

Road Accident Fund

Presentation of the 2016/17 Annual Report
PCOT



Structure

- **The Business**
- **2016/17 Outcomes**
- **Challenges**
- **The Year at a Glance**
- **Conclusion**

Mandate

- Road Accident Fund Act, 1996 (Act No. 56 of 1996) & RAF Amendment Act, 2005 (Act No. 19 of 2005)
 - › “Payment of compensation in accordance with this Act for loss or damage wrongfully caused by the driving of a motor vehicle”
 - › The Fund provides compulsory cover to all users of South African roads against injuries sustained or death arising from accidents involving motor vehicles within the borders of South Africa
- National public entity (Schedule 3A of the PFMA)
- Constitutional Court rulings and legal precedents have shaped the mandate
- The Fund is called on to:
 - › Provide a social security safety net
 - › Indemnify, rehabilitate and compensate the injured
 - › Promote the safe use of all South African roads

Vision, Mission and Values



► 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.



► 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.

Strategic Outcomes

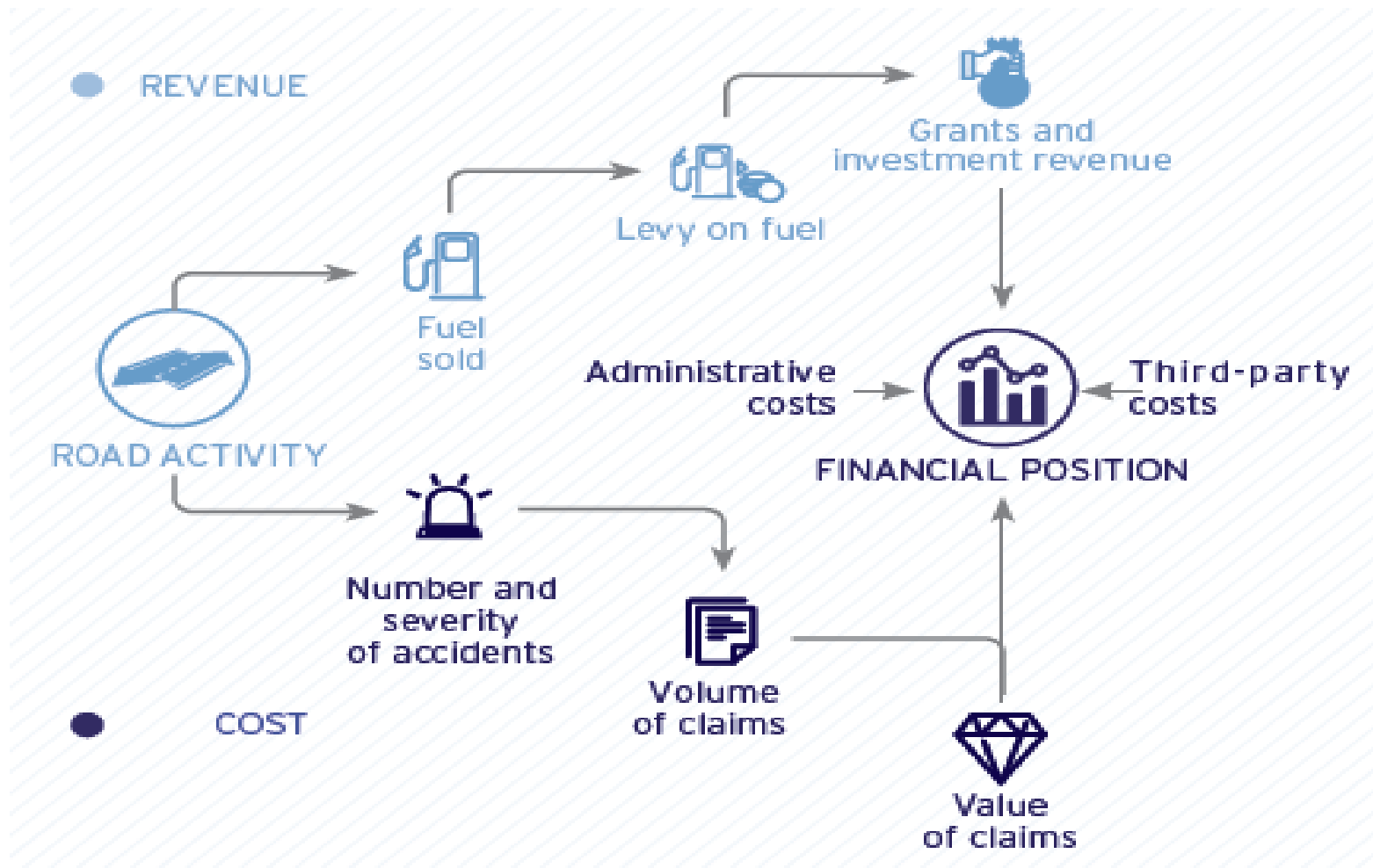
PILLARS	 EFFICIENT CLAIMS PROCESSING	 ACCESSIBLE SERVICES	 EFFECTIVE FINANCIAL MANAGEMENT/HEALTH
OUTCOME INDICATORS	<ul style="list-style-type: none">▶ Effectively manage the number of open claims▶ Reduce the average age of open claims▶ Increase the percentage of claims verified by objecting to or accepting within 60 days▶ Percentage increase in direct claims originated▶ Increase number of direct claims settled▶ Reduction in legal costs▶ Implement Post-crash Care Strategy (Pillar 6)	<ul style="list-style-type: none">▶ Increase accessibility to RAF services▶ Increase the number of claimants engaged at RAF events, e.g. 'RAF on the Road'▶ Improve Call Centre responsiveness▶ Improve customer satisfaction	<ul style="list-style-type: none">▶ Effective cash flow management▶ Provision for claims incurred assessed quarterly and an annual assessment conducted by an independent actuary▶ Improve Supply Chain Management (SCM) outcomes▶ Increase number of Broad-based Black Economic Empowerment (B-BBEE) rated suppliers▶ Implement Enterprise Supplier Development (ESD) initiatives

Strategic Outcomes (continued)

 OPTIMAL ICT SERVICES	 IMPROVE PEOPLE MANAGEMENT	 ADMINISTRATIVE DISPENSATION ALIGNED TO THE RABS BILL	 ASSURED CONTROL ENVIRONMENT
<ul style="list-style-type: none">▶ Ensure optimal Information and Communication Technology (ICT) availability▶ Implement and assess benefits of the Five-year ICT Strategy and Plan	<ul style="list-style-type: none">▶ Optimise organisational performance management▶ Improve workforce skills and placement for current and future requirements▶ Maintain the RAF's contribution towards government's social and economic transformation agenda▶ Manage absenteeism	<ul style="list-style-type: none">▶ Transitioning the RAF to RABS	<ul style="list-style-type: none">▶ Raise ethical standards▶ Percentage of fraud detected before undue payments are made▶ Contribute to road safety by creating a Crash Verification System (CVS) and a report that will inform preventative measures

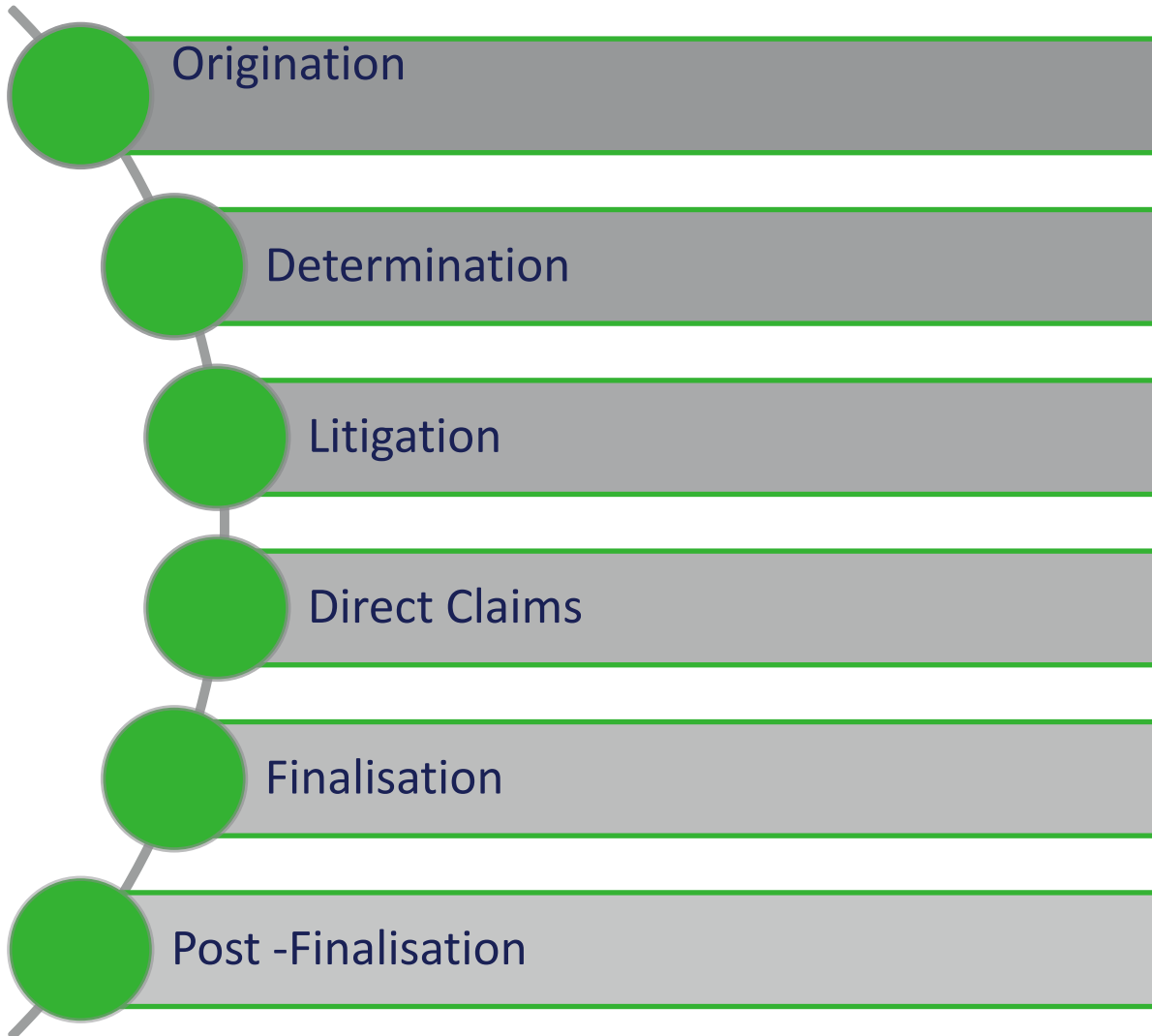
The Business

Business Model



The Business

Operations



2016/17 Outcomes

Highlights



Number of **permanent employees** increased from 2,593 to **2,676**.



Total **revenue** during the 2016/17 financial year **remained stable** at a level of **R33.34 billion** compared to R33.21 billion



mainly due to a **zero %** increase in the **RAF Fuel Levy**.



The total **amount of claims paid** (incl. net effect of RNYP) **declined by 8%** to **R29.8 billion** from R32.3 billion during the previous financial year.



202,100 new claims were received



209,561 claims were **finalised**.



More than **54,000** claimants were engaged through the award-winning '**RAF on the Road**' community outreach programme and other RAF promotions and activations.



376,215 calls were responded to by the Call Centre compared to 320,027 in the previous financial year.



Average value per claim decreased by 18% from R143,127 to **R117,059** during the financial year.



Claims liabilities increased by 22% to **R188 billion** from R154 billion in the previous financial year.



The number of **direct claims originated** increased to **25,797** in the 2016/17 financial year versus 22,524 reported in the 2015/16 financial year, representing an increase of **14.53%** year-on-year.



Direct claims settlements increased to **34.41%** in relation to represented claims in the 2016/17 financial year. **15,507** direct personal claims were settled in 2016/17 versus 11,621 in the 2015/16 financial year, representing a **33.44%** increase year-on-year.



The primary target of **reducing the number of open claims** was exceeded. The number reduced to **173,740** from 184,899 in 2015/16, on the back of increased registrations of new claims.

2016/17 Outcomes

Highlights (continued)



Average loss-of-earnings claims decreased by 13% from R739,214 to R645,832.



Average medical claims increased by 44% from R10,447 to R15,030.



Average funeral costs increased by 11% from R13,732 to R15,264.



Average loss-of-support claims decreased by 3% from R379,702 to R368,164.



Average general damages claims increased by 1% from R385,673 to R390,004.

The Road Accident Fund Amendment Bill was approved for introduction to Parliament by Cabinet on 2 November 2016.



The Road Accident Benefit Scheme Bill (RABS) was approved by Cabinet for introduction to Parliament on 29 March 2017.



Cost-to-income ratio for the financial year increased to 29% from 23% in 2015/16.



Cash expenditure on claims amounted to almost 96% of the net RAF Fuel Levy. This is due to the **high rate of claims settled**, and payments strictly managed via the RAF's Cash Management Strategy.



Average RAF legal and other costs per claim increased by 9% from R28,476 to R30,995.



Average claimant legal and other costs per claim increased by 11% from R120,385 to R133,313.



Awards:

- Centre for Public Service Innovation: **Winner in the Category: Innovative use of ICT for effective service delivery.** The Fund received the Special Minister's Award for overall achievement at the Third National **Transport Recognition of Service Excellence Awards** Ceremony.
- The CEO was the winner of the '**Best CEO in Transport**' category at the same ceremony.
- The Fund received the **First Runner-up Award** for the '**Best Transport Entity**' at the same ceremony.
- The CIO received the **First Runner-up Award for Outstanding Women in ICT** at the MTN Leadership in ICT Awards Ceremony.

2016/17 Outcomes

Indicators

Individual claims requested for payments/settlements per claims category:

Claim pay-/settlements	Ref	Units (Rounded)	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013
All claims	1	R'million	31,000	33,000	28,000	22,000	15,000
Average value per claim		Rand	117,059	143,127	114,969	104,091	65,844
Total individual claim pay-/settlements		Number	261,843	230,936	242,869	211,099	227,855
Personal claims	2	R'million	30,000	32,300	27,300	21,500	14,400
Average value per claim		Rand	219,047	271,793	211,090	194,696	138,345
Total individual claim pay-/settlements		Number	135,331	119,068	129,256	110,168	104,016
Supplier claims	3	R'million	1,000	700	700	500	600
Average value per claim		Rand	7,962	6,179	5,613	5,215	4,950
Total individual claim pay-/settlements		Number	126,512	111,868	113,613	100,931	123,839

2016/17 Outcomes

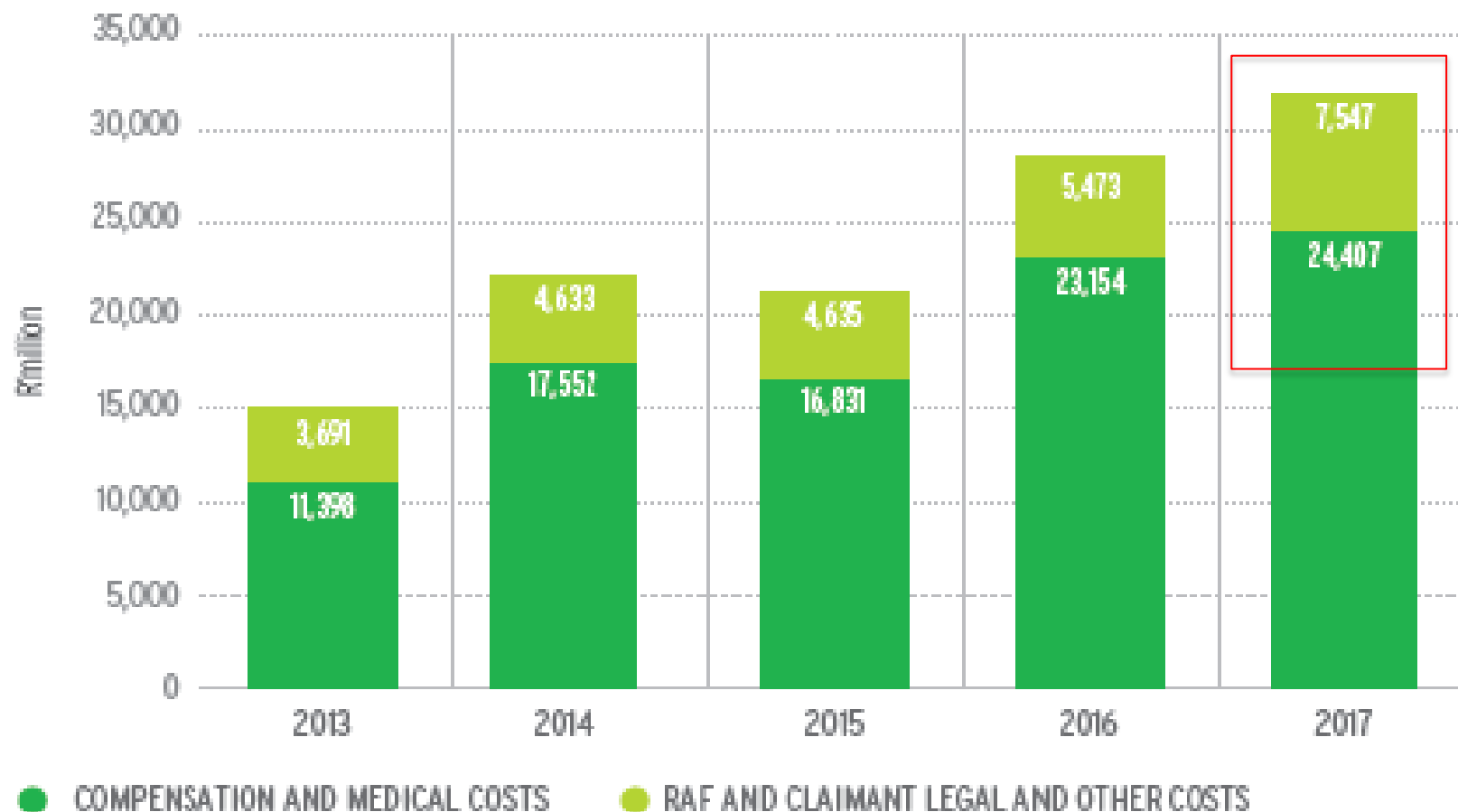
Indicators (continued)

Claim pay-/settlements per heads of damage							
General damages	4	R'million	7,600	8,700	8,000	5,900	4,000
Average value per claim		Rand	390,005	385,673	334,799	221,003	152,329
Total individual claim pay-/settlements		Number	19,541	22,494	23,828	26,511	26,363
Loss of earnings	5	R'million	10,800	13,300	10,300	7,700	4,600
Average value per claim		Rand	645,832	739,214	732,371	649,912	535,050
Total individual claim pay-/settlements		Number	16,663	17,926	14,072	11,865	8,636
Loss of support	6	R'million	2,700	3,100	2,900	2,700	1,600
Average value per claim		Rand	368,165	379,702	368,883	392,744	347,861
Total individual claim pay-/settlements		Number	7,367	8,077	7,923	6,760	4,684
Medical compensation	7	R'million	2,100	1,200	1,200	1,100	1,100
Average value per claim		Rand	15,030	10,447	9,799	9,740	7,761
Total individual claim pay-/settlements		Number	137,740	116,380	117,822	103,620	127,305
Funeral costs	8	R'million	130	120	100	90	70
Average value per claim		Rand	15,264	13,732	12,367	11,245	10,425
Total individual claim pay-/settlements		Number	8,795	8,626	9,769	7,630	6,303
RAF's legal and other costs	9	R'million	3,500	2,700	2,100	1,700	1,400
Average value per claim		Rand	30,995	28,476	21,564	20,645	16,015
Total individual claim pay-/settlements		Number	113,688	96,294	96,475	84,739	85,846
Claimants' legal and other costs	10	R'million	4,400	3,900	3,400	2,900	2,300
Average value per claim		Rand	133,313	120,385	90,563	63,734	52,656
Total individual claim pay-/settlements		Number	32,647	33,084	37,106	45,561	43,841

2016/17 Outcomes

Indicators (continued)

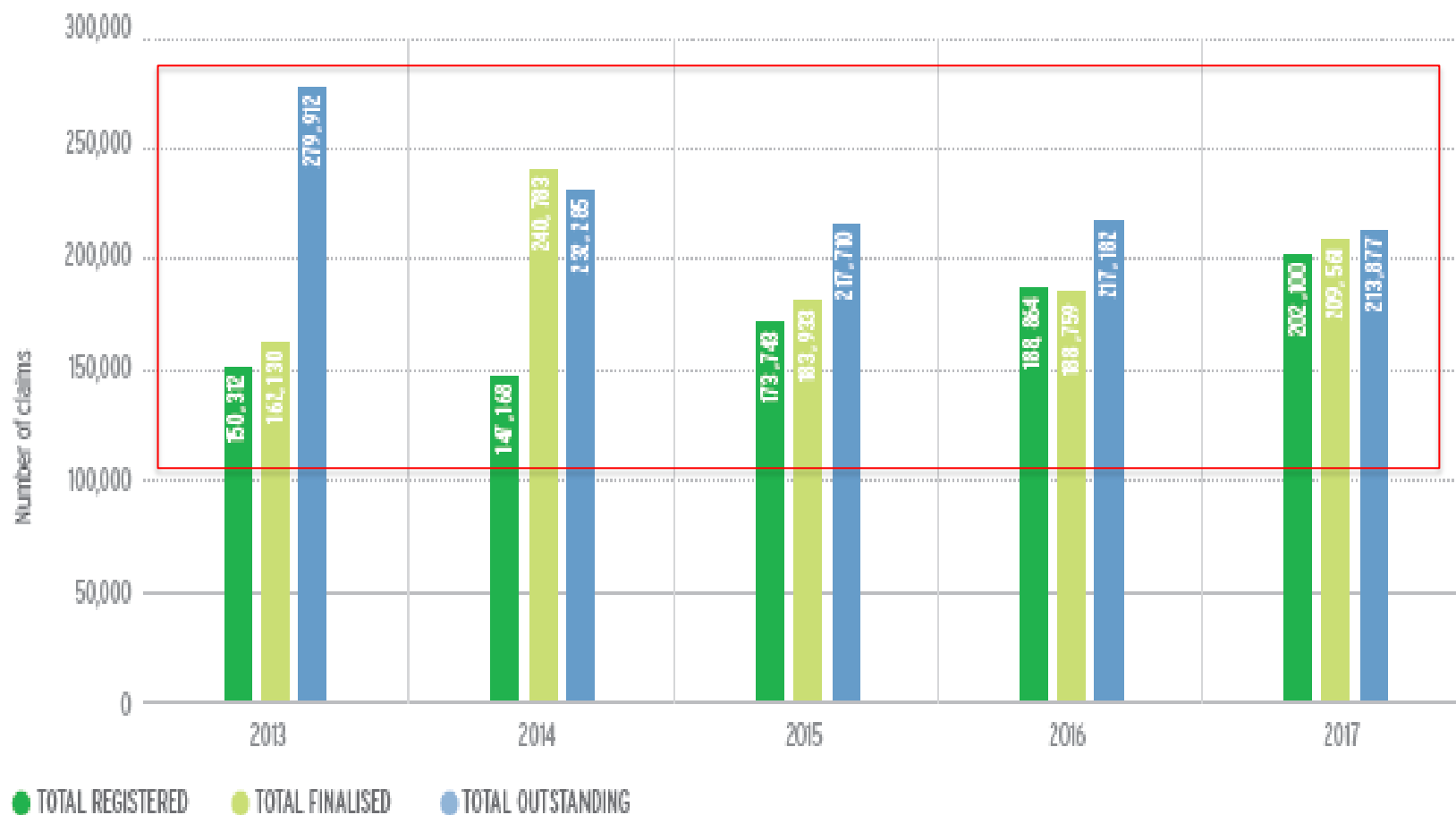
Composition of claim payments



2016/17 Outcomes

Indicators (continued)

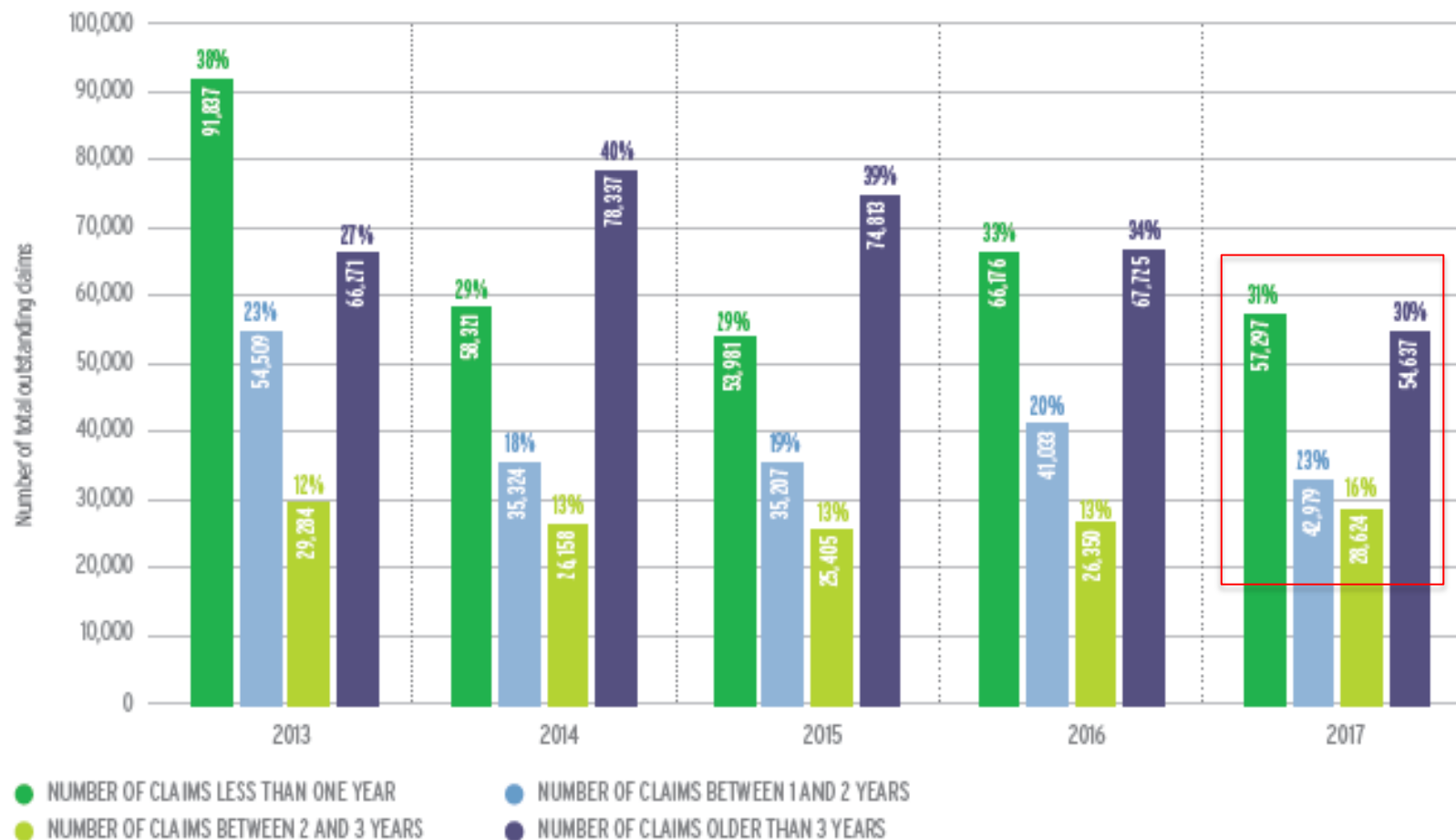
Claims movement



2016/17 Outcomes

Indicators (continued)

Claims age analysis as 31 March 2017 (Number of claims)



2016/17 Outcomes

Transformation

Pillar	2016/2017	2011/2012
<i>Strategic Objectives Achieved</i>	90%	53%
<i>Staff Count</i>	2,676	1,844
<i>Open Claims</i>	213,877	264,579
<i>Claims settled and paid</i>	209,561	170,043
<i>Claim Expenditure</i>	R31.9bn (RNYP R8.5bn)	R12.5bn (RNYP R0.17bn)
<i>Legal Costs as % of Claims</i>	16%	29%
<i>Reopened Claims</i>	4,616	41,480
<i>National Footprint – Offices</i>		
•No. of Offices	•12	•5
•No. of Hospitals	•100	•52
•No. of Consultations	• 158,127	•20,039
<i>Average value of a claim</i>	117,059	54,208
<i>Direct Claims Originated</i>	38.6%	15%

2016/17 Outcomes

Transformation (continued)

Pillar	2016/2017	2011/2012
• <i>ROTR Events</i>	•10	•1
• <i>No. of Claimants (All Events)</i>	•54,148	•N/A
• <i>Value settled during ROTR Events</i>	•R100m	•R463,000
Writs	15,720	11,656
Call Centre		
• <i>Agents</i>	•27	•5
• <i>Calls Received</i>	•385,073	•N/A
• <i>Calls Answered</i>	•376,215	•N/A
• <i>% Abandoned calls</i>	•2.30%	•N/A
Fraud		
• <i>Arrests</i>	•88	•502
• <i>Convictions</i>	•68	•N/A
• <i>Repudiations</i>	•R388m	•N/A

2016/17 Outcomes

APP Performance

Legend	Target	ACTUAL		PERCENTAGE	
		2016/17	2011/12	2016/17	2011/12
	Target achieved or exceeded	27	8	90%	53%
	Target partially achieved	0	3	0%	20%
	Target not achieved	3	4	10%	27%
	Target not scheduled for quarter under review	0	0	0%	0%
	Total	30	15	100%	100%

Annual Audit by Auditor- General

- **Audit is Clean!**
- RAF's financial statements present fairly, in all material respects, the financial position of the Road Accident Fund as at 31 March 2017.
- Free from material misstatements.
- Emphasis of matter on the net deficit retained, as in prior years, as our current liabilities exceeded total assets by R179,992,925,000.
- The AG did not identify any findings on the usefulness and reliability of the reported performance information.
- Management letter confirms a **net improvement in internal controls**.
- 18 issues raised in the management letter.

2016/17 Outcomes

Statement of Financial Position

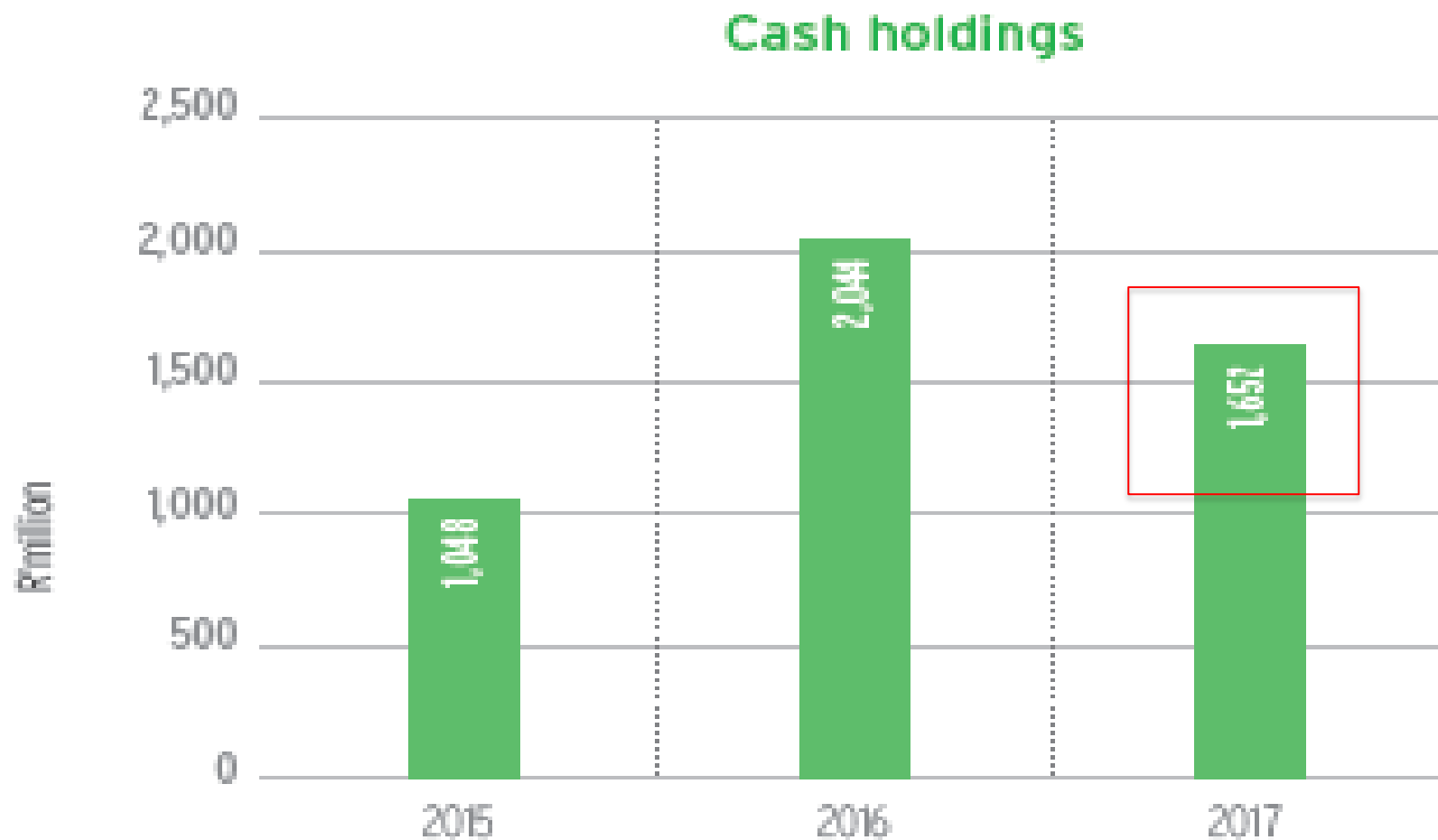
	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013
	R'million	R'million	R'million	R'million	R'million
ASSETS					
Current assets					
Cash and cash equivalents	1,652	2,044	1,048	2,505	6,144
Receivables from non-exchange transactions	7,156	7,362	5,887	4,769	4,153
Receivables from exchange transactions	7	10	4	16	33
Other financial assets	161	147	141	133	132
Consumable stock	6	6	5	3	3
	8,982	9,569	7,085	7,426	10,465
Non-current assets					
Property, plant and equipment	178	201	252	247	243
Intangible assets	38	26	30	21	9
	216	227	282	268	252
TOTAL ASSETS	9,198	9,796	7,367	7,694	10,717
LIABILITIES					
Current liabilities					
Payables from exchange transactions	229	194	178	139	140
Other financial liabilities	41	47	78	83	334
Claims liabilities	34,180	46,506	34,395	24,460	20,361
Other provisions	849	739	935	849	860
	35,299	47,486	35,586	25,531	21,695
Non-current liabilities					
Claims liabilities	58	54	51	43	46
Employee benefit obligation	153,826	107,501	81,973	72,917	62,477
Operating lease liability	8	7	4	1	1
	153,892	107,562	82,028	72,961	62,524
TOTAL LIABILITIES	189,191	155,048	117,614	98,492	84,219
NET ASSETS	(179,993)	(145,252)	(110,247)	(90,798)	(73,502)
Reserves					
Revaluation reserve	84	83	130	128	124
Accumulated deficit	(180,077)	(145,335)	(110,377)	(90,926)	(73,626)
TOTAL NET ASSETS	(179,993)	(145,252)	(110,247)	(90,798)	(73,502)

2016/17 Outcomes

Statement of Financial Performance

	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013
	R'million	R'million	R'million	R'million	R'million
REVENUE					
Revenue from exchange transactions					
· Investment revenue and other income	112	93	66	238	260
Revenue from non-exchange transactions					
· Net fuel levies	33,230	33,113	22,614	20,278	17,883
TOTAL REVENUE	33,342	33,206	22,680	20,516	18,143
EXPENDITURE:					
· Claims expenditure (excluding increase in claims provision)	(29,836)	(32,324)	(28,027)	(22,280)	(15,202)
· Depreciation and amortisation	(43)	(47)	(45)	(38)	(61)
· Employee costs	(1,435)	(1,280)	(1,164)	(907)	(763)
· Finance costs	(209)	(151)	(67)	(29)	(27)
· Loss on disposal of assets	-	-	(2)	(1)	(30)
· General expenses	(420)	(398)	(375)	(376)	(270)
· Reinsurance premiums	(22)	(22)	(23)	(23)	(25)
TOTAL EXPENDITURE	(31,965)	(34,222)	(29,703)	(23,654)	(16,378)
Surplus/(Deficit) before provision for outstanding claims	1,377	(1,016)	(7,023)	(3,138)	1,765
Net increase in claims provision	(36,119)	(33,942)	(12,429)	(14,162)	(10,230)
DEFICIT FOR THE YEAR	(34,742)	(34,958)	(19,452)	(17,300)	(8,465)

Cash Holdings



Claims Liabilities

	2017 R'000	2016 R'000
Provision for outstanding claims recorded	119,830,000	99,152,409
Provision for claims incurred but not yet reported	59,633,000	44,182,223
Provision for hand-over costs	27,332	36,573
Claims requested for payment but not paid at year-end	8,516,245	10,635,688
	188,006,577	154,006,893
Claims liabilities are classified as follows:		
Non-current liabilities	153,826,417	107,500,974
Current liabilities	34,180,160	46,505,919
	188,006,577	154,006,893

Irregular Expenditure

	2017 R'000	2016 R'000
Opening balance	-	-
Add: Irregular expenditure - prior year	4,107	-
Add: Irregular expenditure - current year	1,929	11,428
Less: Amounts condoned	(6,036)	(11,428)
	-	-

Details of irregular expenditure - current year

		2017 R'000
Nature of transaction	Disciplinary steps taken	
Non-compliance with Supply Chain Management practices	1 employee received counselling and one verbal warning issued	23
Inadequate contract management	1 employee counselled, 3 employees are no longer employed by the RAF	1,906
		1,929

Details of irregular expenditure - prior year

		2017 R'000
Nature of transaction	Disciplinary steps taken	
Non-compliance with Supply Chain Management practices	2 employees received counselling	31
Inadequate contract management	Verbal warning issued	3,714
Non-compliance with CIDB regulations in respect of construction contracts	Employee no longer employed by the RAF	362
		4,107

Irregular Expenditure (continued)

Irregular expenditure arose as a result of:

- Incorrect assessment of bid evaluations;
- Requesting updated information from bidders resulting in uncompetitive procurement practice;
- Contract extensions deemed unfair procurement practice by the AGSA;
- Failure to comply with CIDB regulations in respect of construction contracts.

A total of 10 instances to the value of R3,268,062 were identified, reported and condoned during the 2016/17 financial year. This represents a 71% reduction in value and a 23% reduction in number of instances of irregular expenditure from the 13 instances totalling R11,428,300 reported in the 2015/16 financial year.

2016/17 Outcomes

Fruitless & Wasteful Expenditure

	2017 R'000	2016 R'000
Reconciliation of fruitless and wasteful expenditure	-	-
Opening balance	2,209	-
Fruitless and wasteful expenditure - relating to prior year	14,103	31,128
Fruitless and wasteful expenditure - relating to current year	(16,262)	(31,128)
Less: Amounts finalised	(50)	-
Less: Amounts transferred to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting resolution		
Reconciliation of fruitless and wasteful expenditure recoverable		
Opening balance	-	-
Recoverable fruitless and wasteful expenditure identified in the current year	50	-
Less: Amounts recovered	(38)	-
Fruitless and wasteful expenditure recoverable	12	-

Analysis of current year's fruitless and wasteful expenditure

		2017 R'000
Nature of expenditure	Disciplinary steps taken	
Claims related expenditures	48 employees were counselled, 44 verbal warnings and 31 written warnings were issued and 2 matters are pending disciplinary outcomes	13,380
Additional travel costs	2 employees received counselling, 3 verbal warnings and 2 written warnings were issued	21
Costs related to cancellation of a tender	Amount recovered from the supplier assisting with the tender administration	37
Duplicate, wrong and overpayments not recoverable	No action taken as employees are disciplined at the time of making the payment	663
VAT amount paid to a non-VAT vendor	No action taken as no employee directly responsible	2
		14,103

Fruitless & Wasteful Expenditure (continued)

The following information relates to the legal cost bills settled through taxation for 2016/17:

- Number of bills settled through taxation: 21,997 (2015/16: 17,280) - increased by 27%.
- Number of bills where a saving was made through taxation: 20,897 (2015/16: 16,741) - increased by 25%.
- Amount saved through taxation: R1,577,478,335 (2015/16: R1,097,303,853) - increased by 44%.
- The success rate in terms of saving legal cost bills was 95% (2015/16: 97%).

The number of writs received in 2016/17 was 15,720 (2015/16: 15,273). It was 2.8% higher than in 2015/16 and was mainly related to the documented cash flow constraints.

Significant issues

- Seriously insufficient cash resources – total revenue remained stable when compared to the previous financial year
 - Writs, legal costs, interest payments, converted direct claims, and disrupted operations
- Sharp growth in the net deficit
 - Direct indication of the unsustainability of the current dispensation and a clear marker of the extent to which the business will need additional cash resources as claim liabilities materialise
- Aggressive opposition from particular stakeholders
 - Anti-RABS and anti-Direct claims sentiments expressed extensively by those who benefit in the current and unsustainable dispensation

The Year at a Glance



202,100

new claims were received



209,561

claims were finalised.



More than **54,000** claimants were engaged through the award-winning 'RAF on the Road' community outreach programme and other RAF promotions and activations.



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The Road Accident Benefit Scheme Bill (RABS) was approved by Cabinet for introduction to Parliament on 29 March 2017.

2016/17 was a tough but successful year!

- Great expectation still rests on our shoulders
 - Claimants, suppliers, stakeholders and Government
- Significant challenges arose and each was managed in line with existing policies and plans
 - Residual challenges persist and so too does the impact of some challenges which were resolved
- Despite the challenges the RAF succeeded in fulfilling 90% of the approved APP and winning independent awards, whilst having 2,676 members of **#TeamRAFzin** delivering services on a daily basis, interacting with 54,000 people at its community outreach campaigns and settling claims to the value of R97 million in field.
- It is important that the RAF remains focused on fulfilling its strategy and that urgent stakeholder support is secured on additional funding for the business and the eventual implementation of RABS.





Thank You



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