57,392
Accumulated depreciation	**(60,231)**	(57,385)
Carrying amount	**8**	7

Reconciliation of Property, Plant and Equipment – 2014

	Opening balance R'000	Additions R'000	Disposals R'000	Revaluations R'000	Accumulated depreciation of disposed assets R'000	Depreciation R'000	Total R'000
Land	24,852	-	-	626	-	-	25,478
Buildings	126,984	-	-	3,546	-	(4,233)	126,297
Office furniture	12,802	5,314	(3,695)	-	3,008	(1,599)	15,830
Motor vehicles	3,989	3,456	(194)	-	194	(2,339)	5,106
Office equipment	12,628	988	(5,207)	-	5,101	(2,556)	10,954
IT equipment	61,301	21,570	(29,932)	-	29,841	(19,448)	63,332
Leasehold improvements	404	72	-	-	-	(476)	-
	242,960	31,400	(39,028)	4,172	38,144	(30,651)	246,997

The carrying amount of fully depreciated property, plant and equipment that is still in use is as follows:

	2014 R'000	2013 R'000
Cost	57,392	91,757
Accumulated depreciation	(57,385)	(91,744)
	7	13

Revaluations

The effective date of the revaluations was 31 March 2015. Revaluations were performed by independent valuer, Mr AM Swanepoel, a Professional Valuer of Bay Point Trading 195 (Pty) Ltd t/a Val-Co Property Valuers . Val-Co Property Valuers is not a related party of the entity.

Land and buildings are re-valued independently every year, in terms of the RAF Policy.

The valuation was performed using the Income Capitalisation Method to determine the market value by discounting the future income flow to a present value. A capitalisation rate of 9.5% was applied to the first year's net income to arrive at the capitalised value.

9. Intangible Assets

	2015			2014		
	Cost/ Valuation R'000	Accumulated amortisation and accumulated impairment R'000	Carrying value R'000	Cost/ Valuation R'000	Accumulated amortisation and accumulated impairment R'000	Carrying value R'000
Computer software	106,258	(76,203)	30,055	84,365	(63,193)	21,172

Reconciliation of Intangible Assets – 2015

	Opening balance R'000	Additions R'000	Amortisation R'000	Total R'000
Computer software	21,172	21,888	(13,005)	30,055

Reconciliation of Intangible Assets – 2014

	Opening balance R'000	Additions R'000	Amortisation R'000	Total R'000
Computer software	9,013	19,640	(7,481)	21,172

	2015 R'000	2014 R'000
10. Payables from Exchange Transactions		
Accrual for overtime	698	3,283
Accrual for leave	46,404	38,141
Accrual for 13th cheque	15,107	8,298
Accrual for performance bonuses	115,737	89,287
	177,946	139,009

11. Other Financial Liabilities

	2015 R'000	2014 R'000
At Amortised Cost		
Trade and other creditors	79,243	83,200
Operating lease liability	3,613	616
	82,856	83,816
Total Other Financial Liabilities	82,856	83,816
Non-current Liabilities		
At amortised cost	3,613	616
Current Liabilities		
At amortised cost	79,243	83,200

Financial Liabilities at Fair Value

Reconciliation of financial liabilities at fair value through surplus or deficit measured in level 3

12. Claims Liabilities

	2015 R'000	2014 R'000
Provision for outstanding claims recorded	**78,491,000**	69,435,000
Provision for claims incurred but not yet reported	**30,807,000**	27,565,000
Provision for hand-over costs	**130,859**	-
Claims requested for payment but not paid at year-end	**6,938,384**	377,379
	116,367,243	97,377,379
Claims liabilities are classified as follows:		
Non-current liabilities	**81,973,500**	72,916,834
Current liabilities	**34,393,743**	24,460,545
	116,367,243	97,377,379

Provision for Claims Recorded and IBNR

For the 2015 valuation, adjustments were made to the methodology used in the previous valuation. The key adjustments were (all in respect of personal claims):

- Direct and represented claims were analysed separately.
- Allowance was made for seasonality in reporting and claims capturing patterns.
- When estimating ultimate claim numbers, reliance on the two most recent accident quarters was reduced.

The total claims liability, including provision for claims incurred but not reported as at 31 March 2015 was estimated to be R109.3 billion (2013/14: R97 billion). This R109.3 billion should be interpreted as the expected monetary amount that, together with notional investment income on this amount, would be sufficient to cover future payments in respect of accidents that occurred prior to 1 April 2015. The estimate of the total claims liability increased by R12.4 billion from the March 2014 estimate due to an increase in the average cost of a claim, interest and legislative changes. For further information of the composition of claims, refer to Part B of this Annual Report.

Claims registered represent an insurance liability. However, what is not certain is when it will be paid and how much will be paid based on the environment within which the RAF operates. Hence, the valuation amount relating to reported claims is classified as a Provision for Outstanding Claims and is as such recognised in the Statement of Financial Position as at the reporting period. The provision amount recognised in the Statement of Financial Position as at 31 March 2015 amounted to R78.5 billion.

With regard to the IBNR claims, a claim has not been lodged nor has an assessment been made in terms of the RAF Act to determine whether the RAF has an obligation or not. The validity of a claim depends on the assessments being done in terms of the RAF Act.

12. Claims Liabilities (continued)

This uncertainty has been accounted for in the actuarial valuation of the IBNR liability.

It was further estimated that, had the Amendment Act not been introduced, the liability would have been approximately R21.5 billion higher (i.e. a total liability of approximately R130.8 billion). If the actual future experience is as expected, the outstanding claims liability is expected to increase at a lower rate than claims inflation during the next five years, as the effect of the Amendment Act filters through. Thereafter, it is expected to increase with claims inflation, as well as any increase in the number of accidents.

Method Used in Determining the Provision for Outstanding Claims

The calculation of the provision for outstanding claims was divided into the following components:

1. Personal claims (Pre- and Post-Amendment Act); and
2. Undertakings.

Method Used to Estimate Liability for Personal Claims

Non-undertaking, non-supplier claims were subdivided into the following groups:

» **Group A:** Nil claims: Claims with no compensation payments and no expense payments.
» **Group B:** Small claims: Claims with no compensation but some expenses.
» **Group C:** Injury claims, further split into the following:
  - Group C1: No general damages.
  - Group C2: General damages, but no loss of earnings.
  - Group C3: General damages, with some loss of earnings.
» **Group D:** Death claims, further split into the following:
  - Group D1: Death claims with loss of support.
  - Group D2: Death claims with only funeral costs, but no loss of support.

The reason for subdividing non-Supplier claims into these groups was to obtain homogeneous groups. Claims in the different groups have very different characteristics. Estimates of future payments based on historical data are better if homogeneous groups are used.

The liability in respect of Personal claims was estimated as follows:

» Firstly, the number of ultimate claims and hence the number of outstanding claims for each accident interval was estimated.
» Secondly, it was estimated how many of the outstanding non-Supplier claims (both reported and IBNR) are expected to fall into each group.
» The average amount expected to be paid on outstanding claims in each group was estimated, taking into account that past experience showed that, on average, larger claims in each group took longer to finalise than smaller claims.
» The outstanding liability was then estimated by multiplying the estimated number of outstanding claims in each group by the average amounts for the respective groups, for each accident year.
» Amounts already paid in respect of open claims were then deducted and further amounts payable in respect of finalised claims were then estimated and added. These additional payments were also taken into account in determining the average amounts.
» The liability of all open limited passenger claims that occurred prior to 1 August 2008 became unlimited (referred to as the Mvumvu liability) and was also added.
» The liability as a result of the Van Zyl judgements was also allowed for.
» The liability in respect of the Piaxiao judgement was released, since it is believed that this liability is now allowed for under open reported claims.

Method Used to Estimate Liability for Undertakings:

The conversion date of an Undertaking is defined as the first date that an Undertaking payment is made on a claim. Then, the liability is calculated as follows for each conversion year:

Liability = Number of Undertakings (UTs) converted x Average future annual payments x Life expectancy of the recipients

Each of these components is explained in more detail below.

Number of Undertakings

From past data it is observed that about 80% of Undertaking payments are in respect of claims in group C3. Hence, by using basic chain ladder techniques, the ultimate number of Undertakings per accident quarter is estimated as a % of the ultimate number of group C3 claims expected for that quarter.

Average Annual Payment per Undertaking

From past data it is observed that the average annual cost of an Undertaking is dependent on the time that has elapsed since the conversion date. Initially payments are much higher, and as Undertakings get older, on average lower annual payments are made, as illustrated by the table below for Undertakings that converted since the 2003 financial year:

Year converted	Number of UTs	Average Annual Cost Per Undertaking in Development Year (R'000)											
		1	2	3	4	5	6	7	8	9	10	11	12
2004	1,189	27.9	18.1	9.9	9.4	7.3	6.7	6.2	6.5	5.9	5.6	5.9	6.3
2005	1,228	26.8	12.0	9.5	5.6	5.7	4.8	4.1	6.7	4.9	5.4	4.5	
2006	946	27.5	11.6	7.4	9.3	7.1	6.8	7.1	5.4	6.4	6.9		
2007	711	33.8	10.8	7.7	11.7	9.2	11.5	9.1	8.0	7.5			
2008	565	37.4	23.1	18.9	11.0	10.2	17.6	15.9	8.6				
2009	868	36.6	9.1	9.7	6.9	9.8	8.9	7.5					
2010	746	38.0	15.7	15.5	15.0	16.8	12.8						
2011	515	47.8	17.5	18.7	20.0	15.5							
2012	1,003	47.1	22.0	18.6	15.6								
2013	1,931	36.6	19.7	15.9									
2014	1,886	52.9	30.2										
2015	2,251	49.0											

An additional important feature of the data above is that the annual average cost of Undertakings seems to stabilise after a number of years, and the assumption is made that this level of average payment will continue for the expected future lifetime of the recipients.

12. Claims Liabilities (continued)

Using the data above, we arrive at the following overall future average cost per Undertaking, leading to the liability as shown:

	Number of UTs	Average Annual Cost (R)	Life Expectancy (Years)	Liability (R'million)
Total	27,351	15,236	23.6	9,851

Discounted and Undiscounted Provisions:

The method outlined above leads to an estimate of R109.3 billion (in March 2015 monetary terms) in respect of accidents prior to 1 April 2015. The table below summarises the overall results, based on future claims inflation of 8% per year (2% above assumed CPI of 6%) and a discount rate of 8% per year (2% above assumed CPI of 6%) – further assuming past payment patterns will be repeated in future. (Note that the undiscounted liability for Undertakings is shown in March 2015 terms without allowing for future inflation. This is done because the RAF is of the opinion that an undiscounted liability in respect of Undertakings is meaningless, considering the long-term nature of Undertakings).

The discounted liability for Supplier claims included in the below is R791 million (2013/14: R595 million).

	March 2015 Monetary Terms R'million	Discounted liability R'million	Undiscounted liability R'million
Pre-Amendment Act	**11,840**	11,840	14,696
Post-Amendment Act	**87,606**	87,606	124,913
Undertakings	**9,851**	9,851	9,851

Assumptions

The assumptions that have the greatest effect on the measurement of the outstanding claims provision are:

- The proportion of the number of claims falling into each of the defined groups (taking into account that some groups take on average longer to finalise) will remain similar to the past experience.
- The average amount payable per claim in each defined group (taking into account that larger claims take on average longer to finalise) will remain similar to the past experience, allowing for claims inflation of 2% above price inflation.
- The reporting pattern observed for post-Amendment Act claims.
- Payments in respect of Undertakings will follow similar patterns as in the recent past.

Movement in outstanding claims liability including IBNR	Notes	Personal: Old Act R'billion	Personal: New Act R'billion	Undertaking R'billion	Supplier R'billion	Total R'billion
Opening balance	-	16.838	72.311	7.255	0.595	96.999
Unwinding	1	1.347	5.785	0.580	0.048	7.760
Payments	2	(7.669)	(19.404)	(0.292)	(0.634)	(27.999)
Accidents since 31 March 2014	3	-	18.877	0.866	0.560	20.303
Basis changes	4	-	1.653	0.560	-	2.213
Unexpected Increase	5	1.713	7.205	0.882	0.222	10.022
Closing Balance		12.229	86.427	9.851	0.791	109.298

Notes

Note 1: This represents interest credited to the liability at the rate of 8% p.a. for 12 months (our assumption for future investment returns).

Note 2: The RAF expects actual claim payments made during the inter-valuation period, to result in a corresponding release in the liability.

Note 3: This represents the expected new claims for accidents that happened during the 12 month inter-valuation period.

Note 4: This item represents the impact on the liability as a result of changes to the valuation methodology and assumptions. As shown, the new Undertaking methodology resulted in a liability that is R560 million higher on the valuation date. In addition, the change to the assumptions when calculating additional amounts expected on settled claims led to an increase of R1,653 million in the New Act personal claims liability.

Note 5: This is the amount required in addition to the items above, to add up to the newly calculated liability (on a similar basis). For Personal claims, the unexpected increase was a result of the net effect of the following factors:

- The recent increase in the number of claims reported has caused our IBNR estimate to increase significantly.
- The estimate of New Act average claim amounts is now based on New Act data alone. Previously, it had been assumed that claim amounts under the New Act would increase as settlement delays increase (as seen under the Old Act). Data is now suggesting that this will not be the case for the New Act.
- Settlement patterns have changed in recent periods, leading to a change in the assumed proportions of open claims that will fall into each finalised group.

12. Claims Liabilities (continued)

Sensitivity Analysis

Where variables are considered to be immaterial, no impact has been assessed for insignificant changes to these variables. Particular variables may not be considered material at present. 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 RAF believes that the stated discounted liability of R109.3 billion 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 below:

Number in R'billion	Notes	Outstanding reported claims R'billion	IBNR R'billion	Total R'billion	Effect on deficit R'billion
Base scenario	-	78.5	30.8	109.3	-
Faster run-off	1	78.5	26.9	105.4	3.9
Fewer assumed nil claims	2	76.5	30.2	106.7	2.6
		-	-	-	-

Notes

Note 1: The current IBNR calculation methodology assumes that the speed with which claims will be reported in future, will be in line with what has been observed to date. We will therefore over-reserve if the actual reporting speed for recent reporting quarters has been quicker than observed in the past. In this sensitivity, we show the impact on the provision where if claims reported to date (in respect of accidents on or after 1/4/2009) are 10% higher than what is normally the case.

Note 2: It is currently assumed that a material number of open claims will settle as nil claims. If the assumption is too high, the provision could be materially understated. This scenario assumes that only 90% of the claims currently assumed to settle as nil claims will actually settle as such.

Reconciliation of Other Claims Liabilities

The claims requested for payment but not paid at year-end increased significantly from the prior period. This is due to the cash reserves which existed at the start of the financial year being depleted and the ability of the entity to settle claims being limited to the Net Fuel Levy received. For further discussion on the entity's ability to settle claims, see Note 35.

The movement in other claims liabilities not detailed above is set out below:

2015	Opening balance R'000	Claims paid R'000	Claims requested for payment R'000	Additions R'000	Closing balance R'000
Claims requested for payment but not paid at year-end	377,379	(21,466,282)	28,027,287	-	6,938,384
Provision for hand-over costs	-	-	-	130,859	130,859
	377,379	(21,466,282)	28,027,287	130,859	7,069,243

2014	Opening balance R'000	Claims paid R'000	Claims requested for payment R'000	Closing balance R'000
Claims requested for payment but not paid at year-end	282,112	(22,184,827)	22,280,094	377,379

13. Other Provisions

In terms of legislation, the RAF has an obligation to refund a portion of the RAF Fuel Levy of 104c/l (2014: 96c/l) relating to the diesel usage in other economic sectors where vehicles are not used. The provision is calculated based on actual claims from these sectors processed through SARS. The provision is settled on a quarterly basis with the provision at year-end being based on the last quarter's results. These results are generally finalised after year-end and after all rebates have been taken into account.

	2015 R'000	2014 R'000
Opening balance	848,561	860,152
Increase in provision charged to income	3,046,552	2,675,576
Provision utilised	(2,959,994)	(2,687,167)
	935,119	848,561

14. Employee Benefit Obligation

Defined Benefit Plan

Post-Retirement Pension Benefit Plan

The RAF operates a pension fund which provides benefits on both defined benefit and defined contribution plans for pensioners and permanent staff respectively. This fund is administered on behalf of the RAF by pension fund administrators and is governed by the Pension Funds Act, 1956 (Act No. 24 of 1956).

The Pension Funds Act requires a statutory actuarial valuation every three (3) years.

The asset value is assumed to be as follows:

Item	Note	R'000
Pensioners assets with Sanlam	1	60,731
Employer Reserve Account	2	7,348
Data Processing Reserve Account	3	9,106
Total		77,185

Note 1: Both the assets and the liabilities backing the pensioners have been transferred to Sanlam. The notional asset held by Sanlam should be equal to the corresponding liability. As the liability is now held in Sanlam's global retirement annuity pool, a specific fund value at the valuation date is not determinable. The notional asset and the liability equals the purchase price quoted at 1 December 2014 and allowance for pension payments and interest at the previous discount rate was made.

Note 2: The Employer Reserve Account as at the date of purchasing the pensions from Sanlam was increased with the discount rate to 31 March 2015.

Note 3: For the assets in the Data Processing Reserve Account, the Pension Fund has taken a decision to invest these assets in the Money Market Account. The value as per the 31 March 2014 Financial Statements was adjusted with the return earned on the Money Market portfolio for the year ending 31 March 2015. In order to calculate the return, the values in the audit certificate were used and it is assumed that cash flows occur halfway through the period. The resultant rate is 6%.

Based on the fact that the obligations to pensioners were outsourced this year and the expectation that the section 14 transfer will be approved during the 2015/16 financial year, no disclosure will be necessary in the Annual Financial Statements for the financal year ended 31 March 2016.

	2015 R'000	2014 R'000
Staff Costs – Defined Benefit Plan Expenditure		
Interest cost	3,777	3,390
Expected return on plan assets	(6,797)	(5,478)
Actuarial (gain)/loss recognised in the current year	18,837	(14,170)
Actuarial adjustment to opening balance of plan asset	13,501	-
Movement in unrecognised post-employment benefit asset	(29,318)	16,258
Total Expensed in the Statement of Financial Performance	-	-
Present value of the plan liability: End of year	(60,732)	(42,167)
Fair value of plan assets: End of year	77,185	87,939
Unrecognised Post-employment Benefit Asset	16,453	45,772
Actual Return on Plan Assets		
Expected return on plan assets	6,797	5,478
Actuarial gain/(loss) on plan assets	(332)	9,540
Actual Return on Plan Assets	6,465	15,018
Principle actuarial assumptions used for accounting purposes		
Discount rate pre-retirement	8.66%	9.36%
Price inflation	6.29%	6.66%
Salary escalation	n/a	n/a
Pension increases	4.40%	4.66%
Post-retirement interest rate	4.08%	4.49%
Expected return on fund asset	8.66%	9.36%
Average longevity at retirement age (62) for current pensioners (years) – male	20	17
Average longevity at retirement age (62) for current pensioners (years) – female	24	22

14. Employee Benefit Obligation (continued)

Post-Retirement Medical Aid Plan

The RAF operates a post-employment medical benefit scheme that covers employees who were appointed prior to 1 May 1998.

The latest valuation of the RAF's liability in respect of post-retirement medical benefits for the financial year-end was performed on 31 March 2015 and it will be valued at annual intervals thereafter.

Thirty pensioners qualify for this benefit and approximately 5.6% of employees are prospectively entitled to this benefit. The initial liability and future increases thereof are charged to surplus or deficit.

No plan assets are shown as the medical benefits are unfunded.

The amounts recognised in the Statement of Financial Position are as follows:

	2015 R'000	2014 R'000
Carrying value		
Present value of the defined medical benefit obligation – wholly unfunded	(50,675)	(43,340)
The fair value of plan assets includes:		
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	(43,340)	(46,588)
Contributions by plan participants	634	542
Net expense recognised in the Statement of Financial Performance	(7,969)	2,706
	(50,675)	(43,340)
Net income/(expense) recognised in the Statement of Financial Performance		
Current service cost	(1,885)	(2,873)
Interest cost	(4,027)	(3,476)
Actuarial gain/(loss)	(2,057)	9,055
	(7,969)	2,706

	2015 R'000	2014 R'000
Key Assumptions Used		
Assumptions used at the reporting date:		
Discount rates used	**8.66%**	9.36%
Healthcare cost inflation	**7.79%**	8.16%
Real discount rate	**0.81%**	1.11%
Spouse age gap	**3**	3
Expected average age of retirement	**59**	59
Normal retirement age	**60**	60
Proportion married at retirement	**80.00%**	80.00%
Continuation at retirement	**100.00%**	100.00%
Mortality: Pre-expected retirement age	**SA85-90 light**	SA85-90 light
Mortality: Post-expected retirement age	**PA(90)-1**	PA(90)-1

Expected Return on Assets

There are currently no assets set aside in respect of the post-employment medical scheme liability. Therefore no assumption specific to the assets have been made.

Expected contributions to the plan during the subsequent 2015/16 financial year is R1,140,000.

Sensitivity Analysis

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A half percentage point change in assumed healthcare cost trends rates would have the following effects:

	0.5% increase	0.5% decrease
Effect on the aggregate of the service cost and interest cost	**(4,083)**	**4,607**
Effect on defined benefit obligation	**46,592**	**55,282**

Amounts for the current and previous four years are as follows:

	2015 R'000	2014 R'000	2013 R'000	2012 R'000	2011 R'000
Defined benefit obligation	**50,675**	43,340	46,588	39,863	33,802

	2015 R'000	2014 R'000
15. Net Fuel Levies		
Gross fuel levies	25,660,892	22,953,586
Less: diesel rebate	(3,046,552)	(2,675,575)
	22,614,340	20,278,011
16. Other Income		
Other recoveries	961	1,918

Recoveries relate to minor recoveries that do not form part of the normal business of the RAF, such as bad debts recovered, parking income and SETA refunds.

	2015 R'000	2014 R'000
17. Reinsurance Income		
Income received in terms of high-value claims insured by reinsurance companies and commutation offers received from same	-	153
18. Investment Revenue		
Interest Revenue		
Interest received from money market investments	58,548	231,726
Interest received from Rent-a-Captive insurance	6,082	4,634
Interest received – other	-	1
	64,630	236,361
19. Claims Expenditure		
Claims paid	21,466,192	22,184,827
Claims finalised and not yet paid	6,938,384	377,379
Reversal of claims finalised and not yet paid	(377,379)	(282,112)
Net increase in claims provision	12,428,859	14,162,000
	40,456,056	36,442,094
The breakdown of the claims paid is as follows:		
Claimant compensation (loss of earnings and support, general damages and funeral costs)	15,525,303	16,309,759
Claimant medical costs	1,306,237	1,242,194
Claimant and RAF legal cost	4,634,652	4,632,874
	21,466,192	22,184,827

20. Reinsurance Premiums

	2015 R'000	2014 R'000
Paid to reinsurers during the year	23,385	22,571

21. Employee Costs

Total staff costs	1,164,018	907,172

Included in staff costs are:		
Contributions to defined contribution plan	-	68,607
Contributions to post-retirement healthcare benefit	7,969	(2,706)
	7,969	65,901

The active members who were entitled to a defined benefit on retirement converted to a defined contribution funding arrangement. The RAF therefore no longer contributes towards the defined benefit plan.

As at 31 March 2015, 2,602 (permanent and non-permanent) staff members were employed by the RAF (2013/14: 2,288).

22. Depreciation and Amortisation

Depreciation: Buildings	4,211	4,233
Depreciation: Leasehold improvements	5	476
Depreciation: Motor vehicles	2,346	2,339
Depreciation: Office furniture	1,922	1,599
Depreciation: Office equipment	2,619	2,556
Depreciation: IT equipment	21,069	19,448
Depreciation: Intangibles	13,005	7,481
	45,177	38,132

23. Finance Costs

Interest charged by creditors	15	23
Interest charged on claims	67,250	28,923
	67,265	28,946

	2015 R'000	2014 R'000
24. General Expenses		
Advertising	19,688	21,714
Auditors remuneration	5,002	5,960
Computer expenses	56,321	45,267
Consulting and professional fees	44,466	66,280
Legal costs	8,145	9,817
Forensic costs	16,896	16,762
Insurance	2,786	2,183
Lease rentals on operating lease	56,523	47,093
Marketing	35,409	37,350
Motor vehicle expenses	5,657	4,303
Printing and stationery	12,404	9,246
Security	5,715	5,291
Telephone and fax	15,982	10,879
Travel – local	24,140	22,109
Travel – overseas	809	696
Electricity	11,743	10,553
Maintenance	18,125	19,902
Operating costs	8,768	10,019
Board members' expenses	2,067	2,604
Bad debts	1,654	11,945
	352,300	359,973

The expenses indicated above are viewed as material and have therefore been separately disclosed.

25. Taxation

The RAF is exempt from taxation in terms of the provision of Section 10 (1)(cA)(i) of the Income Tax Act, 1962 (Act No. 58 of 1962) and Section 16 of the Road Accident Fund Act, 1996 (Act No. 56 of 1996).

26. Fruitless and Wasteful Expenditure

	2015 R'000	2014 R'000
Fruitless and wasteful expenditure	**24,509**	30,441

Interest, Sheriff Costs and Writ Costs

Interest cost is the cost paid for the late payment of the claim compensation as agreed to in a settlement agreement or an order of the court, and taxed legal bills settled through taxation as these costs are due immediately. The interest is charged under the Prescribed Rate of Interest Act of 1975 at 15.5% as per *Government Gazette no. 15143* issued on 1 October 1993. This interest rate was amended to 9.0% from 1 August 2014 as per *Government Gazette no. 37831* issued on 18 July 2014.

Sheriff cost is the cost paid to the Sheriff for its service with regard to serving the warrant of execution (writs) on the RAF.

As per the definition in the PFMA, fruitless and wasteful expenditure means "expenditure which was made in vain and could have been avoided had reasonable care been exercised". The amounts listed above are costs incurred in the settlement process of claims influenced by external legal processes and time limits legally enforced on the RAF in the settlement of claims.

The total value of claims-related fruitless and wasteful expenditure included in the Annual Financial Statements for the year ended 31 March 2015 is R24,265,919 (2014: R30,440,500) representing a 21% reduction. This as a percentage of claims expenditure is 0.06% (2014: 0.08%). The total value of the claims-related fruitless and wasteful expenditure, had it not been reduced for the current cash position and resultant Management Strategy, would have been R59,172,712.

Fruitless and wasteful expenditure decreased by 21% and this is due to improved reporting and adherence to the Writs SOPs.

The number of taxed legal cost bills has reduced as a result of the cash constraints where the compensation of claims are delayed which results in a delay in the bills being submitted and taxed.

The legal costs create operational constraints as there are no legal obligations for plaintiff attorneys to submit the bill within stipulated time frames. The majority of legal cost bills are disputed because their content or the items billed are incorrect or invalid. The process of taxation of legal cost bills through the Office of the Taxation Master is the only option to settle these disputes.

The taxation of legal cost bills exposes the RAF to a risk of non-compliance to court processes, despite an Instruction Note from National Treasury that all payments from legal settlements must be paid within 30 days from the date of settlement. Court rules require that taxed bills must be paid immediately after taxation and plaintiff attorneys issue warrants of execution immediately after settlement.

26. Fruitless and Wasteful Expenditure (continued)

As a result, payments may comply with the PFMA, but not the court rules.

The following information relates to the legal cost bills settled through taxation for 2014/15:

- Number of bills settled through taxation: 21,112 (2013/14: 26,698) – and it has decreased by 21%.
- Number of bills where a saving was made through taxation: 20,177 (2013/14: 25,677) – and it has decreased by 21%.
- Amount saved through taxation: R633,269,897 (2013/14: R966,168,695) – and it has decreased by 34%.
- The success rate in terms of saving legal cost bills was 96% (2013/14: 96%).

RAF officials are required to diligently apply the process of the legal cost bills assessment. Writs SOP's are in place to ensure that all taxed bills are paid timeously to minimise the impact of the interest cost at a rate of 15.5% and 9% from 1 August 2014. It must be noted that the sheriff costs from the taxation process cannot be minimised as the time frames are not in place as per court rules requirements.

The number of writs received in 2014/15 was 10,080 (2013/14: 5,962). It was 69% higher than in 2013/14 and is related to the documented cash flow constraints.

The fruitless and wasteful expenditure is monitored closely by the Executive and Board. There are processes which have been undertaken to ensure that this risk is mitigated.

Fruitless and wasteful expenditure relating to administrative costs totals R243,074 and is comprised of interest on late payment of suppliers, additional travel costs which could have been avoided, advertising costs and other sundry items.

Disciplinary action has been taken against staff members as a result of negligence resulting in the payment of sheriff and interest costs, as well as duplicate payments. During the financial year, 194 staff received counselling, and 34 verbal warnings, 93 written warnings and 1 final written warning were issued. No dismissals were necessary.

27. Irregular Expenditure

	2015 R'000	2014 R'000
Irregular expenditure – current year (reduction of 20.7% from prior year)	**14,645**	18,457
Less: Amounts condoned	**(14,645)**	(18,457)
	-	-

Irregular expenditure arose as a result of:

» Non-compliance with supply chain management practices resulted in irregular expenditure being incurred.

» Failure to comply with procurement process when procuring goods or services as stipulated in the Supply Chain Management Policy and also committing acts that contravened or failed to comply with a provision of the PFMA of 1999 and the RAF Act.

» Non-compliance with the provisions of the RAF Financial Misconduct Policy and PFMA of 1999 which constituted financial misconduct and warranted disciplinary actions.

Any employee who commits an act which undermines the financial management and internal control systems of the RAF, as required by relevant legislations and policies is dealt with in terms of the RAF Disciplinary Policy.

Employees who make or permit an irregular expenditure or fruitless and wasteful expenditure, as required by section 57 of the PFMA exposes themselves to appropriate disciplinary measures.

In 2014/15 the RAF instituted disciplinary steps that included recovery of wasted revenue and dismissals where employees were found to have contravened provisions of the Acts and internal policies.

Upon review, the number and type of irregular expenditure had improved by 64% from 92 in 2013/14 to 33 at the end of the 2014/15 financial year. This reduction confirms the efficiency of Management interventions and a continued reduction is expected.

28. Cash Flows from Operating Activities

	2015 R'000	2014 R'000
Deficit	(19,452,243)	(17,299,566)
Adjustments for:		
Depreciation and amortisation	45,177	38,132
Deficit / (surplus) on sale or derecognition of assets	1,509	-
Movements in retirement benefit assets and liabilities	7,335	(3,248)
Movements in claims liabilities	12,428,859	14,162,000
Movement in diesel rebate provision	86,558	(11,592)
Changes in working capital:		
Consumable stock	(1,326)	(591)
Receivables from exchange transactions	11,760	16,605
Other receivables from non-exchange transactions	(1,118,408)	(615,199)
Other financial assets	(7,880)	(750)
Payables from Exchange Transactions	6,598,982	125,323
	(1,399,677)	(3,588,886)

29. Related Parties

The RAF is an entity created by statute, with the Minister of Transport being the Executive Authority representing the government of South Africa. The RAF is a Schedule 3A Public Entity in terms of the PFMA. The related party disclosures are in terms of the requirements of IPSAS 20. The related parties of the RAF mainly consist of Departments, State-Owned Entities (SOEs), other public entities in the national sphere of government and key Management personnel of the RAF, or its Executive Authority and close family members of related parties. The list of public entities in the national sphere of government is provided by National Treasury on their website www.treasury.gov.za. National Treasury also provides the names of subsidiaries of public entities.

Although the RAF transacted with other public entities within the national sphere of government, none of the related parties identified influenced, or was influenced by the RAF during the reporting period and therefore no related party transactions with other entities in the national sphere of government are disclosed. All these transactions took place at arm's length.

The following transactions were concluded with key Management of the RAF in terms of employment contracts entered into with the RAF (please refer to Note 30 – Board and Executive members' emoluments for detailed information relating to compensation of members and other key Management).

	2015 R'000	2014 R'000
Compensation to Members and Other Key Management		
Key Management compensation	**26,237**	21,303

30. Board Members and Executive Management's Emoluments

Non-Executive Board Members

The Executive Authority approves the remuneration of the Board. Remuneration of Non-Executive Members is benchmarked against the norms for organisations of a similar size and in line with the guidelines issued by the Executive Authority.

Non-Executive Board Members receive a fixed monthly remuneration. Remuneration is not determined by meeting frequencies and escalated by inflationary adjustments only.

Executive Remuneration

The Chief Executive Officer makes recommendations to the Board concerning the remuneration of Executives (EXCO) and the Board approves the remuneration of EXCO members including that of the CEO. Factors influencing the remuneration of the EXCO members include level of skill, experience and contribution to organisational performance.

The RAF introduced a performance-based remuneration for its Management staff by linking annual salary increases to individual contributions. Management receives an annual increase based on a combination of Consumer Price Index (CPI) and individual performance. The organisation conducts an annual salary survey/benchmark to ensure that Management rewards and remuneration are market-related and kept at levels that will assist us in retaining and attracting key leadership skills. The RAF aims to remunerate in line with the 50th percentile (median) of the market to recruit and retain the Management team to lead the organisation. Over and above the basic salary, staff members receive a performance incentive as a percentage of their total cost of employment.

All EXCO members are employed on fixed term contracts of employment.

30. Board Members and Executive Management's Emoluments (continued)

Executive

2015	Salary R'000	Leave pay R'000	Performance bonus R'000	Pension contributions R'000	Medical contributions R'000	Acting allowance R'000	Total R'000
Dr EA Watson	4,561	-	1,849	-	55	-	6,465
Ms LJ Fosu (ended 30 April 2014)	176	110	590	17	5	-	898
Ms Y van Biljon (appointed 1 June 2014)	1,630	-	-	208	15	-	1,853
Ms L Jabavu	2,125	-	455	189	43	-	2,812
Mr R Gounden	1,847	-	449	125	-	-	2,421
Ms M Kola (appointed 1 April 2014)	1,977	-	-	187	59	-	2,223
Ms NA Jafta (ended 31 August 2014)	635	152	445	56	13	-	1,301
Mr PE Dhlomo (appointed 1 November 2014)	667	-	-	68	12	-	747
Ms JR Cornelius	1,512	-	441	178	-	-	2,131
Mr RHS Matabane (ended 11 February 2015)	1,618	219	-	90	-	-	1,927
Mr I Barriel (acted from 11 February 2015)	159	-	-	22	6	56	243
Mr M Mvelase (ended 31 March 2014)	-	373	571	-	-	-	944
Ms V Menye	1,785	-	301	140	46	-	2,272
	18,692	854	5,101	1,280	254	56	26,237

2014	Salary R'000	Leave pay R'000	Performance bonus R'000	Pension contributions R'000	Medical contributions R'000	Total R'000
Dr EA Watson	3,758	-	1,202	-	76	5,036
MS LJ Fosu	1,867	-	591	301	89	2,848
Ms L Jabavu (appointed 1 June 2013)	1,598	-	-	211	44	1,853
Mr A Gernandt (ended 31 March 2013)	-	427	481	-	-	908
Mr R Gounden (appointed 1 May 2013)	1,550	-	-	155	-	1,705
Mr M Mvelase (ended 31 March 2014)	2,005	-	455	219	-	2,679
Ms NA Jafta	1,387	-	376	162	45	1,970
Ms JR Cornelius (re-appointed 1 September 2013)	780	-	-	150	-	930
Mr RHS Matabane	1,709	-	274	151	-	2,134
Ms V Menye (appointed 1 August 2013)	1,087	-	-	110	43	1,240
	15,741	427	3,379	1,459	297	21,303

Non-Executive

2015	Members' fees R'000	Total R'000
Dr NM Bhengu (Chairperson)	808	808
Mr D Coovadia (Vice Chairperson)	619	619
Dr KLN Linda	538	538
Adv. DS Qocha	592	592
Mr T Masobe	538	538
Mr A Pandor	592	592
Mr DK Smith	538	538
Ms R Mokoena	592	592
Ms A Steyn	538	538
Mr LED Hlatshwayo	592	592
	5,947	5,947

2014	Members' fees R'000	Total R'000
Dr NM Bhengu	764	764
Mr D Coovadia (appointed 1 October 2013)	293	293
Dr KLN Linda (appointed 1 October 2013)	255	255
Adv. DS Qocha	535	535
Mr T Masobe (appointed 1 October 2013)	255	255
Mr A Pandor (appointed 1 October 2013)	255	255
Mr DK Smith	509	509
Ms R Mokoena (appointed 1 October 2013)	255	255
Ms A Steyn	509	509
Mr LED Hlatshwayo	535	535
Mr V Mahlangu (Vice Chairperson) (ended 30 September 2013)	293	293
Mr JN Masekoaneng (ended 30 September 2013)	280	280
Mr T Moyo (ended 30 September 2013)	255	255
Ms NZ Qunta (ended 30 September 2013)	280	280
Adv. MJ Ralefatane (ended 30 September 2013)	255	255
	5,528	5,528

31. Risk Management

Overview

The RAF is exposed to a range of financial and insurance risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of financial risk are credit risk, liquidity risk and market risk, which comprises interest rate risk, currency risk and other price risk. The risks that the RAF primarily faces due to the nature of its assets and liabilities are liquidity risk, interest rate risk and currency risk.

Liquidity Risk

Liquidity risk is the risk that the RAF will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk management framework for the management of the RAF's short-, medium- and long-term funding and liquidity management requirements. The RAF manages liquidity risk by maintaining sufficient cash reserves and by matching financial assets and liabilities as far as is practical.

Reinsurance is also used to manage liquidity risk.

The following table analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	On demand R'000	1–3 months R'000	1–5 years R'000	Total R'000
At 31 March 2015				
Trade and other creditors	(79,243)	-	-	(79,243)
Claims requested for payment but not paid at year-end	(6,938,384)	-	-	(6,938,384)
Cash and cash equivalents	1,048,224	-	-	1,048,224
Rent-a-Captive insurance	124,388	-	-	124,388
At 31 March 2014				
Trade and other creditors	(83,200)	-	-	(83,200)
Claims requested for payment but not paid at year-end	(377,379)	-	-	(377,379)
Cash and cash eivalents	2,504,775	-	-	2,504,775
Rent-a-Captive insurance	118,282	-	-	118,282

Credit Risk

The RAF has exposure to credit risk, which is the risk of financial loss to the RAF if a counterparty to a financial instrument fails to meet its contractual obligations. Key areas where the RAF is exposed to credit risk are:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due with respect to claims debtors;
- amounts due with respect to study loans and bursaries (this risk is very minimal as the amounts are immaterial);
- short-term call deposits;
- the ultimate amount due from the self-funding claims reinsurance policy; and
- Fuel Levy debtors.

The nature of the RAF's exposure to credit risk, as well as the policies and processes for managing the credit risk have not changed significantly from the prior period.

Potential concentrations of credit risk consist mainly of short-term cash. Money market instrument operations are only entered into with well established and reputable financial institutions.

It is the RAF's policy to grant bursaries, relevant only to its line of business, to employees.

The Rent-a-Captive insurance includes an amount set aside as a self-funding Claims Reinsurance Policy. This policy will be utilised to fund the first R100 million of the retention amount of the Claims Reinsurance Policy in the event of a catastrophic claim being instituted against the RAF. The deposit amount represents the balance of the special experience account, an account the insurer maintains for the purposes of recording this policy. The insurer is a well established and reputable financial institution.

Under the terms of reinsurance agreements, reinsurers agree to reimburse the settled amount in the event that a gross claim is paid. The RAF, however, remains liable to its claimants regardless of whether the reinsurer meets the obligations it has assumed. Consequently, the RAF is exposed to credit risk.

The RAF monitors the financial condition of reinsurers on an on-going basis and reviews its reinsurance arrangements periodically.

The carrying amounts of financial assets and reinsurance assets included in the Statement of Financial Position represent the RAF's exposure to credit risk in relation to these assets. As at 31 March 2015, the RAF did not consider there to be a significant concentration of credit risk which had not been adequately provided for.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the RAF's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on investment.

The RAF is also exposed to foreign exchange fluctuations where claims from foreigners have been lodged, and damages for future medical expenses and loss of earnings or support are claimed in a foreign currency. When such claims are settled, the RAF pays the compensation as soon as possible after settlement date so as to minimise the risk of foreign exchange fluctuations.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The RAF is exposed to interest

31. Risk Management (continued)

rate risk, as it invests funds in the money market at floating interest rates. As at 31 March 2015, no derivative financial instruments were used to manage the RAF's exposure to interest rate risk.

All liquid funds are invested with registered South African banking institutions with maturities of 90 days or less, thereby minimising interest rate risk.

Interest rates of interest-bearing debts are linked to the prime overdraft rate.

Interest Rate Risk Sensitivity Analysis

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. For financial instruments and insurance contracts, the sensitivity is solely associated with the former as the carrying amounts of the latter are not directly affected by changes in the interest rate.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the RAF's deficit for the year ended 31 March 2015 would decrease/(increase) by R5,9 million (2013/14: decrease/(increase) by R13,1 million). This is mainly attributable to the RAF's exposure to interest rates on its floating rate investments. The sensitivity analysis has been determined based on the exposure to interest rates for the RAF's non-derivative instruments at the financial reporting date. The analysis was prepared assuming that the investments at year-end were constant throughout the year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key Management personnel and represents Management's assessment of the reasonably possible change in interest rates.

Foreign Exchange Risk

The financial items that are exposed to currency risk at the reporting date are claims that have not been paid to foreign claimants yet. The engaging of forward cover is considered on a case-by-case basis if the period between making an offer and final payment is material. As at 31 March 2015, no derivative financial instruments were used to manage the RAF's exposure to foreign currency risk, only fixed term forward cover contracts were utilised.

The carrying amount of RAF's outstanding foreign currency denominated claims

	2015 R'000	2014 R'000
Liabilities		
USD 4 047 (2014: 4 047)	**48,902**	42,772
GBP 464 (2014: 464)	**8,317**	8,159
Euro 1 289 (2014: 11 612)	**16,900**	168,883

The following table details RAF's sensitivity to a 10% increase and decrease in the South African Rand against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key Management personnel and represents Management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated claims at reporting date and adjusts their translation at the period end for a 10% change in foreign currency rates. The figures above indicate an increase in surplus or deficit where the presentation currency strengthens 10% against the relevant currency. For a 10% weakening of the

presentation currency against the relevant currency, there would be an equal and opposite impact on the surplus or deficit and the balances above would be negative.

	USD impact R'000	GBP impact R'000	Euro impact R'000	All foreign currencies R'000
2015	**4,890**	**832**	**1,690**	**7,412**
2014	4,277	816	16,888	21,981
	9,167	1,648	18,578	29,393

32. Insurance Risk Management

Overview

The RAF accepts insurance risk as it is mandated by legislation to compensate victims of road accidents for injuries suffered as a result of motor vehicle accidents. The RAF is exposed to uncertainty surrounding the timing, frequency and severity of claims under these contracts.

This note presents information about the RAF's exposure to insurance risk and the RAF's objectives, policies and processes for managing this risk.

The RAF has developed, implemented and maintained a sound and prudent Insurance Risk Management Strategy that encompasses all aspects of the RAF's operations including the reinsurance risk retention limits. Key aspects of the processes established to mitigate insurance risk include:

» the maintenance and use of sophisticated management information systems, which provide reliable and up-to-date data on the risks to which the business is exposed at any point in time;
» actuarial models, using information derived from the management information systems are used to monitor claims patterns. Past experience and statistical methods are used as part of the process;
» catastrophic accidents are modelled and the RAF's exposures are protected by arranging reinsurance to limit the losses arising from an individual event. The retention and limits are approved by the RAF's Board; and
» only reinsurers with credit ratings equal to 'AA' or in excess of a minimum level determined by Management, are accepted as participants in the RAF's reinsurance agreements.

Reinsurance Income

The RAF enters into reinsurance treaties with major international reinsurance companies to cover catastrophic accidents. The RAF recovered RNil (2014: R153,000) from reinsurers during the current financial year in respect of claims settled by the RAF, as there were no claims in excess of the retention amount.

32. Insurance Risk Management (continued)

Foreign Claims

The number of claims by foreign visitors to South Africa continues to rise as the volume of visitors to the country increases. As the bulk of these claims are paid in the applicable foreign currency and these claimants also enjoy unlimited benefits, foreigners' claims form a large proportion of high-value claims. At 31 March 2015, 4.6% (2014: 20%) of the value of the provision for outstanding claims in excess of R5 million was made up of claims by foreign nationals. It is important to note, however, that the actual claimed amount can exceed the estimated value of the claim.

Claims Reinsurance

In terms of Section 4(1)(d) of the Road Accident Fund Act, 1996 (Act No. 56 of 1996), the RAF may procure reinsurance for any risk undertaken in accordance with this Act. Simultaneously, Section 51(1)(a)(i) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) states as a condition that a public entity must ensure that it has and maintains effective, efficient and transparent systems of financial and risk management.

The RAF, through its reinsurance brokers procures reinsurance cover and negotiates reinsurance treaties for the RAF. The RAF's reinsurance treaties are all excess or loss agreements. Therefore, the reinsurers indemnify the RAF for that part of the ultimate net loss (total amount paid) which exceeds the retention amount, as per the relevant treaty subject to an indexation clause as contained in the treaties. The RAF will only accept terms provided by reinsurers with acceptable ratings. The ratings are done by Standard & Poor and AM & Best which are international quality rating companies. The RAF currently places its limited reinsurance cover with a South African company, AIG SA, and the unlimited cover is placed with reinsurers based in London. The current limited cover has a set retention level of R100 million and, in terms of the treaty, the reinsurer's liability is limited to paying up to R400 million per any one loss occurrence event, on account of each and every loss occurrence. The unlimited cover placed in the London reinsurance market provides for cover in excess of R500 million per any loss occurrence event, on account of each and every loss occurrence.

The RAF must report to reinsurers all losses (all claims arising from an accident) likely to exceed the notification amounts as specified in the respective reinsurance treaties.

In terms of the reinsurance treaties, the reinsurers indemnify the RAF for that part of the ultimate net loss (total amount paid) which exceeds the retention amounts, as specified in the treaties, subject to the indexation clause.

The following table illustrates the notification amounts and retention amounts for the respective annual reinsurance treaties:

Accident year	Notification amount R	Retention amount R
1984/85	500,000	1,500,000
1985/86	500,000	1,500,000
1986/87	3,000,000	5,000,000
1987/88	3,000,000	5,000,000
1988/89	1,000,000	2,500,000
1989/90	1,000,000	3,000,000
1990/91	1,000,000	3,000,000
1991/92	1,000,000	4,000,000
1992/93	1,000,000	4,500,000
1993/94	2,000,000	4,500,000
1994/95	2,000,000	5,000,000
1995/96	2,000,000	5,000,000
1996/97	2,000,000	10,000,000
1997/98	5,000,000	10,000,000
1998/99	5,000,000	10,000,000
1999/00	7,500,000	15,000,000
2000/01	15,000,000	20,000,000
2001/02	15,000,000	20,000,000
2002/03	15,000,000	50,000,000
2003/04	15,000,000	50,000,000
2004/05	15,000,000	50,000,000
2005/06	15,000,000	100,000,000
2006/07	15,000,000	100,000,000
2007/08	75,000,000	100,000,000
2008/09	75,000,000	100,000,000
2009/10	75,000,000	100,000,000
2010/11	75,000,000	100,000,000
2011/12	75,000,000	100,000,000
2012/13	75,000,000	100,000,000
2013/14	75,000,000	100,000,000
2014/15	**75,000,000**	**100,000,000**

The RAF monitors its reinsurance risk on a quarterly basis by reviewing and updating reports to reinsurers which indicate the current status with regard to matters reported to reinsurers. Furthermore, regular reports are run against the RAF's database to identify potential reportable matters, as a pro-active measure.

Directors' and Officers' Liability Insurance

The RAF manages the risks that the Directors and Officers of the RAF are exposed to by way of Directors' and Officers' liability insurance. The RAF's current Directors' and Officers' insurance cover is placed with two underwriters respectively.

The total limit of indemnity per claim is R250 million and to all in the aggregate.

Claims Development Table

The table below illustrates how estimates of cumulative claims have developed over time on a gross basis. The top half of the table shows the development of estimates of gross cumulative claims for each accident year. The lower half of the table shows the gross claims paid. The table has been catagorised according to the nature of the claim.

32. Insurance Risk Management (continued)

Personal claims

	2012 R'million	2013 R'million	2014 R'million	2015 R'million	Total R'million
Estimates of gross ultimate claims					
Personal claims	-	-	-	-	-
At end of accident year	11,794	15,092	17,419	19,144	-
One year later	12,740	14,877	19,258	-	-
Two years later	14,972	18,385	-	-	-
Three years later	18,023	-	-	-	-
Supplier claims	-	-	-	-	-
At end of accident year	352	450	519	770	-
One year later	462	441	534	-	-
Two years later	510	506	-	-	-
Three years later	540	-	-	-	-
Undertakings	-	-	-	-	-
At end of accident year	209	443	608	868	868
One year later	418	529	873	-	-
Two years later	493	814	-	-	-
Three years later	762	-	-	-	-
	61,275	51,537	39,211	20,782	868
Claims paid					
Personal claims	-	-	-	-	-
At end of accident year	13	34	89	113	-
One year later	362	709	1,082	-	-
Two years later	2,421	3,396	-	-	-
Three years later	6,795	-	-	-	-
Supplier claims	-	-	-	-	-
At end of accident year	122	138	150	210	-
One year later	367	342	396	-	-
Two years later	475	451	-	-	-
Three years later	523	-	-	-	-
Undertakings	-	-	-	-	-
At end of accident year	-	2	2	2	-
One year later	3	12	21	-	-
Two years later	13	36	-	-	-
Three years later	32	-	-	-	-
	11,126	5,120	1,740	325	-

	2012 R'million	2013 R'million	2014 R'million	2015 R'million	Total R'million
Estimates of gross ultimate claims					
Gross liabilities in respect of accident years 2012–2015	11,974	15,821	19,193	**20,457**	67,445
Gross liabilities in respect of 2011 and prior accident years	-	-	-	**-**	41,852
	11,974	15,821	19,193	**20,457**	109,297

33. Commitments

	2015 R'000	2014 R'000
Already Contracted For but not Provided For		
Property, plant and equipment	**23,978**	17,506
Intangible assets	**6,889**	8,696
Operating expenditure	**18,069**	5,040
	48,936	31,242
Operating Leases – as Lessee (Expense)		
Minimum lease payments due		
- within one year	**34,505**	31,466
- in second to fifth year inclusive	**129,940**	70,880
	164,445	102,346

Operating lease payments represent rentals payable by the entity for certain of its office properties. The leases have varying terms, escalation clauses and renewal rights.

34. Contingencies

Other Contingent Liabilities

There are a number of outstanding corporate legal matters. These are as follows:

- Litigation by/against service providers – 8 matters
- Constitutional challenges – 11 matters
- Legislative challenges – 3 matters
- Other litigation/disputes –18 matters

The RAF is involved in commercial and labour-related litigious matters. The quantum of this exposure is not disclosed as these matters are *sub judice*.

Guarantees

RAF has ceded to Absa Bank a Special Deposit Account with a balance of R4,464,115 as at 31 March 2015 as security for the guarantees issued and card facilities granted by Absa Bank on behalf of the RAF.

The guarantee exposure as at 31 March 2015 was R3,969,154:

	2015 R'000	2014 R'000
SA Mutual Life Assurance Society: Durban office	**300**	300
Rycklof Beleggings: Johannesburg office	**2,700**	2,700
Faerie Glen Waterpark (Pty) Ltd: Centurion office	**969**	969
	3,969	3,969

35. Going concern

The RAF draws attention to the fact that at 31 March 2015, the entity had an accumulated deficit of R110,377,787,000 and that the entity's total liabilities exceeded its assets by R110,247,252,000. This indicates that a material uncertainty exists as to whether the going concern assumption is appropriate for the preparation of the Annual Financial Statements.

The going concern basis was nonetheless used for the preparation of the Annual Financial Statements despite the cash flow challenges faced by the RAF. A basis that presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Though the RAF will continue to face material cash flow constraints, it is believed that based on the initiatives implemented to date, the support from its stakeholders, the absence of any indication that it should no longer execute its statutory obligations and by continuing to work with its service providers, that the RAF will be able to meet its obligations arising.

36. Budget differences

Material Differences Between Budget and Actual Amounts

The material differences can be explained as follows:

Investment Revenue

Investment revenue is lower than the budget due to lower cash reserves held than projected in the budget. The decrease in cash reserves was as a result of the increase in claims expenditure during the financial year.

Claims Expenditure

The number of claims registered/reported during the 2014/15 financial year were higher than what was projected in the budget, which increased the provision to R109 billion compared to the projection of R97 billion. This resulted in claims expenditure being in excess of what was budgeted for.

Finance Costs

Interest on late payment of claims was projected to reduce due to improved efficiencies being put in place to reduce late payment of claims. However, the depletion in cash reserves has resulted in more finalised claims being paid late, resulting in finance costs being higher than what was projected.

General Expenses

The variance is due to the Cost Containment Initiatives implemented as per the National Treasury Instruction Note. Additionally, there were costs projected which did not materialise in the current financial year.

Notes

Notes

Road Accident Fund

Head Office
Eco Glades Office Park 2, 420 Witch-hazel Avenue, Centurion
Private Bag X178, Centurion, 0046

Customer Care Number
0860 235 523

www.raf.co.za

www.facebook.com/RoadAccidentFund
@RAF_SA
RAF_ROAD

RP275/2015
ISBN 978-0-621-43933-5

K-12204 [www.kashan.co.za]