



**2018/19  
Annual Report**





*“In driving this country’s development over the past quarter century, we have made policy decisions and choices that have made a real difference. We have pursued an economic path of growth, of redress and of transformation.” – President Cyril Ramaphosa on SA’s 25 years of democracy*





## CONTENTS

<b>PART A: General Information</b>	<b>4</b>
List of Abbreviations	5
Foreword by the Minister	6
Message from the FSCA Commissioner	7
Message from the Pension Funds Adjudicator	8
Statement of responsibility and confirmation of accuracy for the annual report	9
Legislative and other Mandates	10
Management Committee	11
<b>PART B: Operational Report</b>	<b>12</b>
Summary of Important Determinations	20
<b>PART C: Governance</b>	<b>33</b>
Governance Committee Members	34
Corporate Governance Report	35
<b>PART D: Financial Statements</b>	<b>38</b>
<b>PART E: Performance Information</b>	<b>76</b>
Useful Information	82



### Vision

To be a respected institution that is the final arbiter in pension fund complaints submitted to it in terms of the Act.

### Mission

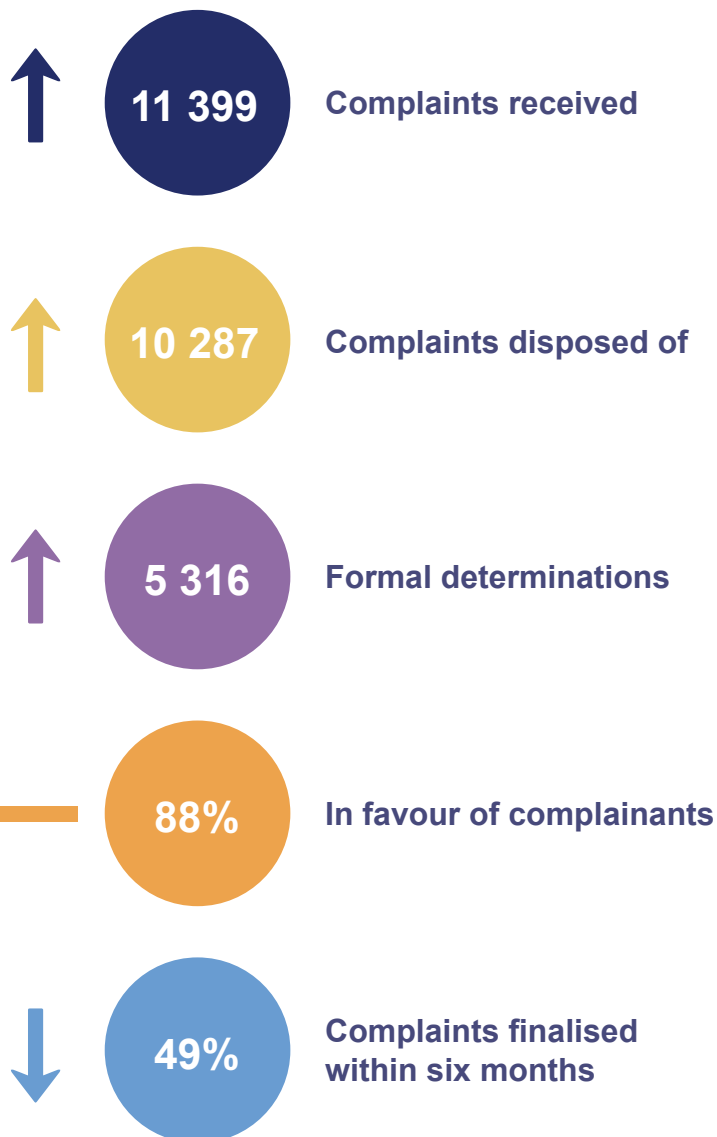
The mission of the OPFA is to resolve complaints in terms of the Act in order to uphold the integrity of the pension funds industry and to protect the interests of pension fund members.

### Values

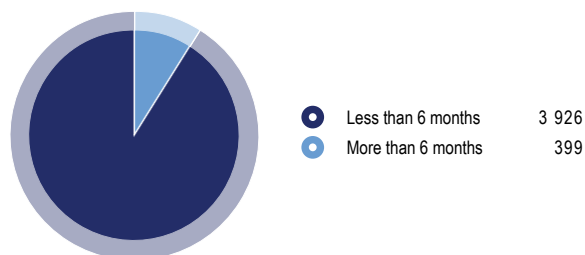
The OPFA strives to act professionally at all times and endeavours to promote the following values:

- Professional and technical competence
- Integrity
- Collaboration
- Stakeholder synergy
- Respect and dignity; and
- Impartially

## KEY FIGURES



### Complaints carried over to 2019/20



# PART A: GENERAL INFORMATION



## GENERAL INFORMATION

<b>Registered name:</b>	Office of the Pension Funds Adjudicator
<b>Registered office</b>	Block A, 4th Floor, Riverwalk Office Park 41 Matroosberg Road Ashlea Gardens Pretoria 0181
<b>Postal address:</b>	PO Box 580 Menlyn 0063
<b>Bankers:</b>	Standard Bank of South Africa Limited South African Reserve Bank
<b>Auditors:</b>	Auditor-General of South Africa
<b>Telephone Number/s:</b>	012 748 4000 012 346 1738
<b>Fax Number:</b>	086 693 7472
<b>Email Address:</b>	<a href="mailto:enquiries@pfa.org.za">enquiries@pfa.org.za</a>
<b>Website:</b>	<a href="http://www.pfa.org.za">www.pfa.org.za</a>



## LIST OF ABBREVIATIONS

OPFA	Office of the Pension Funds Adjudicator
PFA	Pension Funds Adjudicator
FSB	Financial Services Board
FSCA	Financial Sector Conduct Authority
AGSA	Auditor General of South Africa
NT	National Treasury
CFO	Chief Financial Officer
ACT	Pension Funds Act
PFMA	Public Finance Management Act
TR	Treasury Regulations
FSRA	Financial Sector Regulation Act
SCM	Supply Chain Management
FSOS	Financial Services Ombud Scheme
TCF	Treating Customers Fairly



## Foreword by the Minister



*“Efforts will continue to be made to ensure that all reforms implemented and envisaged are for the benefit of members and provide a platform for the continued growth of the South African retirement funds’ sector in an orderly manner.”*

The Financial Sector Regulation Act (FSR Act) 9 of 2017 came into effect on 1 April 2018. In order to allow for a smooth transition of the governance of the Office of the Pension Funds Adjudicator (OPFA), the tenure of the Board of the Financial Services Board was extended to 31 October 2018.

On 1 November 2018, Commissioner of the Financial Sector Conduct Authority (FSCA), Mr Abel Sithole took over as the Accounting Authority of the OPFA. This measure is in terms of the FSR Act and should remain in place until the time that the Ombud Council, a statutory body tasked with ensuring that consumers are able to access effective, independent, fair and timely dispute resolution, is in place.

In addition, a welcome development is that with effect from 1 April 2018, persons aggrieved with the decisions of the Pension Funds Adjudicator, shall be able to apply to the Financial Services Tribunal (FST) for a reconsideration of such a decision. The powers of the FST are limited to setting aside a decision of the Pension Funds Adjudicator and remitting the matter for a fresh decision or dismissing the application. It is envisaged that this measure will allow for a level playing field for persons that would otherwise have wanted to appeal a decision of the Pension Funds Adjudicator, but for the prohibitive costs of High Court processes.

From the complaints disposed of by the OPFA, it is clear that market conduct remains a burning issue

as funds and administrators continue to grapple with such issues as non-payment of contributions, late payment, non-payment of benefits etc. It is, therefore, hoped that data collected from these complaints will be used by the FSCA to ensure that the conduct of all role-players improves to embrace compliance and good governance.

From the government side, efforts will continue to be made to ensure that all reforms implemented and envisaged are for the benefit of members and provide a platform for the continued growth of the South African retirement funds’ sector in an orderly manner, including supporting growth, employment and the eradication of poverty.

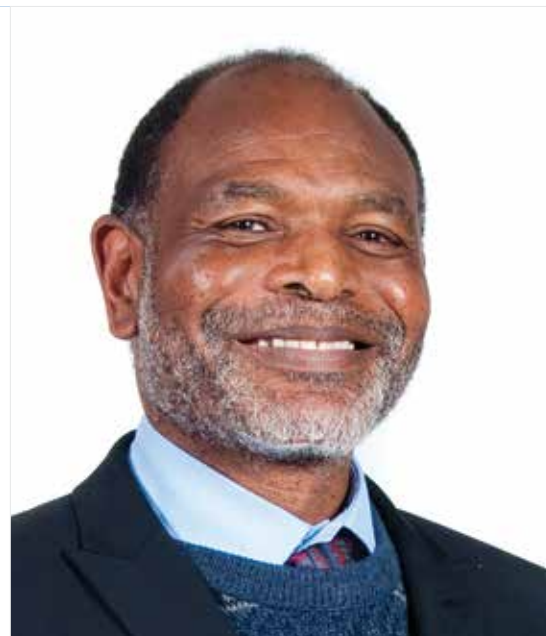
Heartfelt gratitude goes out to the Board of the Financial Services Board for its assistance and guidance to the OPFA plus the demonstrated patience with the implementation of the new governance structures for the OPFA. Last, but not least, my gratitude goes out to the staff and management of the OPFA for their commitment and hard work during what proved to be their busiest year to date.

**TT Mboweni, MP**

*Minister of finance*



## Message from the FSCA Commissioner



*“The OPFA has contributed immensely in the country’s priorities of social protection by ensuring consumers of pension fund products and services are empowered and that there are accountability mechanisms.”*

The Office of the Pension Funds Adjudicator (“OPFA”) continues to discharge its mandate as prescribed by the Pension Funds Act of ensuring a procedurally fair, economical and expeditious resolution of complaints. The OPFA is charged with ensuring that pension funds members are able to access effective, independent, fair and timely dispute resolution.

The OPFA was established in 1998 and has been in existence for 21 years of the 25 years of democracy landmark for our country. It has contributed immensely in the country’s priorities of social protection by ensuring that consumers of pension fund products and services are empowered and that there are accountability mechanisms that give access to an impartial alternative dispute resolution conducted by an independent third party to pension fund members.

Since establishment, the OPFA has for the first time breached the 10 000 mark of complaints finalised within a financial year which is directly linked to the access of the office to pension fund members and efficiency of its processes. In the year under review the OPFA finalised 10 289 complaints which is 17% higher than the previous year. 8 234 of those complaints were resolved through the case management and adjudication process of which 98% were finalised within nine months.

Notwithstanding the OPFA’s performance, the unprecedented increase in the number of complaints received is of concern and requires our undivided attention. There has been an increased engagement with funds, fund administrators and the regulator to find ways of collaborating to address existing challenges, sometimes in the forms of early warnings, whilst in some instances the OPFA reports on trends that must be monitored.

Some of these challenges have been persistently prevalent in the past few years; namely, non-compliance with section 13A of the Pension Funds Act on payment

of contributions and section 37C on death benefit lump sum payments, delays in the payments of benefits to beneficiaries, lack of adequate documentation and records management and poor quality/delayed responses by funds to the OPFA. All these challenges, especially in the current economic conditions, have a direct impact on pension fund members’ welfare, and at times, right to human dignity.

A welcome development is that there has been an increase in the number of settlements, especially in those matters where there were no outstanding contributions. Some funds were able to pay the benefit complained of to the complainant even before the finalisation of the complaint. This level of initiation and cooperation by funds motivates the OPFA and fuels it to continue engaging the industry at large and tell the good stories.

I must also take this opportunity to offer my gratitude to the outgoing Board of Financial Services Board (“FSB”) for their contribution and support as oversight for the OPFA. Due to the implementation of the Financial Sector Regulation Act (“FSR Act”), the Board of FSB was dissolved in November 2018 to give effect to the newly enacted governance framework. In terms of the FSR Act, the Financial Sector Conduct Authority Commissioner, being myself, has been appointed as the Accounting Authority of the OPFA.

Finally, I would like to thank the Pension Funds Adjudicator and her team for the hard work and offer my full support as we transition to a more effective financial sector ombud schemes system.

**Mr AM Sithole**  
FSCA Commissioner



## Message from the Pension Funds Adjudicator



*“The many aspects of this report bear testimony to an organisation whose ethos is to strive for more with the least and this could only be achieved with a resilient and agile workforce.”*

In many respects, 2018/9 has been an extraordinary year. It is only when one pauses to compile a report of this nature that one appreciates how much work the OPFA team dealt with.

Therefore, before proceeding any further, I must pause to commend the staff for the hard work and commitment that they displayed during this period. In the end, where there was teamwork, agility, resilience, patience and a large dose of faith, tremendous success was achieved across a broad array of the OPFA's operations.

A few changes were made to the complaints management process and system to improve efficiencies. A consultant was engaged to also look at whether the OPFA complaints management teams are adequately resourced to consider complaints in an expeditious manner. Hopefully, the recommendations will be implemented in the new year.

Last but not least, I am forever grateful and indebted to the Board of the Financial Services Board under the chairmanship of Mr Abel Sithole for their unwavering support, encouragement, insight and robust discussions on the proper governance of the OPFA.

The Board completed its term of office at the end of October 2018, after which the governance rests with Mr Abel Sithole, FSCA Commissioner, as the Accounting Authority under the Financial Sector Regulation Act (“FSR”).

It would also be remiss of me if I do not thank the Chairpersons of the Human Resources, Remuneration, Risk and Audit Committees for their dedication to the task and insistence on proper governance, service delivery and accountability at all times. It is a welcome development that most of them continue with their task in the restructured governance committees of the FSCA which also oversees the OPFA.

Interactions also continued with the National Treasury on implementation of Twin Peaks in so far as it relates to the financial services ombud offices.

The many aspects of this report bear testimony to an organisation whose ethos is to strive for more with the least and this could only be achieved with a resilient and agile workforce. “In driving this country's development over the past quarter century, we have made policy decisions and choices that have made a real difference. We have pursued an economic path of growth, of redress and of transformation.” – President Cyril Ramaphosa on SA's 25 years of democracy.

**Ms MA Lukhaimane**  
Pension Funds Adjudicator



## STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

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

All information and amounts disclosed in the annual report are consistent with the annual financial statement audited by the Auditor-General.

The annual report is complete, accurate and is free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

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

The accounting authority is responsible for the preparation of the annual financial statements and for the judgments made in this information.

The accounting authority is responsible for establishing and implementing a system of internal control that has been 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, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2019.

Yours faithfully

**Mr AM Sithole**  
FSCA Commissioner

**Ms MA Lukhaimane**  
Pension Funds Adjudicator



## LEGISLATIVE AND OTHER MANDATES

The Office of the Pension Funds Adjudicator is a PFMA Schedule 3A entity established in terms of section 30B of the ACT with effect from 01 January 1998 to investigate and determine complaints lodged in terms of the ACT, as amended by the Financial Sector Regulation Act 9 of 2017. It is funded in terms of section 30R of the ACT by way of levy imposed by national legislation and collected by the FSCA. The mandate of the OPFA in terms of section 30D of the ACT is to ensure a procedurally fair, economical and expeditious resolution of complaints by:

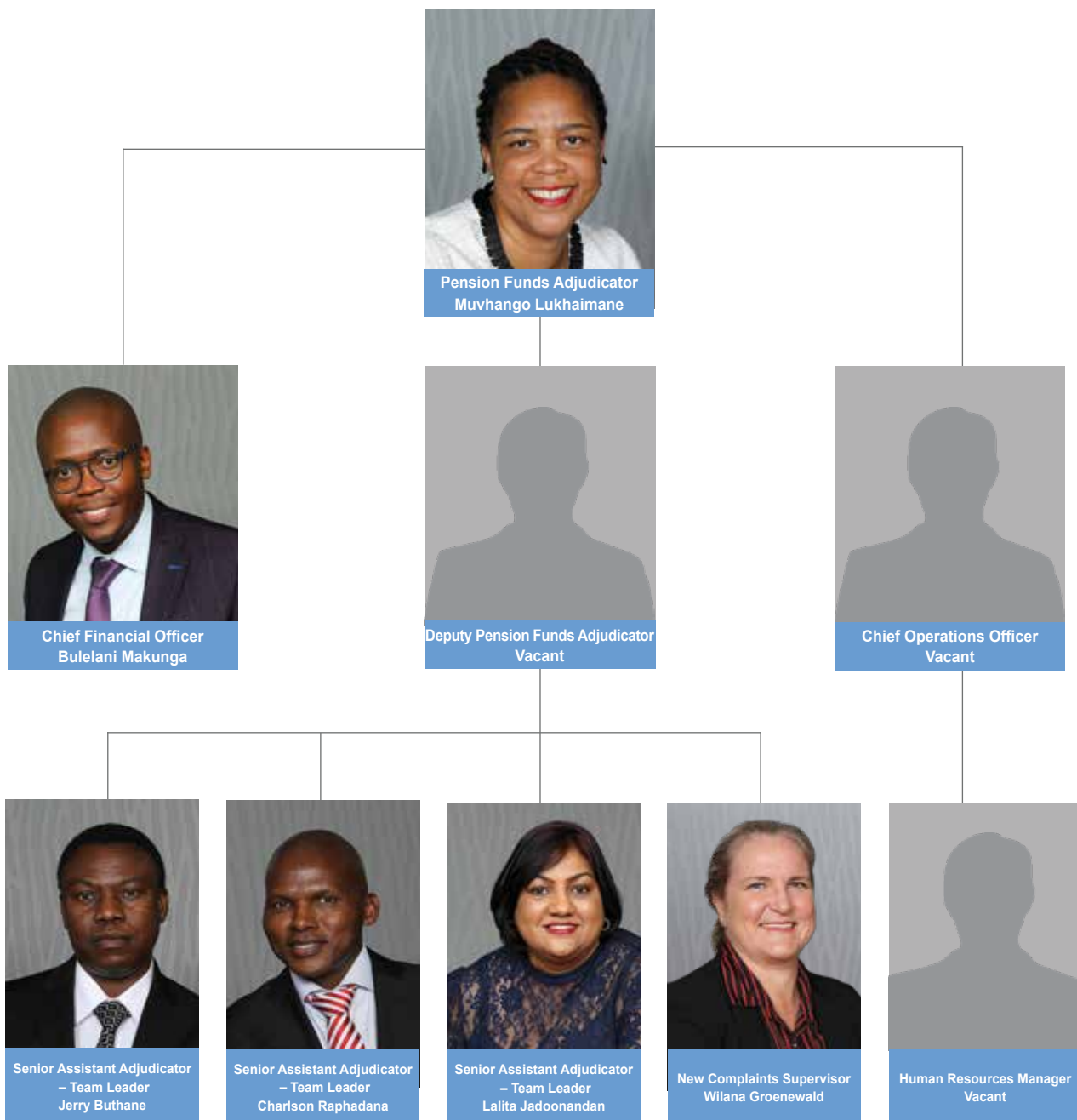
- Ensuring its services are accessible to all;
- Investigating complaints in a procedurally fair manner and;
- Reaching a just and expeditious resolution of complaints in accordance with the law.

The OPFA is committed in the National Development Plan 2030. The OPFA holds role players in the retirement fund industry to account as it reinforces measures put in place by the State (Social Protection) to make pensions safe and sustainable. By ensuring integrity in the system, the OPFA lays the basis for acceptance of the envisaged mandatory savings. Through its involvement in the various tertiary institutions providing the pension law training, the OPFA supports the development of specialised pension law programmes (further education and training), that in turn lay the basis for universities to conduct research in the sector.

Through its organisational development activities the OPFA strives to create a society where equal opportunities are granted and employees demonstrate their citizenry by accepting that they have both rights and responsibilities (nation building and social cohesion).



## MANAGEMENT COMMITTEE





**PART B:  
OPERATIONAL REPORT**

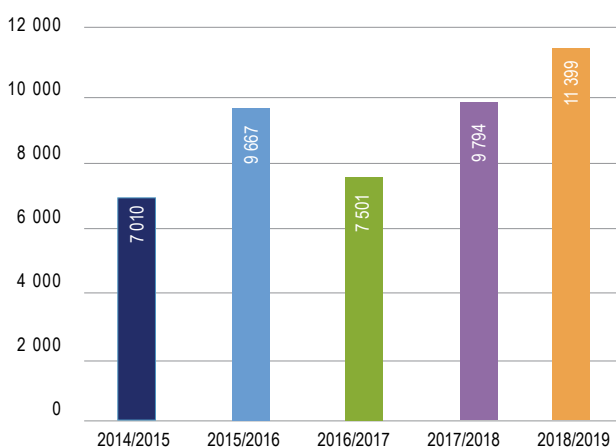


Complaints increased steadily to a record number. Our turnaround times suffered as a result of the increase in complaints and the few number of administrators/funds with the largest concentration of complaints submitting responses out of prescribed time limits, often incomplete.

## New Complaints

11 399 new complaints were received, 16.38% more than last year. It is unfortunate that with an office 20 years old, complaints continue to increase. Perhaps most disturbing, is the fact that the bulk of the complaints have to do with non-compliance with section 13A of the Act and delay in payment of benefits. These are regulatory and compliance matters that should best be tackled by the FSCA. For an industry that prides itself as world class, with relative maturity, this is a grave indictment on our commitment to act in the best interest of members and acting in the spirit of Treating Customers Fairly.

### New complaints



In many respects, non-compliance was concentrated in the large funds, i.e. umbrella funds, sectoral determination funds and industry funds. The non-compliance had to do with failure to collect the necessary contributions in terms of section 13A of the

Act and failure to attempt to implement any enforcement measures in terms of section 13A of the Act against a non-compliant employer or responsible persons. Along with the failure to provide basic information to members e.g. benefit statements, the levels of non-compliance in these large funds put to question the policy considerations to consolidate funds as it is apparent that the more removed a fund and its administrators are from the ordinary member and employer, the less compliance there is to basic regulatory requirements.

A sector that deserves a special mention with non-compliance to section 13A of the Act in this reporting period, i.e. non-payment of contributions, is the municipal sector. A number of municipalities in the Free State and North West Provinces were unable to pay contributions to funds, thereby putting members' risk benefits at risk for extended periods of time. This led to the OPFA granting determinations sounding in money up to the date of such order to allow for enforcement by the sheriff that should include the attachment of municipal property to satisfy the debt.

All in all, not much improvement occurred in the large funds that have been specifically mentioned in prior years as being non-compliant. Whilst the FSCA appointed statutory managers for the Private Security Sector Provident Fund, the backlog experienced with responses to complaints and the conflicting information from its administrators, Salt Employee Benefits (Pty) Ltd, meant that the OPFA was often unable to finalise complaints timeously.

The failure to provide adequate information to members/former members also played itself out in the Soweto City Council Pension Fund. Members and former members of this fund staged a protest march to the office park of the OPFA, FSCA and Government Employees Pension Fund ("GEPF") on a long-standing matter relating to payment of top-up benefits to qualifying members. The data for this project left a lot to be desired as in some instances, upon investigation by the OPFA, the members/former members were paid substantially more than the initial amounts whilst in some instances, the indication would have been that there were no

## OPERATIONAL REPORT continued

funds to start off with. The FSCA is looking into the matter further.

### How complaints were received

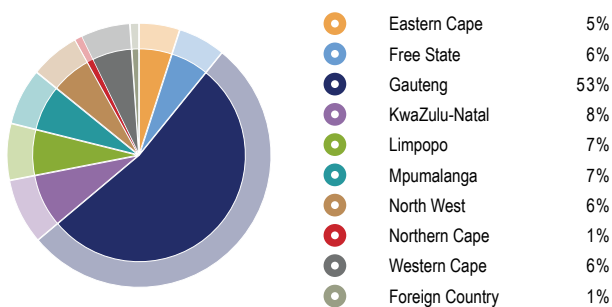
Of the 11 399 complaints, 5 032 complaints were from walk-in complainants. This indicates accessibility of the office to members of the public. However, given the fact that a few years ago, the OPFA was in Sandton and before then in Cape Town, this underscores the need for a national footprint for a pension funds complaints' tribunal. Hence, the OPFA's unwavering support for a single financial services complaints' tribunal that will leverage resources across all sectors to ensure a national footprint.

Email	Letter	Fax	Web Site	Walk-in	Total
4 454	768	691	454	5 032	11 399

The improvements on the complaints logging process via the OPFA website has also resulted in a record number of complaints lodged through that medium. On the other hand, the post office continues to be an unreliable medium of communication as services are mostly delayed and sometimes interrupted for extended periods of time. Therefore, except that we are obliged to make use of registered mail for dissemination of letters and our determinations, the OPFA will work on weaning itself off the post office.

### Area

#### Geographical area of residence

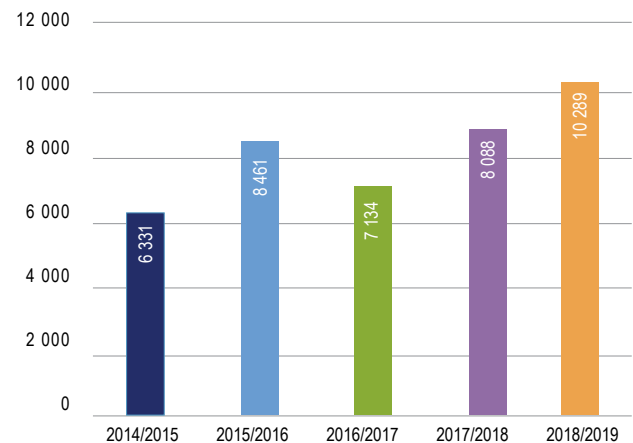


Gauteng continues to lead with the number of complaints. Apart from being the economic hub, the number of walk-in complaints underscore this statistic. KwaZulu-Natal remains second, with Limpopo and Mpumalanga tying third. The least number of complaints were received from the Northern Cape.

### Total complaints finalised

A total of 10 289 complaints were finalised, 16.81% more than the previous year. 8 234 complaints were finalised through the case management process and 2 055 were finalised at assessment stage by the New Complaints Unit. This has been reported separately in the annual performance report to enhance relevance and usefulness of our reports. This milestone could only be achieved with a dedicated complaints management team that worked tirelessly to act as expected by our mandate under very trying circumstances.

#### Total complaints finalised

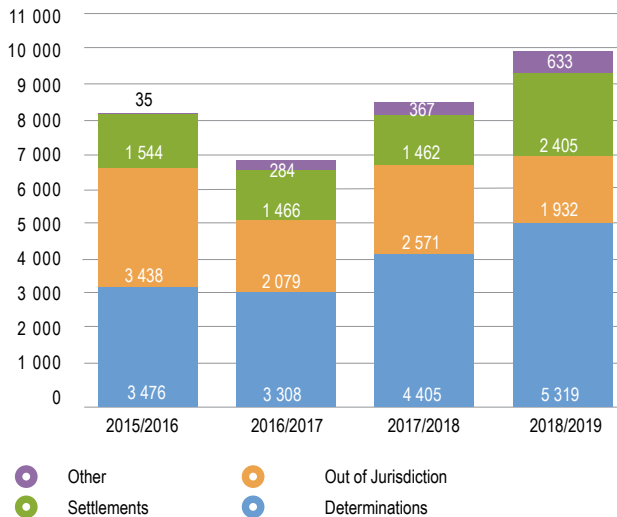


### How complaints were closed

5 319 complaints were determined, 20.75% up from last year; 1 932 were deemed out of jurisdiction, down 24.85% from last year; 2 405 complaints were settled, up 64.5% from last year; whilst 633 complaints were closed for other reasons, up 72.5% from last year. The increase in settlements is most welcome as without an enforcement mandate, it is always preferable to settle matters. It is also worth noting that the number of complaints deemed out of jurisdiction has significantly decreased from last year and as a percentage of complaints received.



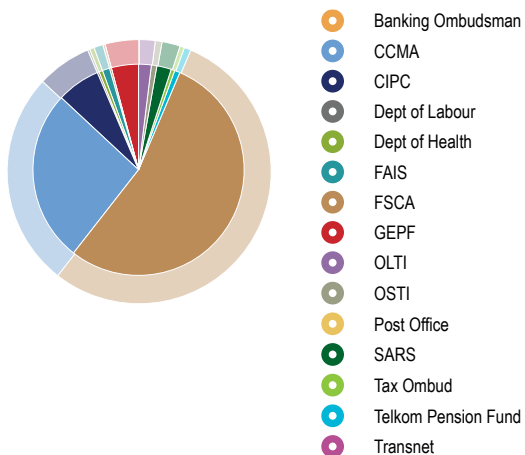
## Total complaints finalised



## Complaints referred

The matters deemed out of jurisdiction were as follows: 1 355 complaints were referred to other entities. 54.2% of these were referred to the FSCA and 26.5% to the GEPF. As far as referrals to other financial services ombuds are concerned, 6.6% were to the Ombudsman for Long-Term Insurance (“OLTI”), 0.9% to the Financial Advisory and Intermediary Services Ombud (“FAIS Ombud”) and 0.1% to the Ombudsman for Banking Services (“OBS”). Again, this is a heartening statistic which shows that consumers are largely aware of where to lodge complaints whilst the GEPF and the Transnet Pension Fund need to invest in an impartial, independent complaints’ tribunal that is advertised to their members.

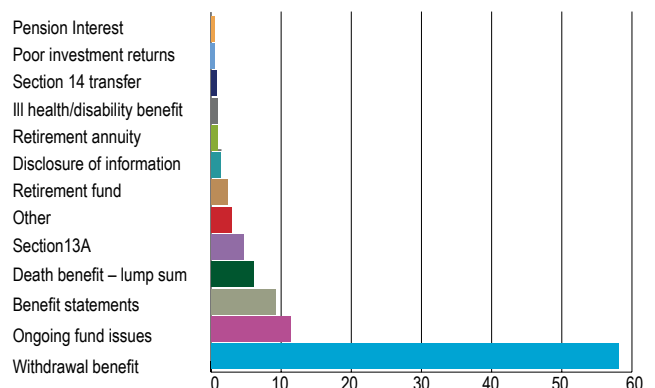
## Complaints referred to other entities



## Entities

Ombudsman for Banking Services	2	0.1%
CCMA	26	2%
CIPC	10	0.7%
Department of Labour	33	2.4%
Department of Health	5	0.4%
FAIS	13	0.9%
FSCA	734	54.2%
GEPF	359	26.5%
OLTI	90	6.6%
OSTI	1	0.1%
Post Office	9	0.6%
SARS	16	1.2%
Tax Ombud	3	0.2%
Telkom Pension Fund	2	0.1%
Transnet	52	4%
<b>Total</b>	<b>1 355</b>	<b>100%</b>

## Nature of benefits on Complaints closed



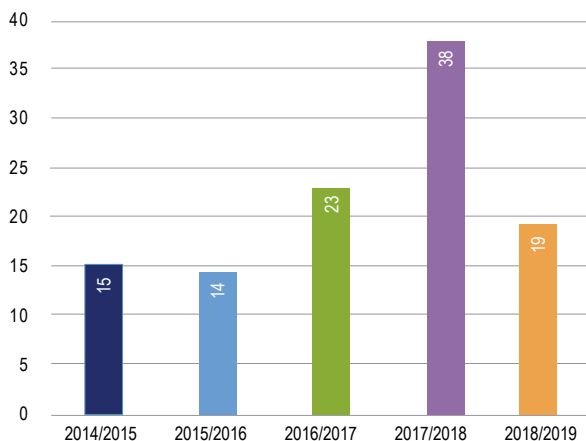
Once again, withdrawal benefits top the list of complaint categories dealt with by the OPFA. In this category, members would be complaining about delays in the payment of benefits. What is of concern is that funds and administrators complained of would still not effect payment or make any effort to liaise with the complainants even upon receiving the complaint. Only a few funds, notably the large insurer underwritten umbrella funds and the Contract Cleaning National Provident Fund would endeavour to pay the benefit complained of even before the finalisation of the complaint. This is a welcome development that has led to the increase in settlements in those matters where there were no outstanding contributions.

# OPERATIONAL REPORT continued

## Section 30P appeals

19 section 30P appeals were lodged during this year, 52.63% lower than the previous year. This is a welcome development as section 30P appeals often go unchallenged by members owing to the costs involved. Once unopposed, the funds often introduce new evidence in their appeals to the High Court, resulting in determinations being inadvertently overturned. The introduction of the Financial Services Tribunal is most welcome as it would go some way towards developing pension funds law and granting parties a second bite at the cherry on a somewhat equal footing. In the medium-term, data should be able to underscore whether this proves to be the case.

### Section 30P appeals

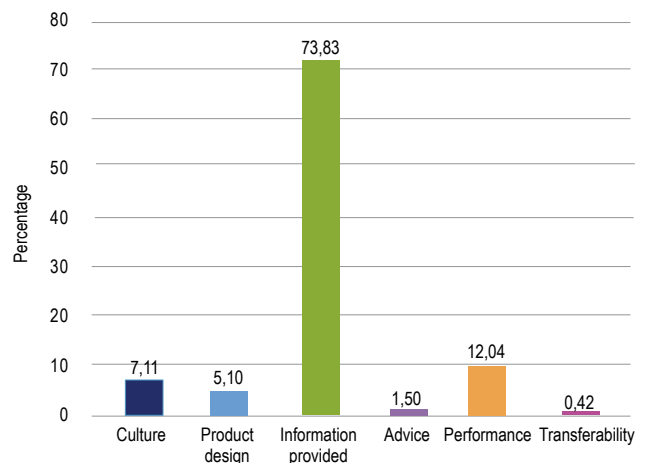


## Treating customers fairly

As indicated earlier, funds and administrators are not faring well on Treating Customers Fairly outcomes (“TCF”). 73.83% of complaints received relate to TCF outcome 3. Complainants are often not provided with information relating to benefits, etc; sometimes they are provided with insufficient or incorrect information. 12.04% of complaints relate to TCF outcome 5a where complainants are dissatisfied with the performance of their products. This indicates that complainants are slowly becoming aware of the gap between expected/promised performance and actual performance.

## TCF Outcomes

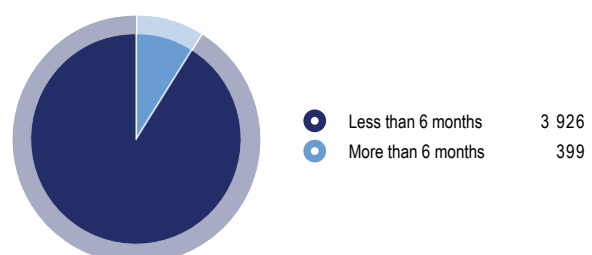
Outcome	Description
Outcome 1	Culture
Outcome 2	Product Design
Outcome 3	Information Provided
Outcome 4	Advice
Outcome 5	
Outcome 5a	Performance
Outcome 5b	Service
Outcome 6	
Outcome 6a	Transferability 74
Outcome 6b	Complaints Handling
Outcome 6c	Claims/Disbursements



## Active Complaints as at 31 March 2019

The 4 325 complaints that remained open at the end of the year, despite increased number of matters finalised, are testimony to the increase in complaints. Measures were put in place during the year to increase efficiencies. In the new year, more effort will be put into reviewing our complaints management process to ensure that it remains optimal.

### Age of active complaints – 31 March 2019



## Stakeholder Management

In this year, we had increased interaction with stakeholders.

Interaction with funds/administrators initiated by the OPFA was triggered by an increase in complaints, undesirable practices, delays in paying out benefits or significant non-compliance with section 13A of the Pension Funds Act, 1956 (“the Act”). The OPFA also invested time in meeting with large funds/administrators on an individual basis in order to maximise the impact on the complaints’ management process.

The OPFA met with the following funds/administrators and stakeholders:

Funds	Administrators	Other
Bosele National Provident Fund	Salt Employees Benefits (Pty) Ltd	National Bargaining Council for the Chemical Industry
Sanlam Umbrella Fund	Sanlam Life Insurance Limited	Chemical, Energy, Paper, Printing, Wood and Allied Workers Union
Rand Water Provident Fund	WSM Employee Benefit Administrators (Pty) Ltd	
Private Security Sector Provident Fund	Robson Savage (Pty) Ltd	
Corporate Selection Provident Fund	Old Mutual Life Assurance Company (SA) Limited	
Contract Cleaning Provident Fund	Aon South Africa (Pty) Ltd	
Auto Workers Retirement Fund	GTC Employee Benefits Administrators	
Municipal Workers Retirement Fund	Acravest (Pty) Ltd	
Metal Industries Provident Fund		
Fedcrow Umbrella Fund		
Eskom Pension And Provident Fund		

Also, much appreciation goes to the Pension Lawyers Association, Batseta and the Institute of Retirement Funds Africa for flagging certain matters that the OPFA was able to concentrate on in order to assist funds, administrators, members, former members and beneficiaries.

## Information and communication technology (ICT)

The OPFA continued to make advances in the maturity of its ICT environment during the year and will continue to do so going forward to ensure systems are developed and improved in line with its strategic priorities to better serve its internal and external stakeholders in delivering on its mandate.

Aligned with the organisation’s approach to manage and mitigate its ICT environmental risks, the OPFA implemented further security measures over its ICT environment. This was achieved through the tightening of monitoring controls and the implementation of additional security softwares on the environment.

In order to improve the performance and capabilities of the ICT environment, the organisation continued with its procurement program to enhance its ICT infrastructure to the existing infrastructure resources. The old ICT infrastructure that had reached its functional life at production was replaced with more advanced versions. This is required to support the growing dependency and reliance by business on its ICT environment. An average of 99% system uptime and back-ups completion was achieved. The case management system was stable with minimal technical challenges in the year under review. In line with the office’s Business Continuity Program, the infrastructure has been improved to increase the resilience, thus protecting the organisation’s reputation.

A Document Management solution is being implemented, to store organisational documents and ensure efficient accessibility as and when documents are needed in the future. This includes financial management documents, human resources management documents and all other corporate and office management documents.

Furthermore, in our collaboration and partnering efforts with stakeholders to achieve our mandate, a business need arose to share the OPFA signed determinations with the FSCA. This will allow the FSCA to have access to our determinations and other important information to be aware of levels of compliance in pension funds.

# OPERATIONAL REPORT continued

## ICT Governance

There are governance structures in place that oversee the OPFA ICT function. The Risk and Audit Committees of the FSCA assist the OPFA by ensuring that ICT risks are reviewed and managed. The ICT Steering Committee verifies ICT strategic compliance in achieving the strategic ICT objectives. The following policies and procedure documents were reviewed and approved: ICT Security Policy and Acceptable Usage Policy, Incident Management, Problem Management, Change Management, Patch Management, The Firewall procedure and Disaster Recovery Plan.

## Training and Awareness

Two case management system application training sessions for the new employees and refresher training for the experienced users took place during the year. ICT Security Policy, Acceptable Usage Policy and user security awareness training sessions also took place.

## Human resources

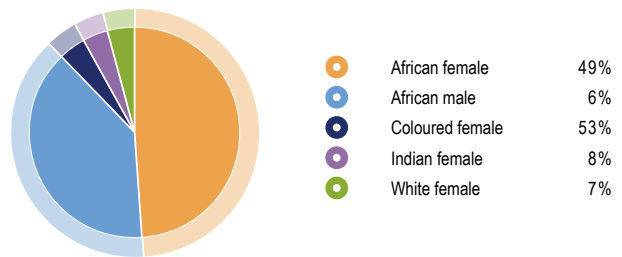
The OPFA is wholly dependent on people to achieve its strategic objectives. The fact that we are able to achieve the results that we have done thus far is mostly testament to the hard work of employees. No doubt, the OPFA would have been able to achieve a lot more if we had a reliable, and proactive human resources

management to iron out any potential issues of conflict, thus making staff feel safe, confident and more loyal.

One of our greatest challenges has been the inability to store and arrange our human resources data in such a way that line managers are provided with critical information to take timeous management decisions. The OPFA was sometimes unable to forecast future HR events for risk mitigation and effective planning e.g. identifying problem areas, managing information, monitoring the performance of the HR function, effective planning, predictive forecasting and most importantly enhanced communication.

As at 31 March 2019, the OPFA employee headcount was 53. The employment equity statistics were as follows:

### Population Group



**From left to right (back):** Nontokozi Manana, Sandile Mthethwa, Lesley Ratsebe, Darshana Maharaj  
**Seated:** Muvhango Lukhaimane

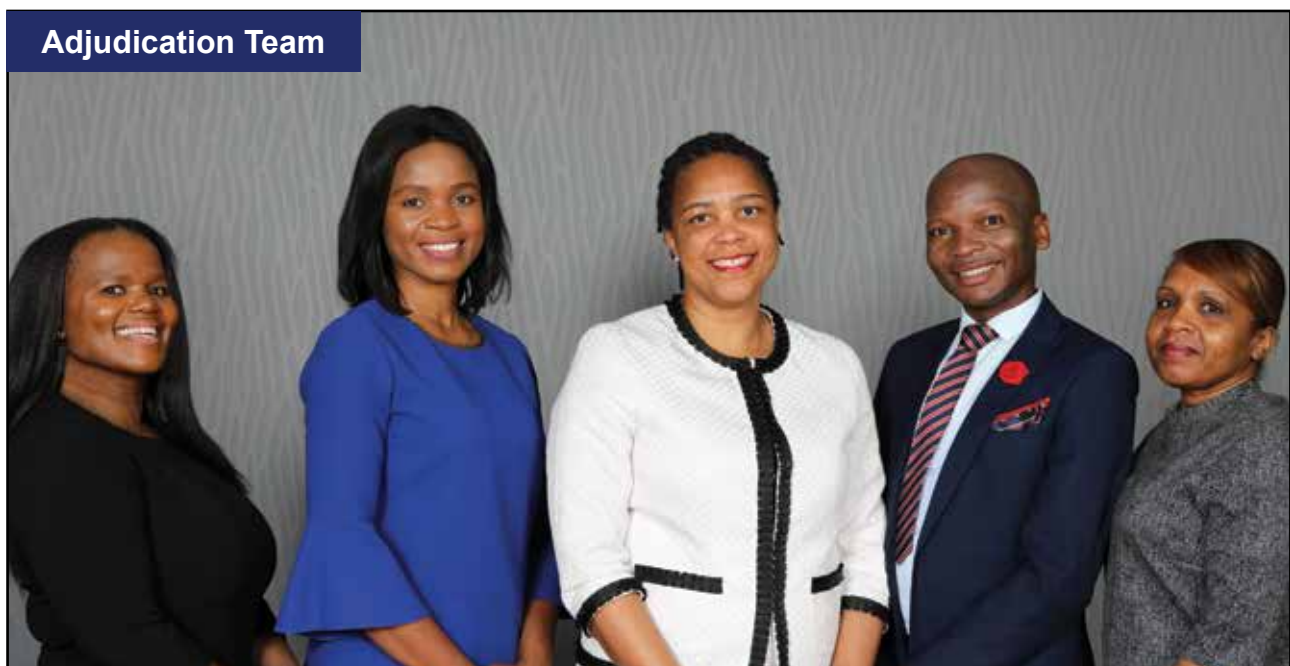
Population Group	Female		Male	
African	26	49%	21	39%
Coloured	2	4%	0	0%
Indian	2	4%	0	0%
White	2	4%	0	0%
Foreign	0	0%	0	0%
<b>Total</b>	<b>32</b>	<b>61%</b>	<b>21</b>	<b>39%</b>

Representation at management levels		
Levels	Executive management	Senior and middle management
	Female	Male
African	2	3
Coloured	0	0
Indian	1	0
White	0	0
Foreign	0	0
<b>Total</b>	<b>3</b>	<b>3</b>

Whilst the OPFA aimed to reduce its turnover rate, this was not possible. The turnover rate remained the same as the previous year, with terminations resulting from poor work performance and resignations – some of which are understandable given the flat structure of the organisation that offers only so much internal movement.

A lot of work also took place to achieve internal pay parity. Internal promotions increased, which is testament to the rigorous performance management system and the ability of line managers to continuously guide for improved performance. It often fell to line managers to help encourage and optimize employee performance on a continuous basis.

Employee productivity significantly improved – both in quantity and quality of product delivered. Internal mobility remains a priority that the OPFA will continue with in the new year given the amount of time and financial resources that it takes to train and develop our human resources.



**From left to right:** Zodwa Bill, Tintswalo Shibambu, Muvhango Lukhaimane, Lucas Flink, Carmen Kotshoba

## SUMMARY OF IMPORTANT DETERMINATIONS

*“One of the advantages of a specialist tribunal such as the Office of the Pension Funds Adjudicator (OPFA) is that parties can rest assured that there is a repository of specialist pensions law knowledge that understands the nuances of the retirement funds industry. It is this knowledge that enables the tribunal to resolve disputes in an expeditious and economical manner, whilst at the same time adhering to the rule of law. Below follows a selection of determinations by Pension Funds Adjudicator, Muvhango Lukhaimane, which settled important areas of the law around pension funds administration during the year under review.”*

### Death benefit

#### Pension fund ordered to relook death benefit payment

A pension fund should have exercised better discretion when allocating a more than R1-million death benefit to the deceased's 75-year old mother who already received a State grant, to the total exclusion of his former life partner, the Pension Funds Adjudicator has ruled.

Muvhango Lukhaimane ordered Absa Pension Fund (first respondent) to re-exercise its discretion in terms of section 37C of the Pension Funds Act and consider the request of the complainant, JT Damoense, to be allocated a share of the death benefit.

The complainant was the former life partner of LB Mantjiu who passed away on 4 March 2017. The deceased was a member of the first respondent, administered by Absa Consultants and Actuaries (Pty) Ltd (second respondent).

Following the deceased's demise, a death benefit in the amount of R1 065 480.00 became available for distribution to his beneficiaries and dependants. The board resolved to allocate the entire benefit to the deceased's mother, RD Mantjiu (“MS Mantjiu”), to the exclusion of the complainant.

The complainant submitted that she is a nominee in the deceased's beneficiary nomination form and as such, she should have been considered by the fund.

The deceased passed away in a car accident together with their minor son.

The complainant said that despite the fund's submission that it considered all the relevant factors in deciding to exclude her, it failed to consider the fact that Ms Mantjiu was 75 years of age and received an old age grant from the State which satisfied all her maintenance needs.

She submitted that the board failed to consider Ms Mantjiu's needs, her extent of dependency on the deceased, whether or not only the deceased provided her with financial support and if she received income from other sources.

She added that the board failed to consider other sources from whence Ms Mantjiu could have received some funds and what impact those funds had on her needs. She asked what socio-economic difficulty would have befallen Ms Mantjiu if she was allocated 50% of the death benefit as set out in the beneficiary nomination form.

She further asserted that the board failed to consider her personal circumstances and the fact that the complainant was a nominee entitled to 50% of the death benefit.



The second respondent submitted that during its investigation, the board established that Ms Mantjiu was a pensioner and financially dependent on the deceased for maintenance prior to his demise.

She was also nominated to receive 50% of the death benefit in the deceased's beneficiary nomination form. Due to the fact that the deceased had to maintain his mother, she was accordingly identified as his factual dependant.

It stated that the deceased was involved in a life partnership with the complainant when he signed the beneficiary nomination form on 5 March 2010. The relationship between the deceased and the complainant was non-existent at the time of his demise.

During their period of break-up, the deceased maintained his son with the complainant. Thus, the extent of financial dependency of the complainant on the deceased was the contributions towards his son's general maintenance and not directly towards the complainant's financial needs.

In this regard, it referred to an affidavit signed by the complainant wherein she stated that the deceased provided her with money in respect of their son's maintenance.

The board's investigation revealed that the complainant was gainfully employed and earned R21 000 per month, was 37 years of age and fully able to generate income through her employment.

It submitted that even though the complainant was a nominee, the board identified her as not being financially dependent on the deceased. The level of financial dependency to maintain their son did not exist anymore as their son passed away with the deceased.

In her determination, Ms Lukhaimane said in principle a member is legally liable for the maintenance of a spouse and children as they rely on the member for the necessities of life. In the case of factual dependants, where there is no duty of support, a person might still be a dependant if the deceased in some way contributed to the maintenance of that person.

She said having conducted its investigation, the board resolved to allocate the entire death benefit to Ms Mantjiu, to the exclusion of the complainant.

However, she said where there are dependants and nominees, the Act provided for the board to make an equitable distribution.

"In the present matter, the amount of the death benefit is R1 065 480.

"Ms Mantjiu was proven to have been financially dependent on the deceased, received an old age pension from the State and was allocated the entire amount of the death benefit.

"Ms Mantjiu also received a payment in respect of a group life assurance benefit. On the other hand, the complainant who is 37 years of age was excluded and is earning a monthly salary of R21 000."

Ms Lukhaimane said one of the critical sore points was that the deceased completed a beneficiary nomination form assigning 50% of the death benefit to the complainant and another half to his mother. However, the board failed to follow the deceased's wishes.

"The board should have considered the complainant on the basis that she was a nominee. The complainant did not have to prove that she was financially dependent on the deceased for her to be considered.

"The mere status of being a nominee compelled the fund to consider her situation together with the totality of other relevant factors."

Ms Lukhaimane set aside the decision of the board of the first respondent to allocate the entire amount of the death benefit to Ms Mantjiu, to the exclusion of the complainant, without considering relevant factors.

The board of the first respondent was ordered to re-exercise its discretion in terms of section 37C of the Act, considering the issues raised in this determination," said Ms Lukhaimane.

## SUMMARY OF IMPORTANT DETERMINATIONS [continued](#)

### PFA rules that death benefits were paid fairly

The Pension Funds Adjudicator has ruled that a death benefit was distributed fairly although one of the beneficiaries was not financially dependent on the deceased.

Muvhango Lukhaimane said a nominee was not entitled to be considered as a beneficiary because he or she was financially dependent on the deceased.

“The entitlement stems from the fact that the person concerned was nominated by the deceased and nothing more is required,” said Ms Lukhaimane in her ruling.

I Dekker and her two brothers, L Dekker and R Dekker, complained about the distribution of a death benefit by the Lifestyle Retirement Annuity Fund (first respondent) following the death of their father, A Dekker.

They were unhappy that M de Kock who was the former wife of the deceased had been allocated a portion of the death benefit.

The death benefit from three policies amounted to R1 293 367.87. The first respondent allocated and distributed the death benefit to the deceased’s beneficiaries as follows:

Policy number 0011733218 and 0011733183: I Dekker, L Dekker, R Dekker and M de Kock 25% each; and Policy number 0025959744: I Dekker, L Dekker and R Dekker 33.33% each.

The complainants submitted that M de Kock was not financially dependent on the deceased. They requested that the first respondent be ordered to allocate the death benefit equally to them.

The first respondent submitted that the deceased was survived by three dependants (I Dekker, L Dekker and R Dekker) and one nominated beneficiary (M de Kock).

M de Kock was the ex-wife of the deceased. She was divorced from the deceased in 2007 and not financially dependent on the deceased.

### Case Management Team



**From left to right (back):** Nomlindo Mpongo, Tshepo Dooka-Rampedi, Mandy Dikotla, Thomas Maponya, Yolande van Tonder, Khutso Mafokwane, Tsumbedzo Mboweni, Lerato Mokoena, Khuliso Gavhi  
**From left to right (front):** Mashudu Matovheke, Jerry Buthane, Fortunate Ratlhagane



M de Kock was the sole beneficiary on policies 0011733183 and 0011733218 and the board allocated her an equal share along with the complainants. It stated that the deceased's estate was named as a beneficiary under policy 0025959744. It submitted that there was no proof of financial dependency from any of the dependants mentioned above. It stated that the board in its discretion allocated the benefit under policy 0025959744 equally to the complainants.

In her determination, Ms Lukhaimane said the law recognised three categories of dependants based on the deceased member's liability to maintain such a person, namely, legal dependants, non-legal dependants and future dependants.

In principle, a member is legally liable for the maintenance of a spouse and children as they rely on the member for the necessities of life. In the case of non-legal dependants, where there is no duty of support, a person might still be a dependant if the deceased in some way contributed to the maintenance of that person.

She said investigations by the first respondent revealed that the deceased nominated M de Kock as a nominee to his death benefit under policies 0011733183 and 0011733218.

"Where the deceased member is survived by a dependant and the deceased has also designated in writing to the fund a nominee to receive the benefit or such portion of the benefit as is specified by the member in writing to the fund, the fund shall pay the benefit or such portion thereof to such dependant or nominee in such proportions as the board may deem equitable.

"This Tribunal would also like to highlight that a nominee is not entitled to be considered as a beneficiary because she was financially dependent on the deceased.

"The entitlement stems from the fact that the person concerned was nominated by the deceased and nothing more is required. A nominee does not have to prove that she was financially dependent on the deceased at the time of death," said Ms Lukhaimane.

She added that the board relied on the latest nomination form signed by the deceased as guidance in distributing the death benefit.

"The deceased failed to strengthen his wish by changing the nomination form. Had the deceased wished M de Kock not to benefit from his death benefit, he could have signed another nomination form excluding her from benefiting which seems not to be case in this complaint.

"It is also important to note that any decision which favours dependants over nominees in the distribution of the death benefit would be unreasonable and unjustifiable.

"This Tribunal is satisfied that the death benefit was allocated properly to the dependants of the deceased and there is no reason to set aside the board's decision," Ms Lukhaimane ruled and dismissed the complaint.

### **Pension fund members must complete their own beneficiary forms**

Members of pension funds who have legal dependants must complete a beneficiary nomination form themselves, said the Pension Funds Adjudicator.

Muvhango Lukhaimane said members cannot entrust the welfare of their legal dependants to the whims of their siblings and other family members who are often "less than honourable where money is concerned".

Ms Lukhaimane's comments came in the wake of a determination involving a complaint by LR Roems against Metal Industries Provident Fund (first respondent) and Metal Industries Benefit Funds Administrators (second respondent) concerning the delay in the payment of a death benefit following the death of her brother C Roems.

She found that the complainant had been dishonourable and had deliberately failed to disclose important information.

The deceased was survived by the complainant and a son, Christopher Pietersen.

Following the deceased's death, a total death benefit of R892 829.16 became payable to the deceased's beneficiaries. The board of the first respondent resolved to allocate 40% (R357 131.66) of the death benefit to the complainant based on her nomination as a nominee and retained the remaining 60% (R536 697.49) for Christopher.

## SUMMARY OF IMPORTANT DETERMINATIONS continued

The complainant stated that she was nominated by the deceased as his sole beneficiary of his estate and provident fund benefits.

The second respondent said the first respondent received death benefit application documentation from the complainant on 8 December 2016. The complainant provided two beneficiary nomination forms with her application.

The first nomination form was completed by the deceased on 31 October 2007 in terms of which he nominated the complainant and his other sister, Regina Roems, who predeceased the deceased on 21 November 2013. The second nomination form was completed on 1 May 2016 with the complainant as the sole nominee.

On 12 January 2017, the first respondent contacted the complainant to obtain information regarding the deceased's dependants and the child mentioned on her affidavit. However, the complainant stated that she had no idea of the whereabouts of the child, did not know his name and had never met him.

The second respondent indicated that the complainant confirmed that she was not dependent on the deceased and was employed. On 17 January 2017, the first respondent requested the employer to provide any information that may assist in locating the child. The employer stated that it had no further information regarding the deceased.

The second respondent submitted that further investigations revealed that a warrant of execution was issued on 10 March 1998 for arrear maintenance against the deceased. A garnishee order was also issued against him on 27 March 1998 for payment of maintenance in a matter between one Ms Sarah Pietersen and the deceased.

The deceased's nephew Gerald Roems subsequently confirmed that the deceased had a son named Christopher and the complainant was aware of him. He confirmed that Christopher would visit the deceased and after the deceased's death, he enquired about the deceased's benefits and belongings, which the complainant was aware of.

The nephew indicated that the deceased occasionally gave Christopher money to assist him as he was unemployed and resided with a family that was known to the deceased's family.

A visit to the home where Christopher resided revealed that he lived in an environment that was not stable. Christopher's mother, Sarah, passed away approximately 10 years ago, which was subsequently confirmed to be on 1 April 2004. On 4 April 2018, Christopher was assisted with an application for an identity document as he had only a birth certificate.

The second respondent indicated that it would assist Christopher with his application process and will pay his share of the death benefit upon receipt of his documentation.

In her determination, Ms Lukhaimane said it was the board's responsibility when dealing with the payment of death benefits to conduct a thorough investigation to determine the beneficiaries, to thereafter decide on an equitable distribution and finally to decide on the most appropriate mode of payment of the benefit payable.

The facts indicated that the complainant was dissatisfied with the allocation of a portion of the death benefit to Christopher as she stated that she was the sole beneficiary of the deceased in terms of his last nomination form.

However, the complainant should note that the board was not bound by a nomination form and it only served as a guide in the distribution of a death benefit.

Thus, the board was not bound to allocate the entire amount of the death benefit to the complainant based on her nomination as the sole beneficiary. The board had to take into account the existence of other beneficiaries and the extent of their dependency on the deceased in order to make an equitable allocation of the death benefit.

The deceased was survived by a son, Christopher, who qualified to be a legal dependant of the deceased.

"It follows that the board exercised its discretion equitably in allocating 60% of the death benefit to him.

"The complainant has been extremely dishonest in terms of providing information to the first respondent regarding the existence of Christopher as the deceased's son.

"There is an uncontested submission that the complainant denied ever knowing Christopher, which is contrary to the information gathered during the investigation by the board.

“It is dishonourable for the complainant to hide information from the board for her own benefit.

“Members must know that where they have legal dependants, they must complete a beneficiary nomination form as they cannot entrust the welfare of their legal dependants to the whims of their siblings and other family members who are often less than honourable where money is concerned.”

Ms Lukhaimane ordered the first respondent to pay Christopher Pietersen the remaining 60% of the death benefit that was allocated to him.

## Withdrawal benefit

### Pension fund rapped for ignoring treating customers fairly rules

Members of pension funds must be kept appropriately informed before, during and after entering into contracts, the Pension Funds Adjudicator has warned.

Muvhango Lukhaimane said the National Treasury had introduced principles of Treating Customers Fairly (“TCF”) to guide the relationship between the financial industry and consumers.

“TCF requires entities to measure themselves as to whether or not in doing their business they are dealing fairly with the consumer by, inter alia, providing them with sufficient and clear information that will enable them to make informed choices when acquiring financial products,” she said in a recent determination.

Ms Lukhaimane said the Municipal Employees Pension Fund (first respondent) had not acted in keeping with the spirit of the TCF in a matter that came before her for adjudication.

The complainant, CJ Modiba, was unhappy with the quantum of the withdrawal benefit paid to him following his exit from service at the Greater Sekhukhune District Municipality (second respondent).

The complainant was employed with the second respondent from 1 October 2007 to 29 February 2016. Following his exit from service, the complainant was paid a net withdrawal benefit of R276 150.64.

The complainant stated that he initially contributed to the Government Employees Pension Fund (“GEPF”) for 26 years and 9 months before his fund value of

R800 000 was transferred to the first respondent. He averred that he contributed to the first respondent for nine years before he resigned from the second respondent. He indicated that his gross resignation benefit amounted to R478 000 and a net amount of R276 000 was paid to him.

The first respondent said the complainant had a transfer value from GEPF in the amount of R860 527.64 which was received by the fund on 31 August 2013. The transfer value bought 17 years and 3 months of service for the complainant and at the time of his resignation, the complainant had 20 years and 3 months total service in the fund.

The first respondent further submitted that the complainant had a total gross resignation benefit of R468 259.57. An amount of R106 319.63 was deducted in respect of a loan and income tax in the amount of R79 786.72 was also deducted and paid to the South African Revenue Services. A further amount of R5 902.58 was deducted in respect of arrear tax and a net benefit of R276 150.64 was paid to the complainant.

The first respondent provided an actuarial computation for the purchase of the complainant’s past service and a computation of the withdrawal benefit paid which reflects the complainant’s pensionable service and final pensionable salary.

Ms Lukhaimane agreed with the first respondent’s explanation for the reduced amount that was paid to the complainant.

However, she was critical that the first respondent had failed to inform the complainant that the transfer value was used to purchase the additional pensionable service from the GEPF.

This issue should have been disclosed to the complainant when he joined the first respondent so that he understands that at the point of exit it won’t simply be added to his withdrawal benefit.

This result has been ruinous to say the least, in the complainant’s case. The first respondent has a duty to provide the complainant with relevant information relating to his benefits.

Further, the first respondent contravened the principles of Treating Customers Fairly by failing to disclose relevant information that affect a member’s fund value.

## SUMMARY OF IMPORTANT DETERMINATIONS continued

“However, the first respondent subsequently explained the pensionable service purchased with the transfer value and provided a computation thereof,” said Ms Lukhaimane and dismissed the complaint.

### Causal event charges

#### Pension funds profiteer at expense of members’ benefits, says PFA

“It is rather unfortunate that while a pension benefit is meant to provide for retirement, pension funds see nothing wrong in making excessive profits whilst eroding any value on the members’ part,” said the Pension Funds Adjudicator.

Handing down a determination relating to causal event charges, Muvhango Lukhaimane said funds should embrace the principles of the Retail Distribution Review (“RDR”) which aim to do away with commission payments which are prohibitive to consumers when they want to exercise their right and terminate their policies or effect changes thereto.

AG Rubin complained that Sanlam Life Insurance Limited (second respondent) had quoted an excessive causal event charge if he transferred from the Sanlam Linked Retirement Annuity Fund to another retirement annuity fund.

The complainant said the penalty charges levied on his policy had resulted in the estimated investment amount of R2 854 132 invested since 1996 only being worth R2 974 195.00 as a termination value in September 2017, which was a marginal return in nominal terms.

He asserted that the fees and charges that he was locked into for more than two decades had devastated his investment as a retirement product.

He submitted that the first respondent and its actuaries should have known all along that the product he was sold could not produce a financial return consistent with a product designed to be a retirement product.

The complainant was also unhappy that the second respondent wanted to charge a termination penalty in the region of R307 851.

He said the levying of termination charges was inconsistent with Treating Customers Fairly (“TCF”) principles and constituted “an unreasonable post sale barrier”. He said the first respondent must allow

members to exit without penalties as its product did not deliver what was promised.

The second respondent indicated that the complainant had not terminated the plan yet and as such no termination charge had been levied.

It explained that it received a request for the transfer of the complainant’s benefit to another retirement annuity fund. As a result, an early-termination charge came into play and had to be calculated in terms of the applicable legislation. The termination charge of R330 701.60 as at 24 January 2018 was equal to 9.27% of the fund value.

Ms Lukhaimane said the second respondent provided a breakdown of the complainant’s fund value and the amount to be imposed as a causal event charge if the complainant transferred to another retirement annuity fund.

She was satisfied that the causal event to be levied for early termination of the policy was lawful and, hence, dismissed the complaint.

However, she was critical of the fact that while the complainant had been informed at the time of contracting that early termination charges would be imposed; he had no way of knowing how much those charges would be.

“The TCF principles are intended as a tool for self-regulation by the industry to measure themselves as to whether or not in doing their business, they are dealing fairly with the consumer.

“They must provide sufficient and clear information that will enable customers to make informed choices when acquiring financial products.

“This Tribunal notes that although lawful, the actions of the respondents in this instance can hardly be described as being anywhere near the spirit of the principles.

“The fact that the complainant was not initially provided with the causal event charges on his fund value is an indication that the charges are obscure and excessive; and cannot be translated into value for members of retirement annuity funds.

“The imposition of causal event charges in instances where such information is not made apparent to members is nothing short of legalised theft.

“The fact that a settlement was reached in terms of the Statement of Intent does not in any way address the unfairness and absence of value that often accompanies the levying of causal event charges,” Ms Lukhaimane said.

## **Fund under curatorship**

### **PFA says transfer of benefits to unclaimed benefit fund will be unjust**

A request by a retirement fund for the membership of all the beneficiaries in a beneficiary fund under curatorship be terminated and the assets of the beneficiaries be transferred to an Unclaimed Benefits Fund, has been dismissed by the Pension Funds Adjudicator.

Muvhango Lukhaimane said the object of a beneficiary fund is to receive, administer, invest and pay benefits that become payable to beneficiaries on the death of a member. An Unclaimed Benefit Fund cannot perform these objectives, she said.

The Transport Sector Retirement Fund (complainant) requested the Tribunal to order the termination of membership of all its beneficiaries who are members of the Bophelo Beneficiary Fund (respondent) and the transfer of those members to the complainant’s Unclaimed Benefit Preservation Fund.

The complainant submitted that its board resolved that when distributing death benefits involving minor children for whom payments could not be made to guardians or caregivers, such benefits must be transferred to the respondent. It stated that this was done after due diligence as an appropriate method of payment of these benefits.

The complainant stated that the respondent was placed under curatorship by the Financial Services Conduct Authority (“FSCA”). It indicated that in order to ensure that benefits of the beneficiaries whose benefits were transferred to the respondent remain protected, its board resolved to transfer all current benefits of its beneficiaries to its Unclaimed Benefits Preservation Fund (Unclaimed Benefits Fund) and to have all beneficiaries in the respondent transferred to its Unclaimed Benefits Fund.

It stated that although there may be no evidence of loss or mismanagement, a mere allegation and subsequent appointment of a curator is sufficient reason for concern

and sufficient reason for it to ensure the protection of the beneficiaries’ benefits.

The complainant also submitted that by forcing the respondent to make the calculations, it will become evident whether there has been any mismanagement of benefits and it is only then that any further action against the respondent and its former board can be considered.

It indicated that it is important to institute any action now instead of waiting until a beneficiary turns 18 years as by then all assets would possibly have been depleted.

The complainant further stated that it would be unjust for the beneficiaries to remain in the respondent where there are concerns regarding its management. Furthermore, the affected beneficiaries are minors and in order to protect the interest of the minors, it had no option but to approach this Tribunal.

On 2 May 2017, the respondent advised that an amount of R55 133 144.00 due to the complainant’s beneficiaries was fully accounted for.

The complainant requested the Tribunal to make a determination that the membership of all the beneficiaries that were transferred to the respondent be terminated and the assets of the affected beneficiaries be transferred to the Unclaimed Benefits Fund.

The respondent said it was placed under curatorship by the FSCA. The curator submitted that he could not consent to the request by the complainant as the respondent’s rules did not permit this.

In her determination, Ms Lukhaimane said although the rules of the respondent made provision for the Office of the Pension Funds Adjudicator (“OPFA”) to terminate membership of beneficiaries in the respondent, the same could not be done in isolation.

“There must be sound legal reasons for this Tribunal to order the termination of membership of the beneficiaries in the respondent. The complainant has failed to set out a legal basis for its prayer. There are no allegations that the respondent breached any of its rules.

“Furthermore, the complainant in its own admission indicated that there is no evidence of loss or mismanagement of funds and that the respondent has confirmed that an amount of R55 133 144.00 transferred to it on behalf of the complainant’s beneficiaries is fully accounted for.

## SUMMARY OF IMPORTANT DETERMINATIONS continued

“The fact that the respondent was placed under curatorship is not sufficient to warrant the termination of membership of the complainant’s beneficiaries who are members of the respondent.

“The FSCA appointed the curator in order to safeguard the interests of the members of the respondent. It is also noted that the complainant, prior to lodging this complaint, referred its request to the FSCA. The latter declined the request to terminate the complainant’s participation in the respondent as the latter was under curatorship.

“Had the complainant been dissatisfied with the decision of the FSCA, it could have referred the matter to the FSCA Appeals Board instead of lodging it with this Tribunal and hoping for a different outcome.

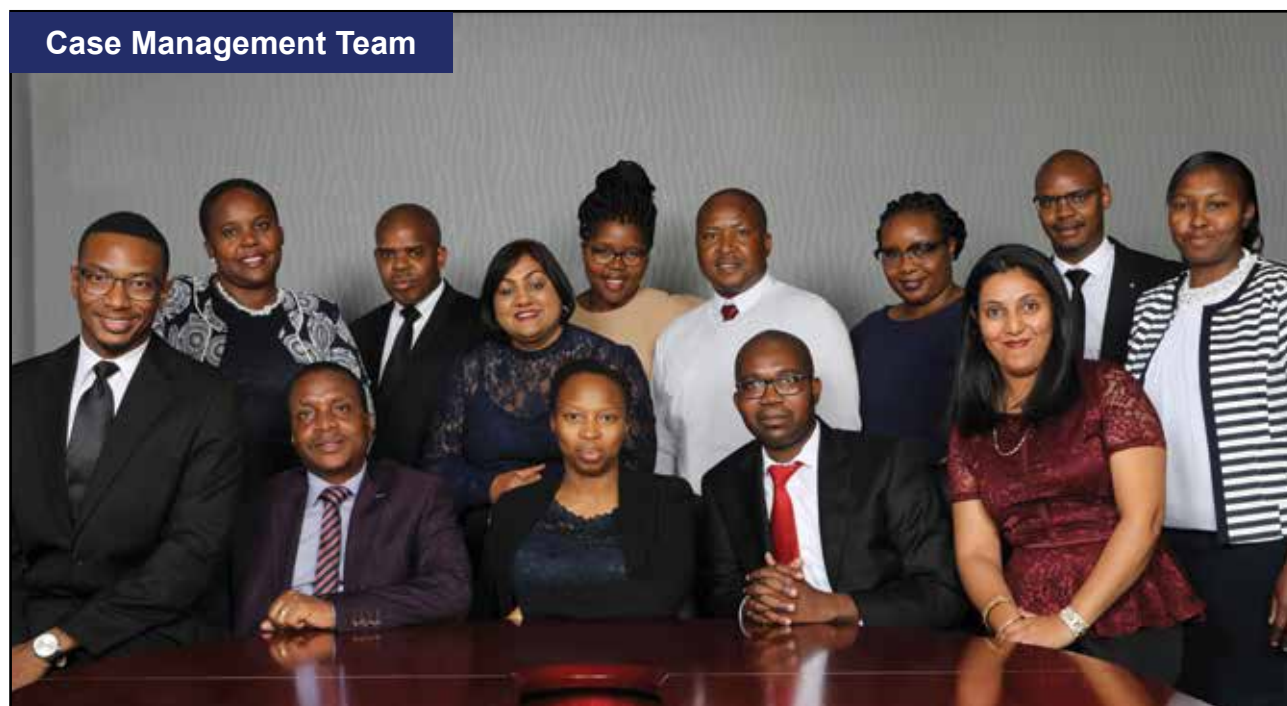
“This Tribunal discourages forum shopping where a complainant approaches different role players with the

same complaint hoping for a different outcome. The complainant is a large fund and should know better,” said Ms Lukhaimane.

She said the object of a beneficiary fund is to receive, administer, invest and pay benefits that become payable to beneficiaries on the death of a member.

“An unclaimed benefit fund is established solely for the receipt of unclaimed benefits. It is, therefore, evident that the intention of the complainant to transfer the benefits from the respondent to an Unclaimed Benefit Fund is unjust as the latter’s object is not to administer, invest and pay benefits to beneficiaries of death benefits.

“Therefore, the complaint against the respondent cannot succeed and must be dismissed,” said Ms Lukhaimane.



**From left to right (back):** Busisiwe Dhlamini, Caswell Ritshuri, Lalita Jadoonandan, Siphokazi Cetyana, Phakiso Chuene, Neo Mashigo, Joseph Makama, Sibongile Jamekwane  
**From left to right (front):** Atlegang Tshidi, Silas Mothupi, Gift Mudau, Keletso Selomo, Urisha Maharaj

## Failure to pay contributions to fund

### Some municipalities putting pension benefits at risk

It is unacceptable that some municipalities fail to pay contributions to pension funds in respect of employees, despite the amount being deducted from the salary, said the Pension Funds Adjudicator.

Muvhango Lukhaimane said the issue of non-compliance by municipalities with regard to payment of contributions affected members in terms of their pension or provident fund investments and risk benefits.

She said such benefits may not be paid due to outstanding contributions.

Ms Lukhaimane was commenting in a determination concerning a municipality that had failed to pay contributions on behalf of its employees to the pension fund in good time.

The complainant TP Hlongwane claimed that Maluti-A-Phofung Local Municipality (fourth respondent) had failed to pay all contributions on his behalf to Phuthaditjhaba Municipality Pension Fund (first respondent) and National Fund for Municipal Workers (third respondent), which affected the quantum of his fund credits.

The complainant further stated that the first respondent had not provided him with annual benefit statements and did not explain the issue to members or take any action.

The second respondent submitted that the first respondent had experienced serious challenges in obtaining arrear contributions from the fourth respondent.

On 31 October 2017, it wrote to the chairperson of the board to state that contributions were in arrears and requested the chairperson to address the matter with the fourth respondent.

After the fourth respondent failed to remedy the matter, the Principal Officer of the first respondent opened a case with the South African Police Service.

On 6 February 2018, a formal member communication detailing the situation was drafted for distribution to members. The matter was also reported to the

Financial Services Conduct Authority ("FSCA") on 14 February 2018.

The second respondent indicated that on 6 June 2018 and 23 July 2018, it drafted a letter of demand informing the fourth respondent that if contributions were not paid, it would take legal action.

Letters were also drafted to update members of the situation whereby the fourth respondent was in arrears with contributions for the period November 2017 to January 2018 and March 2018 to June 2018.

A settlement agreement dated 27 March 2018 was the only response received from the fourth respondent in which it undertook to pay the arrear contributions in relation to members who were dismissed, resigned or passed away by June 2018 and the balance would be rectified thereafter.

The second respondent confirmed that the fourth respondent paid all contributions up to June 2018 on 24 July 2018. However, it averred that late payment interest on the arrear contributions was outstanding. It concluded that benefit statements would be finalised once the reconciliation of contributions received was completed by no later than 30 September 2018.

The third respondent confirmed that the fourth respondent had not been compliant with section 13A of the Act as it did not pay contributions timeously or not at all.

The third respondent submitted that annual benefit statements were sent to members at the end of August every year and it was in the process of finalising same. The benefit reflected on a benefit statement would only be for contributions actually received.

In her determination, Ms Lukhaimane said while the complainant had stated that the first respondent failed to take legal steps against the fourth respondent for its non-compliance with regard to the payment of contributions, the first respondent had in fact engaged the fourth respondent on several occasions regarding the arrear contributions and also reported the matter to the FSCA on 14 February 2018.

As a result of the steps the first respondent took, the fourth respondent subsequently paid the arrear contributions up to December 2018. The first respondent continued to engage the fourth respondent regarding the outstanding late payment interest.

## SUMMARY OF IMPORTANT DETERMINATIONS continued

“This Tribunal would like to indicate that it is unacceptable that municipalities, like the fourth respondent, can continue to operate without paying salaries or contributions in respect of employees.

“The issue of non-compliance by municipalities with regard to payment of contributions affects members in terms of their pension or provident fund investments and risk benefits that may not be paid due to outstanding contributions,” she said.

The first respondent was ordered to provide the complainant with his latest benefit statement – and a benefit statement annually thereafter as long as his membership subsists.

The fourth respondent was ordered to pay the first respondent the complainant’s outstanding late payment interest in the amount of R2 520.38. The fourth respondent was also ordered to pay the third respondent the complainant’s outstanding late payment interest.

### **Pension fund owed an estimated R58-m by municipality**

The Kopanong Local Municipality in the Free State failed to pay an estimated R58 million in contributions on behalf of its members to a pension fund.

This emerged during an investigation by the Office of the Pension Funds Adjudicator following complaints by several employees of the municipality.

The complainants said the third respondent, Kopanong Local Municipality, deducted pension fund contributions from their salaries but did not pay this to the first respondent, South African Local Authorities Pension Fund.

In its response, the second respondent, Fairsure Administration (Pty) Ltd submitted that the third respondent had not paid contributions since March 2013 in contravention of the first respondent’s rules. This was despite monthly communication that was sent to the third respondent regarding the status of the unpaid contributions.

The second respondent also said complainants had been informed that the third respondent was in arrears

with contributions and added that the first respondent was in discussion with its legal representatives for assistance in the collection of the outstanding contributions.

The second respondent said while it was unable to confirm arrear contributions in respect of each individual member of the fund, the third respondent was in arrears for an estimated amount of R58 347 794.69.

The third respondent was afforded the opportunity to respond to the complaint. However, it failed to file a response.

In her determination, the Pension Funds Adjudicator, Muvhango Lukhaimane, said the third respondent had contravened the Pension Funds Act by failing to pay all contributions in respect of the complainants.

She also said while the second respondent had indicated that the first respondent was in discussion with its legal representative to assist in the collection of the outstanding contributions, it did not appear that any legal steps had been instituted against the third respondent.

She also noted with concern the failure of the first respondent to take action against the third respondent for non-payment of pension fund contributions.

“The board of the first respondent ought to have advised the Financial Services Conduct Authority (“FSCA”) of the third respondent’s failure to pay contributions and taken action to remedy such.

“Other than sending letters to the third respondent, this Tribunal is not aware of any legal action taken by the fund to remedy the situation since it became aware of the default by the third respondent in 2012,” said Ms Lukhaimane.

Ms Lukhaimane was critical of the first respondent for failing to get the third respondent to provide the name of the person who could be held personally liable for the non-payment of contributions and have their assets attached, if necessary.

“Therefore, the first respondent must be proactive in order to ensure accountability and better protection of the interests of members.”



The third respondent was ordered to provide the first respondent with contribution schedules in respect of the complainants in order to determine their outstanding contributions, within two weeks of the determination.

The third respondent was ordered to pay the arrear contributions with interest in respect of the complainants to the first respondent in order for the latter to update their records.

The first respondent was ordered to provide the complainants with a breakdown of their contributions and latest benefit statements.

### Fund must ensure employer pays member's contributions

A fund has a duty in terms of the Pension Funds Act to ensure an employer complies with payment of provident fund contributions, says the Pension Funds Adjudicator.

Muvhango Lukhaimane was critical of the Private Security Sector Provident Fund (first respondent) for not reporting Volsec Security (SA) (Pty) Ltd (second respondent) with the FSCA for non-compliance.

“The first respondent has a duty placed on it by the provisions of section 13A of the Act to take all reasonable steps to ensure that contributions are paid in accordance with the Act.

“It is clear that the first respondent has failed to take any steps against the second respondent,” Ms Lukhaimane said.

She was commenting in a determination following a complaint by JB Nxumalo that the second respondent had failed to timeously register as a participating employer in the first respondent; register the complainant as a member thereof; and pay all provident fund contributions due on his behalf. This subsequently resulted in the non-payment of his withdrawal benefit.



**From left to right (back):** Dolly Sibanda, Lesley Ratsebe, Lerato Lebogo, Sandile Mthethwa, Nhlaysi Mangwani, Madumetja Mogale  
**From left to right (front):** Wilana Groenewald, Sylvia Arendse, Danielle Magwentshu, Pamela Mpofo

## SUMMARY OF IMPORTANT DETERMINATIONS continued

The first respondent submitted that the complainant was not its member as the second respondent did not enrol him as such. The first respondent submitted that the second respondent defaulted in respect of enrolling the complainant as its member as well as in respect of contributions required to have been paid.

The first respondent concluded that it could not pay any benefit that would have been secured by contributions that were not paid to it.

In her determination, Ms Lukhaimane said it is compulsory for employers and employees in the private security sector to register with the first respondent and pay contributions to the first respondent as per the Sectoral Determination.

“By not registering the complainant as a member of the first respondent, the second respondent failed to act in accordance with the Sectoral Determination.”

“The second respondent and its employees should under all times participate in the first respondent. To ensure compliance with the Sectoral Determination and the relevant rules of the first respondent, the

first respondent and the Private Security Industry Regulatory Authority (“PSIRA”) must take appropriate steps to ensure that the second respondent registers its qualifying employees with the first respondent.”

Ms Lukhaimane said the first respondent must allocate all contributions received from the second respondent up to July 2016 in order to establish whether there are any further outstanding contributions due by the second respondent.

She said the matter will be referred to PSIRA for investigation of the second respondent regarding its unlawful conduct. PSIRA is mandated to regulate the private security industry and exercise control over the practice of the occupation of security service providers.

The second respondent was ordered to timeously register as a participating employer in the first respondent, register the complainant as a member of the first respondent and pay contributions on his behalf. The first respondent was ordered to pay the complainant’s withdrawal benefit upon receipt of contributions from the second respondent.



**PART C:  
CORPORATE GOVERNANCE**

# GOVERNANCE COMMITTEE MEMBERS



**Abel Sithole**  
FSCA Commissioner:  
Accounting Authority  
Member: Human Resources  
Committee  
Member: Remuneration  
Committee



**Dudu Msomi**  
Chairperson: Human  
Resources Committee  
Member: Remuneration  
Committee  
Member: Audit Committee



**Jabu Mogadime**  
Chairperson: Audit Committee  
Member: Risk Management  
Committee



**Hilary Wilton**  
Chairperson: Remuneration  
Committee  
Member: Risk Management  
Committee  
Member: Audit Committee  
Member: Human Resources  
Committee



**Phillip Sutherland**  
Member: Remuneration  
Committee  
Member: Audit Committee  
Member: Human Resources  
Committee



**Hamilton Ratshefola**  
Chairperson: Risk Management  
Committee  
Member: Audit Committee

# CORPORATE GOVERNANCE REPORT

## Commitment

The accounting authority is responsible for monitoring standards of sound corporate governance and fully endorses the application of the recommendations of the King Report on Governance (King IV). The accounting authority is committed to governance processes that give assurance to stakeholders that the operations of the Office of the Pension Funds Adjudicator (OPFA) are conducted ethically within prudent risk parameters in pursuit of best practice.

To the best of the accounting authority's knowledge, information and belief, the OPFA complied with applicable legislation, policies and procedures, and codes of governance in the financial period under review.

## Composition of the board and its role

The former board of Financial Services Board was dissolved in November 2018 and the Financial Sector Conduct Authority Commissioner was appointed as the accounting authority. The former board comprised of 11 (eleven) non-executive Board members from diverse backgrounds appointed by the Minister of Finance with due regard to experience, technical skills and the interests of users and providers of financial services, including financial intermediaries and the public interest.

The designated accounting authority governs the OPFA in accordance with the provisions of the Pension Funds Act, No 24 of 1956 (the Act), the Public Finance Management Act, No 1 of 1999 (PFMA) and good corporate governance principles.

The accounting authority remains primarily responsible for the leadership of the OPFA and for strategic direction and policy, operational performance, financial matters, risk management and compliance. The accounting authority generally exercises Leadership, integrity and judgement in directing the OPFA in a manner based on transparency, accountability and responsibility. The accounting authority is also the focal point of corporate governance system within OPFA. Authority for the day-to-day management of the activities of the OPFA is delegated to the management team.

## Delegations of authority

The accounting authority has the authority to lead, control and manage the business of the OPFA. The accounting authority has established governance structure that consists of oversight committees and has delegated through comprehensive delegation-of-authority framework some of its authority to the Adjudicator and to the Management committee to manage the day-to-day business affairs of the OPFA. The delegation of authority assists decision-making and delivery of strategic objectives without exonerating the accounting authority of its accountability responsibilities for the OPFA.

## Materiality and significance framework

The accounting authority approved a framework of acceptable level of materiality and significance in accordance with the PFMA.

## Board meetings (Dissolved in November 2018)

In the period under review, two scheduled meetings were held and several extraordinary meetings convened. Executive and management committee members attend board meetings ex officio. Details of attendance for board members are shown below.

## CORPORATE GOVERNANCE REPORT CONTINUED

Board member	25/07/18	17/10/18
A Sithole (Chairperson)	✓	✓
H Wilton (deputy chairperson)	✓	A
Z Bassa	R	R
F Groepe	✓	✓
J Mogadime	✓	✓
I Momoniat	✓	A
D Msomi	A	A
H Ratshefola	✓	✓
PJ Sutherland	✓	✓
D Turpin	✓	✓

✓ Attendance    A: Apologies    R: Resigned

### Accounting authority meetings

In the period under review, one scheduled meeting was convened with the FSCA Commissioner. Details of records of attendance are shown below:

Member	02/07/19
A Sithole (FSCA Commissioner – accounting authority)	✓
MA Lukhaimane (Pension Funds Adjudicator – ex officio)	✓
AB Makunga (Chief financial officer – ex officio)	✓

### Governance committees

The governance committees are empowered by the Financial Sector Regulation Act to review, monitor and advise the institution's operations. These governance committees are responsible for ensuring the institution complies with relevant legislation, codes of good corporate governance and practices. Each committee has its own terms of reference, which are reviewed annually in line with best practice.

### Audit committee

The committee assists the institution in its responsibility for safeguarding assets, operating control systems, combined assurance, finance functions, internal and external audit services, and advises the board on the adequacy of risk management processes and strategies. The committee met six times in the previous year, with attendance shown below.

Member	25/05/18	13/07/18	07/09/18	12/10/18	01/11/18	18/03/19
J Mogadime (Chairperson)	✓	✓	✓	✓	✓	✓
D Msomi	✓	✓	✓	✓	✓	✓
PJ Sutherland	✓	✓	✓	✓	✓	✓
H Wilton	✓	✓	A	A	✓	✓
H Ratshefola	N/A	N/A	N/A	A	✓	A

✓ Attendance    A: Apologies    R: Resigned    N/A: Not appointed

## Risk committee

The committee assists the institution in ensuring effective implementation of policies and plans for risk management that will enhance its ability to achieve strategic objectives. It advises the institution on the adequacy of risk management processes and strategies. It met four times in the review period, with attendance reflected below.

Member	30/05/18	05/09/18	30/10/18	28/02/19
H Ratshefola (Chairperson)	✓	✓	✓	✓
A Sithole	✓	A	A	
H Wilton	✓	✓	✓	✓
J Mogadime	✓	✓	✓	✓
D Turpin	✓	✓	✓	R

✓ Attendance    A: Apologies    R: Resigned    N/A Not appointed

## Human resources committee

The function of this committee is to ensure the institution's human resources strategy and policies are implemented. It met four times in the review period, with attendance shown below.

Member	30/05/18	05/09/18	26/11/18	28/02/19
H Wilton (Chairperson)	✓	✓	A	✓
A Sithole	✓	✓	✓	✓
D Msomi	✓	✓	✓	✓
P Sutherland	✓	✓	✓	✓

✓ Attendance    A: Apologies    R: Resigned    N/A Not appointed

## Remuneration committee

The committee ensures the institution's remuneration strategies and policies are implemented. It reviews compensation matters and benchmarks salaries of staff. The committee met four times in the review period, with attendance reflected below.

Member	30/05/18	05/09/18	26/11/18	28/02/19
H Wilton (Chairperson)	✓	✓	✓	
A Sithole	✓	✓	A	✓
D Msomi	✓	✓	✓	✓
P Sutherland	✓	✓	✓	✓

✓ Attendance    A: Apologies    R: Resigned    N/A Not appointed



## PART D: FINANCIAL STATEMENTS



# CONTENTS

	Page
Accounting Authority's responsibilities and approval	40
Audit committee report	41
Report of the Auditor-General to Parliament on the Office of the Pension Funds Adjudicator	43
Statement of financial position	48
Statement of financial performance	49
Statement of changes in net assets	50
Cash flow statement	51
Statement of comparison of budget and actual amounts	52
Accounting policies	53
Notes to the annual financial statement	62



**From left to right (back):** Bulelani Makunga, Magadi Tshitannye, Lufuno Balibali  
**From left to right (front):** Dumazile Lubando, Wonder Dila, Gomotsegang Magaseng

# ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Authority to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Authority acknowledges that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the entity sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Authority is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement.

The Accounting Authority have reviewed the entity's cash flow forecast for the year to 31 March 2020 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 43.

The audited annual financial statements set out on pages 48 to 75 which have been prepared on the going concern basis, were approved by the Accounting Authority on 18 July 2019 and were signed on its behalf by:



**Mr A Sithole**  
Chairperson



**Ms MA Lukhaimane**  
Pension Funds Adjudicator

# AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2019. The committee is an oversight sub-committee of the accounting authority of the Office of the Pension Funds Adjudicator in terms of section 77(c) of the Public Finance Management Act, Act No 1 of 1999 and consists of only non-executive members.

The committee is a statutory sub-committee of the accounting authority and does not perform any management functions or assume any management responsibilities. The committee's role is to assist the accounting authority in its responsibility of safeguarding assets and operating control systems and also evaluates and advises the accounting authority on the adequacy of risk management processes and strategies. The committee ensures that identified financial risks are monitored and appropriate measures are put in place and implemented to manage such risks. Members of the OPFA Management, internal auditors and Auditor-General attend these meetings by invitation. We are pleased to present our report for the financial year ended 31 March 2019.

## Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet not less than 4 (four) times per annum as per its approved terms of reference. During the current year 6 (six) meetings were held.

Name of member	Number of meetings attended
J Mogadime (Chairperson)	6/6
D Msomi	6/6
PJ Sutherland	6/6
H Wilton	4/6
H Ratshefola*	1/3

\* Mr H Ratshefola was appointed as a member of the audit committee in October 2018.

## Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 55(1)(a) of the PFMA and Treasury Regulation 27.1.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

## The effectiveness of internal control

The system of internal controls applied by the entity over financial and risk management is effective, efficient and transparent. In line with the PFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations there from.

## AUDIT COMMITTEE REPORT *continued*

### Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Authority;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions; and
- reviewed significant adjustments resulting from the audit.

The audit committee concurs with and accepts the Auditor-General of South Africa's report on the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

### Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits.

### Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.



**J Mogadime**

*Chairperson of the Audit Committee*

31 July 2019

# REPORT OF THE AUDITOR – GENERAL TO PARLIAMENT ON THE OFFICE OF THE PENSION FUNDS ADJUDICATOR

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the Office of the Pension Funds Adjudicator set out on pages 48 to 75, which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Pension Funds Adjudicator as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the public entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Responsibilities of the accounting authority for the financial statements

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting authority is responsible for assessing the Office of the Pension Funds Adjudicator's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

### Auditor-general's responsibilities for the audit of the financial statements

8. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

# REPORT OF THE AUDITOR – GENERAL TO PARLIAMENT ON THE OFFICE OF THE PENSION FUNDS ADJUDICATOR *continued*

## Report on the audit of the annual performance report

### Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objective presented in the annual performance report of the public entity for the year ended 31 March 2019:

Objective	Pages in the annual performance report
Strategic objective1 – Dispose of complaints received	78 – 79

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following objective:
  - Strategic objective 1 – Dispose of complaints received

### Other matter

15. I draw attention to the matter below.

### Achievement of planned targets

16. Refer to the annual performance report on pages 78 to 81 for information on the achievement of planned targets for the year and explanations provided for the underachievement of a target.

## Report on the audit of compliance with legislation

### Introduction and scope

17. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
18. I did not raise any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

## Other information

19. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.
20. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
21. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
22. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

## Internal control deficiencies

23. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

Auditor - Senoela

Pretoria  
31 July 2019



**AUDITOR - GENERAL  
SOUTH AFRICA**

*Auditing to build public confidence*

# ANNEXURE – AUDITOR-GENERAL’S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the public entity’s compliance with respect to the selected subject matters.

## Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
  - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity’s internal control
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority
  - conclude on the appropriateness of the accounting authority’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office of the Pension Funds Adjudicator’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a public entity to cease continuing as a going concern
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation



## **Communication with those charged with governance**

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

# STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

Figures in Rand	Notes	2019	2018
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from exchange transactions	3	164 632	199 467
Receivables from non-exchange transactions	4	11 864 055	5 619 188
Prepayments	5	2 024 746	796 405
Cash and cash equivalents	6	1 764 584	3 644 619
		<b>15 818 018</b>	10 259 678
<b>Non-Current Assets</b>			
Property, plant and equipment	7	6 101 946	3 096 350
Intangible assets	8	1 026 506	1 596 746
		<b>7 128 452</b>	4 693 097
<b>Total Assets</b>		<b>22 946 470</b>	14 952 775
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	9	3 106 439	1 920 059
<b>Total Liabilities</b>		<b>3 106 439</b>	1 920 059
<b>Net Assets</b>		<b>19 840 031</b>	13 032 717
Accumulated surplus		<b>19 840 031</b>	13 032 717

# STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2019

Figures in Rand	Notes	2019	2018
<b>Revenue from non-exchange transactions</b>			
Transfer from the Financial Sector Conduct Authority		64 325 520	59 037 924
<b>Revenue from exchange transactions</b>			
Interest received		18 577	17 558
Gains on disposal of property, plant and equipment		142 153	74 471
		160 730	92 029
<b>Operating expenses</b>			
Auditor's remuneration – external		(1 452 450)	(1 140 551)
Auditor's remuneration – internal		(247 331)	(613 651)
Consulting and professional fees		(671 820)	(692 193)
Depreciation and amortisation		(1 764 545)	(1 932 188)
Information technology maintenance and support		(4 026 253)	(4 818 773)
Legal expenses		(1 804 431)	(1 696 578)
Operating lease rentals		(5 722 082)	(4 919 042)
Other operating expenses	11	(7 736 268)	(6 516 178)
Personnel costs	12	(34 253 755)	(32 345 623)
<b>Total operating expenditure</b>		<b>(57 678 935)</b>	<b>(54 674 777)</b>
<b>Operating surplus</b>		<b>6 807 315</b>	<b>4 455 176</b>
<b>Surplus for the year</b>		<b>6 807 315</b>	<b>4 455 176</b>

# STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2019

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at 01 April 2017</b>	8 604 574	8 604 574
Changes in net assets	–	–
Adjustment in property, plant and equipment	(27 033)	(27 033)
Surplus for the year	4 455 176	4 455 176
<b>Total changes</b>	4 428 143	4 428 143
<b>Balance at 01 April 2018</b>	<b>13 032 717</b>	<b>13 032 717</b>
Changes in net assets	–	–
Surplus for the year	6 807 315	6 807 315
<b>Total changes</b>	<b>6 807 315</b>	<b>6 807 315</b>
<b>Balance at 31 March 2019</b>	<b>19 840 031</b>	<b>19 840 031</b>

# CASH FLOW STATEMENT

FOR YEAR ENDED 31 MARCH 2019

Figures in Rand	Notes	2019	2018
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Finance income		18 577	17 558
Cash received from Financial Sector Conduct Authority		58 080 653	53 418 736
		<b>58 099 230</b>	<b>53 436 294</b>
<b>Payments</b>			
Cash paid to personnel		(33 752 313)	(32 305 976)
Cash paid to suppliers		(22 101 725)	(18 412 714)
		<b>(55 854 038)</b>	<b>(50 718 690)</b>
<b>Net cash flows from operating activities</b>	14	<b>2 245 192</b>	<b>2 717 604</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(4 189 309)	(972 434)
Proceeds from sale of property, plant and equipment	26	77 389	99 270
Purchase of intangible assets	8	(13 306)	(197 622)
<b>Net cash flows from investing activities</b>		<b>(4 125 226)</b>	<b>(1 070 786)</b>
Net increase in cash and cash equivalents		<b>(1 880 035)</b>	1 646 818
Cash and cash equivalents at the beginning of the year		<b>3 644 619</b>	1 997 801
<b>Cash and cash equivalents at the end of the year</b>	6	<b>1 764 584</b>	<b>3 644 619</b>

# STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR YEAR ENDED 31 MARCH 2019

Figures in Rand actual	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Interest received – investment	15 000	–	15 000	18 577	3 577	
Profit on sale of property, plant and equipment	–	–	–	142 153	142 153	
<b>Total revenue from exchange transactions</b>	15 000	–	15 000	160 730	145 730	
<b>Revenue from non – exchange transactions</b>						
<b>Transfer revenue</b>						
Contributions from the Financial Sector Conduct Authority	63 920 000	–	63 920 000	64 325 520	405 520	23
<b>Total revenue</b>	63 935 000	–	63 935 000	64 486 250	551 250	
<b>Expenditure</b>						
Auditors' remuneration – external	(1 274 000)	–	(1 274 000)	(1 452 450)	(178 450)	
Auditors' remuneration – internal	(533 000)	–	(533 000)	(247 331)	285 670	
Consulting and professional fees	(1 116 000)	–	(1 116 000)	(671 820)	444 180	23
Depreciation and amortisation	(4 597 000)	–	(4 597 000)	(1 764 545)	2 832 455	23
Information technology maintenance and support	(4 828 000)	–	(4 828 000)	(4 026 253)	801 747	23
Legal expenses	(956 000)	–	(956 000)	(1 804 431)	(848 431)	23
Operating lease rentals	(6 420 000)	–	(6 420 000)	(5 722 082)	697 918	23
Personnel costs	(38 491 000)	(1 791 000)	(40 282 000)	(34 253 755)	6 028 245	23, 24
Other operating expenses	(6 754 000)	221 000	(6 533 000)	(7 736 268)	(1 203 268)	23, 24
Intangible asset acquisitions	(500 000)	(13 000)	(513 000)	(13 306)	499 694	23, 24
Property, plant and equipment Acquisitions	(3 450 000)	(2 044 000)	(5 494 000)	(4 189 309)	1 304 690	23, 24
<b>Total expenditure</b>	(68 919 000)	(3 627 000)	(72 546 000)	(61 881 550)	10 664 450	
<b>Surplus before taxation</b>	(4 984 000)	(3 627 000)	(8 611 000)	2 604 700		
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>						
	(4 984 000)	(3 627 000)	(8 611 000)	2 604 700		
<b>Reconciliation</b>						
<b>Basis difference</b>						
Acquisition of property, plant and equipment and intangible assets				4 202 615		
<b>Actual Amount in the Statement of Financial Performance</b>				6 807 315		

# ACCOUNTING POLICIES

## 1. Presentation of Annual Financial Statements

The Office of the Pension Funds Adjudicator (OPFA) is a National Public Entity as specified in Schedule 3A of the Public Finance Management Act (PFMA), Act No 1 of 1999 (as amended by Act 29 of 1999). The principal accounting policies applied in preparation and presentation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

The annual financial statements have been prepared in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with section 55 and 89 of the Public Finance Management Act, Act No 1 of 1999 (as amended by Act 29 of 1999).

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

### 1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the OPFA will continue to operate as a going concern for at least the next 12 months. Management and the accounting authority are of the view that the transition and implementation of the Twin Peaks regulation model will not impact the mandate or future funding of the OPFA.

### 1.2 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 are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Significant judgements include:

#### ***Impairment testing of receivables from exchange and non-exchange transactions***

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

The impairment for receivables from exchange and non-exchange transactions is calculated individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), an entity includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

## ACCOUNTING POLICIES continued

### 1. Presentation of Annual Financial Statements continued

#### 1.2 Significant judgements and sources of estimation uncertainty continued

##### ***Impairment testing for non-financial assets***

The OPFA has judged all non-financial assets to be non-cash generating in line with its mandate and operations. 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. If there are indications that impairment may have occurred, OPFA determines the recoverable service amount. The recoverable service amount is the higher of fair value less costs to sell and value in use. These calculations require the use of estimates and assumptions.

##### ***Useful lives and residual values of intangible assets***

The OPFA reassesses the useful lives and residual values of intangible assets on an annual basis. In reassessing the useful lives and residual values of intangible assets, management considers the condition and the use of the individual assets to determine the remaining period over which the asset can and will be used. The change is accounted for as a change in an accounting estimate.

##### ***Useful lives and residual values of property, plant and equipment***

The OPFA reassesses at each reporting date whether there is any indication that the entity expectations about the residual values and the useful lives of its property, plant and equipment have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

#### 1.3 Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition. Depreciation is recognised in surplus or deficit on the straight line basis over their expected useful lives to their estimated residual values.

Depreciation commences when the asset is ready for its intended use. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Item	Average useful life
Machinery	10 years
Furniture and fixtures	5 to 10 years
Motor vehicles	5 years
Office equipment	3 to 7 years
IT equipment	3 to 5 years
Leasehold improvements	Lease period
Library books	4 to 8 years
Paintings and sculptures	5 to 10 years
Signage	Lease period

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.



## 1. Presentation of Annual Financial Statements *continued*

### 1.3 Property, plant and equipment *continued*

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 determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Such difference is recognised in the surplus or deficit when the item is derecognised.

### 1.4 Intangible assets

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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	3 to 5 years

Computer software licenses and costs associated with the development or maintenance of computer software programs are recognised as an expense as incurred.

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 arising from the derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised.

### 1.5 Financial instruments

#### **Classification**

The entity classifies financial assets and financial liabilities into the following categories:

- Financial assets measured at amortised cost which comprise of receivables from exchange and non-exchange transactions and cash and cash equivalents.
- Financial liabilities measured at amortised cost which comprise of trade and other payables from exchange transactions.

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

## ACCOUNTING POLICIES *continued*

### 1. Presentation of Annual Financial Statements *continued*

#### 1.5 Financial instruments *continued*

##### ***Initial recognition and subsequent measurement***

Financial instruments are recognised initially when the OPFA becomes a party to the contractual provisions of the instruments.

The OPFA classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Transaction costs are included in the initial measurement of the financial instrument.

Purchases of financial assets are accounted for at trade date.

##### ***Receivables from exchange and non-exchange transactions***

These financial assets at amortised cost are subsequently measured at amortised cost, using the effective interest rate method, less accumulated impairment losses.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When a receivable is uncollectable, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are recognised in surplus or deficit.

##### ***Cash and cash equivalents***

These financial assets at amortised cost are subsequently measured at amortised cost, using the effective interest rate method, less accumulated impairment losses.

Cash and cash equivalents comprise of cash at bank and cash on hand that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially measured at fair value, and subsequently at amortised cost using the effective interest rate method.

##### ***Trade and other payables from exchange transactions***

These financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method.

##### ***Impairment of financial assets***

At each end of the reporting period the OPFA assesses all financial assets, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

## 1. Presentation of Annual Financial Statements *continued*

### 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.

#### ***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 Prepayments

Prepayments are payments made in advance for services that have not been delivered for which the OPFA expects the delivery in the next financial period. Prepayments are recognised as current assets and are not discounted as the discounting effect thereof is considered immaterial.

### 1.8 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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 entity 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.

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.

### 1.9 Employee benefits

#### ***Short-term employee benefits***

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

## ACCOUNTING POLICIES *continued*

### 1. Presentation of Annual Financial Statements *continued*

#### 1.9 Employee benefits *continued*

##### **Retirement benefits**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### 1.10 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

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

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

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

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

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

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 18.

## 1. Presentation of Annual Financial Statements *continued*

### 1.11 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost; and
- Contracts should relate to something other than the routine, steady, state business of the entity.

### 1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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

#### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### **Interest**

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

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

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

### 1.13 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.

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

Non-exchange transactions are transactions whereby the 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.

Non-exchange revenue consist of funding transferred from Financial Sector Conduct Authority to the Office of the Pension Funds Adjudicator.

## ACCOUNTING POLICIES continued

### 1. Presentation of Annual Financial Statements continued

#### 1.13 Revenue from non-exchange transactions continued

##### **Recognition**

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

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

##### **Measurement**

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

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

##### **Gifts and donations, including goods in-kind**

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

#### 1.14 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would 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.

#### 1.15 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.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the period 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. Presentation of Annual Financial Statements** *continued*

### **1.16 Budget information**

Entity 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.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives. The annual financial statements are prepared on the accrual basis while the budget is prepared on a cash basis of accounting therefore a comparison and reconciliation with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts and a reconciliation between financial performance and the budgeted cash flows have been detailed in note 23.

The approved budget covers the fiscal period from 1 April 2018 to 31 March 2019.

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

### **1.17 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 entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 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 01 April 2019 or later periods:

Standard/Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20: Related parties	01 April 2019	Application of the disclosure requirements are allowed through Directive 5 before its effective date. Disclosure has been aligned to the requirements in note 19.
• GRAP 108: Statutory Receivables	01 April 2019	It is expected that the requirements of the standard would be applicable to the entity and effect on the financial statements will be determined.
• GRAP 109: Accounting by Principals and Agents	01 April 2019	It is expected that the requirements of the standard would not be applicable to the entity and effect on the financial statements is not yet determinable.
• GRAP 104: Financial Instruments (Revised)	No effective date	It is expected that the requirements of the standard would be applicable to the entity and effect on the financial statements will be determined.
• IGRAP 20: Accounting for adjustments to Revenue	01 April 2020	It is expected that the requirements of the interpretation would be applicable to the entity and effect on the financial statements will be determined.

## 3. Receivables from exchange transactions

Figures in Rand	2019	2018
Employee costs in advance	–	56 500
Study assistance	164 632	142 967
	<b>164 632</b>	199 467

All accounts receivable are due within twelve months from the reporting date.

Receivables do not contain any items that need to be impaired at year end. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The entity does not hold any collateral as security.



#### 4. Receivables from non-exchange transactions

Figures in Rand	2019	2018
Accounts receivable – Financial Sector Conduct Authority	11 864 055	5 619 188

All accounts receivable are due within twelve months from the reporting date.

Receivables do not contain any items that need to be impaired at year end. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The entity does not hold any collateral as security.

#### 5. Prepayments

Prepayments consist of annual payments for expense amortised over the period to which that service is to be utilised. These expenses primarily consist of subscription fees, membership fees and computer support, licenses and warranties.

#### 6. Cash and cash equivalents

Figures in Rand	2019	2018
Cash and cash equivalents consist of:		
Cash on hand	2 520	1 652
Cash at bank	1 762 064	3 642 967
	<b>1 764 584</b>	<b>3 644 619</b>

The cash and cash equivalents held by the OPFA may only be used in accordance with its mandate.

#### 7. Property, plant and equipment

Figures in Rand	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Machinery	276 849	(168 416)	108 433	276 849	(140 731)	136 118
Furniture and fixtures	1 596 281	(1 397 856)	198 425	1 520 297	(1 287 272)	233 024
Motor vehicles	386 533	(90 671)	295 862	386 533	(43 365)	343 168
Office equipment	447 949	(351 359)	96 590	437 951	(308 390)	129 562
IT equipment	9 964 287	(5 389 538)	4 574 748	5 933 888	(4 647 070)	1 286 817
Leasehold improvements	5 564 223	(4 797 994)	766 230	5 538 343	(4 647 920)	890 423
Library books	338 495	(282 126)	56 333	315 843	(244 993)	70 850
Paintings and sculptures	291	(230)	61	291	(220)	71
Signage	39 877	(34 613)	5 264	39 877	(33 560)	6 317
<b>Total</b>	<b>18 614 749</b>	<b>(12 512 803)</b>	<b>6 101 946</b>	<b>14 449 873</b>	<b>(11 353 522)</b>	<b>3 096 351</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

### 7. Property, plant and equipment continued

#### Reconciliation of property, plant and equipment – 2019

Figures in Rand	Opening balance	Additions	Disposals	Depreciation	Total
Machinery	136 118	–	–	(27 685)	108 433
Furniture and fixtures*	233 024	75 984	–	(110 584)	198 425
Motor vehicles	343 168	–	–	(47 307)	295 862
Office equipment	129 562	9 997	–	(42 969)	96 590
IT equipment	1 286 817	4 054 832	(2 715)	(764 186)	4 574 748
Leasehold improvements	890 423	25 880	–	(150 074)	766 230
Library books	70 850	22 616	–	(37 133)	56 333
Paintings and sculptures	71	–	–	(10)	61
Signage	6 317	–	–	(1 053)	5 264
	<b>3 096 351</b>	<b>4 189 309</b>	<b>(2 715)</b>	<b>(1 180 999)</b>	<b>6 101 946</b>

\* Furniture and fixtures opening balance was adjusted for assets that were damaged during a flooding that occurred in March 2018. These assets were written off by the insurer in May 2019 at a net book value of R27 032,37.

#### Reconciliation of property, plant and equipment – 2018

Figures in Rand	Opening balance	Additions	Disposals	Depreciation	Total
Machinery	163 803	–	–	(27 685)	136 118
Furniture and fixtures	425 565	15 970	(27 228)	(181 282)	233 024
Motor vehicles	80 000	386 533	(80 000)	(43 365)	343 168
Office equipment	89 952	100 154	(20)	(60 525)	129 562
IT equipment	1 623 577	464 890	(19 048)	(782 602)	1 286 817
Leasehold improvements	1 040 917	–	–	(150 494)	890 423
Library books	104 765	4 887	–	(38 802)	70 850
Paintings and sculptures	394	–	(7)	(316)	71
Signage	7 384	–	–	(1 067)	6 317
	<b>3 536 356</b>	<b>972 434</b>	<b>(126 302)</b>	<b>(1 286 138)</b>	<b>3 096 351</b>

#### Repairs and maintenance

Figures in Rand	2019	2018
Expenditure incurred to repair and maintain property, plant and equipment	<b>70 932</b>	75 408

## 8. Intangible assets

	2019			2018		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	4 867 890	(3 841 384)	1 026 506	4 854 585	(3 257 839)	1 596 746

### Reconciliation of intangible assets – 2019

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	1 596 746	13 306	–	(583 545)	1 026 506

### Reconciliation of intangible assets – 2018

Computer software	2 045 174	197 623	–	(646 050)	1 596 746
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## 9. Payables from exchange transactions

Figures in Rand	2019	2018
Trade payables	565 308	285 333
Leave accrual	1 465 894	1 477 845
Operating lease accrual	1 008 063	83 400
Sundry payables	67 174	73 481
	<b>3 106 439</b>	1 920 059

Trade and other payables from exchange transactions principally comprise amounts outstanding for trade purchases and ongoing costs. The OPFA considers that the carrying amount of trade and other payables from exchange transactions approximates their fair value.

Included in payables from exchange transactions is an accrual for leave pay. Employee's entitlement to annual leave is recognised when it accrues to the employee. An accrual is recognised for the estimated liability for annual leave due as a result of services rendered by employees up to reporting date.

## 10. Employee benefit obligations

### Defined contribution plan

It is the policy of the entity to provide retirement benefits to all its employees. The entity utilises the Allan Gray Retirement Annuity Fund, which is subject to the Pensions Fund Act, for this purpose.

The entity is under no obligation to cover any unfunded benefits.

Figures in Rand	2019	2018
The amount recognised as an expense for defined contribution plans is:	4 338 792	4 107 733

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

Figures in Rand	2019	2018
<b>11. Other operating expenses</b>		
Insurance	259 845	273 965
Rates and taxes	636 472	578 618
Subscriptions	229 621	252 516
Membership fees	60 995	60 132
Electricity and water	428 266	413 926
Refuse and sewerage	35 156	34 134
Advertising	495 885	295 351
Cleaning services	247 008	207 090
Off-Site storage	169 549	115 316
Bank charges	32 091	30 213
Car track	2 479	1 919
Computer licenses & services	1 083 263	911 347
Staff Training & workshops	180 248	312 384
Stakeholder engagement	114 713	62 110
Internet expenses	178 340	176 061
Staff recreation	400	47 467
Consumables	376 581	370 393
Courier services	8 162	5 765
Office plants	44 477	44 433
Entertainment internal	–	3 499
Entertainment external	–	2 041
Library expenses	5 755	10 381
Flowers gifts	20 385	28 351
Licenses	–	14 675
Executive medical	1 500	–
Call center	198 154	178 274
Postage	247 311	364 498
Photocopies	426 016	323 534
Printing	137 921	110 000
Employee assistance program	51 656	28 321
Promotions	362 651	–
Building services	90 634	71 826
Repairs and maintenance	70 932	75 408
Strategic planning and workshop	162 174	–
Printing and stationary	436 563	352 685
Telephone	375 258	481 082
Cellphone	32 687	38 316
Travel and accommodation	265 069	110 990
Fuel Parking Mileage Wash & Toll fees	35 399	22 472
Foreign Travel & Accommodation	195 553	106 686
Bad debts	37 100	–
	<b>7 736 268</b>	<b>6 516 178</b>

Figures in Rand	2019	2018
<b>12. Personnel costs</b>		
Salaries	30 172 306	28 959 162
Leave commutation	1 081 635	1 044 581
Incentive scheme	1 600 384	937 869
Retirement annuity benefits	738 353	816 622
Amortisation study assistance	37 065	33 629
Long service award	5 500	44 000
UIF	95 188	99 599
Relief staff expenditure	–	29 800
Seta levy	289 531	275 301
Overtime	–	505
Workman's compensation	18 077	19 046
Personal 13th cheque provision	88 930	85 509
Employee group scheme	126 787	–
	<b>34 253 755</b>	<b>32 345 623</b>

### 13. Taxation

The Office of the Pension Funds Adjudicator (OPFA) is exempt from income tax in terms of section 10(1)(cA)(i)(bb) of the Income Tax Act, 1962.

### 14. Cash generated from operations

Figures in Rand	2019	2018
Surplus for the year	6 807 315	4 455 176
<b>Adjustments for:</b>		
Depreciation and amortisation	1 764 545	1 932 188
Movements in operating lease assets and accruals	924 664	–
Non-cash property, plant and equipment disposal	(74 674)	–
<b>Changes in working capital:</b>		
Receivables from exchange transactions	34 835	(88 823)
Other receivables from non-exchange transactions	(6 244 867)	(2 304 134)
Prepayments	(1 228 341)	(229 291)
Payables from exchange transactions	261 716	(1 047 511)
<b>Net cash from operating activities</b>	<b>2 245 192</b>	<b>2 717 604</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

### 15. Commitments

Figures in Rand	2019	2018
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	603 083	–
<b>Total capital commitments</b>		
Already contracted but not provided for	603 083	–
<b>Already contracted for but not provided for</b>		
• Intangible assets	495 210	–
<b>Total capital commitments</b>		
Already contracted but not provided for	495 210	–
<b>Operating leases – as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
– within one year	5 722 632	5 323 536
– in second to fifth year inclusive	24 896 888	24 815 431
– later than five years	–	5 804 090
	<b>30 619 520</b>	<b>35 943 057</b>

Operating lease payments represent rentals payable by the entity for certain of its office properties and printers. Leases are negotiated for an average term of three to five years and escalations of 0% to 8% per annum (2018: 0% to 8% per annum) have been included in the lease agreement. No contingent rent is payable.

### 16. Contingencies

Cost orders relating to disputes against the OPFA were issued on 10 matters. Costs implications are currently not determinable. Management considers the likelihood of the disputes against the entity being successful as unlikely and the matters should be resolved within the next financial year.

### 17. Related parties

#### Relationships

Financial Sector Conduct Authority

Schedule 3A – Public Entity

Figures in Rand	2019	2018
<b>Related party balances</b>		
<b>Amounts included in trade receivables regarding related parties</b>		
Financial Sector Conduct Authority	11 864 054	5 619 188
<b>Related party transactions</b>		
<b>Contributions received</b>		
Financial Sector Conduct Authority	(64 325 520)	(59 037 924)
<b>Shared services costs paid</b>		
Financial Sector Conduct Authority	4 414 994	4 285 533

## 18. Key management remuneration

Figures in Rand Executive management 2019	Incentive		Leave	
	Emoluments	bonus	commutation	Total
M Lukhaimane, PFA	2 500 752	518 000	183 283	3 202 035
C Raphadana, SAA	1 381 120	–	93 720	1 474 841
JM Buthane, SAA	1 239 813	80 843	–	1 320 656
L Jadoonandan, SAA	1 250 890	144 359	–	1 395 249
M Maepa, HR Manager (Resigned 31 July 2018)	373 314	–	45 576	418 890
W Ngcobo, HR Manager (Appointed 01 December 2018)	359 188	–	–	359 188
AB Makunga, CFO (Appointed 02 May 2018)	1 167 533	60 044	–	1 227 577
	<b>8 272 610</b>	<b>803 246</b>	<b>322 579</b>	<b>9 398 435</b>

Figures in Rand 2018	Incentive		Leave	
	Emoluments	bonus	commutation	Total
M Lukhaimane, PFA	2 450 484	207 124	281 974	2 939 582
C Raphadana, SAA	1 357 457	63 629	99 649	1 520 735
KB Kgatuke, CFO (Resigned 31 December 2017)	541 667	–	26 577	568 244
JM Buthane, SAA	1 212 640	45 491	–	1 258 131
L Jadoonandan, SAA	1 176 273	103 562	–	1 279 835
R Segers, CFO (Resigned 30 May 2017)	224 561	–	115 638	340 199
M Maepa, HR Manager	1 111 541	38 564	–	1 150 105
	<b>8 074 623</b>	<b>458 370</b>	<b>523 838</b>	<b>9 056 831</b>

Employees of the OPFA are paid on a total cost to company basis, where applicable, salaries include retirement fund contributions, medical aid contributions and travel allowances. Total cost to company used for key management's total emoluments is the most reliable estimate as the total cost of direct and indirect benefits received are not always determinable.

PFA – Pension Funds Adjudicator  
SAA – Senior Assistant Adjudicator  
CFO – Chief Financial Officer  
HR – Human Resources

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

### 18. Key management remuneration continued

#### Non-executive members' fees

The table below discloses the non-executive members' fees per the oversight sub committees are paid by the FSCA:

Figures in Rand 2019	Committees		
	Fees	Other	Total
A Sithole	29 884	–	29 884
H Wilton	65 986	–	65 986
J Mogadime	62 877	–	62 877
D Msomi	62 877	18 353	81 230
H Ratshefola	36 102	–	36 102
PJ Sutherland	56 659	18 352	75 011
D Turpin	20 412	–	20 412
	<b>334 797</b>	<b>36 705</b>	<b>371 502</b>

Figures in Rand 2018	Committees		
	Fees	Other	Total
A Sithole	11 524	–	11 524
H Wilton	62 613	–	62 613
Z Bassa	25 853	–	25 853
J Mogadime	51 089	46 098	97 187
D Msomi	28 348	–	28 348
H Ratshefola	17 132	–	17 132
PJ Sutherland	22 740	–	22 740
D Turpin	25 924	–	25 924
	<b>245 233</b>	<b>46 098</b>	<b>291 321</b>

### 19. Risk management

#### Financial risk management

In the course of the OPFA's operations it is exposed to credit, liquidity and market risk. The OPFA has developed a comprehensive risk strategy in order to monitor and control these risks. Internal Audit reports quarterly to the Audit and Risk Management Committee, an independent committee that monitors risks and policies implemented to mitigate risk exposures. The risk management process relating to each of these risks is discussed under the headings below.

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient liquid resources and the ability to settle debts as they become due. In the case of the entity, liquid resources consist of mainly cash and cash equivalents. The entity maintains adequate resources by monitoring rolling cash flow forecasts of the cash and cash equivalents on the basis of expected cash flow.



The table below analyses the entity's financial liabilities and net-settled derivative 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.

<b>Figures in Rand At 31 March 2019</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Payables from exchange transactions	1 640 545	–	–	–
<b>At 31 March 2018</b>				
Payables from exchange transactions	442 414	–	–	–

### **Credit risk**

Credit risk consists mainly of cash and cash equivalents and receivables from exchange and non-exchange transactions. The entity only deposits cash with financial institutions approved by National Treasury.

Receivables from non-exchange transactions consist of monies owed by the Financial Sector Conduct Authority. Credit risk is limited as the OPFA is a regulatory body and levies are charged in terms of legislation.

The OPFA investment policy limits investments to A1 rated banks and the Corporation for Public Deposits (CPD). The table below shows the total cash invested with A1 rated banks and CPD. No investment limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

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

<b>Financial instrument</b>	<b>2019</b>	<b>2018</b>
Standard Bank Limited	1 494 297	3 393 777
Corporation for Public Deposits	267 767	249 190

### **Market risk**

#### **Interest rate risk**

As the entity has no interest bearing borrowings or significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates. Should the balances held in cash and cash equivalents remain constant, the entities income would fluctuate R8 813 (2018: R18 215) per annum for every 50 basis point fluctuation in the prime interest rate.

#### **Foreign risk**

The entity does not hedge foreign currency exposure.

The entity reviews its foreign currency exposure, including commitments on an ongoing basis.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

### 20. Events after the reporting date

The management committee approved a disposal of old assets included in the fixed asset register that are not in use or have reached end of useful life in April 2019. This is not considered as an adjustable event as the approval took place after balance sheet date.

### 21. Reconciliation between budget and cash flow statement

Reconciliation of budget surplus/deficit with the net cash generated from operating, investing and financing activities:

Figures in Rand	2019	2018
Operating activities		
Actual amount as presented in the budget statement	(2 604 000)	(1 105 786)
Basis differences	4 849 192	3 228 065
Timing differences	–	595 325
<b>Net cash flows from operating activities</b>	<b>2 245 192</b>	<b>2 717 604</b>
Investing activities		
Actual amount as presented in the budget statement	(6 007 000)	(2 500 000)
Basis differences	1 881 774	1 429 214
<b>Net cash flows from investing activities</b>	<b>(4 125 226)</b>	<b>(1 070 786)</b>
<b>Net cash generated from operating, investing and financing activities</b>	<b>(1 880 034)</b>	<b>1 646 818</b>

### 22. Segment information

#### General information

#### Identification of segments

The entity is organised and reports to management on the basis of its core mandated business as set out in the Pension Funds Act, 1956. The function of the mandate is to dispose of complaints lodged with the entity. Due to the nature and service of the organisation management reviews and evaluates the entity as a whole, as all risks, resources and financial matters of the entity are directed to the delivery of its core mandate.

The entity's operations are located in Pretoria, its only office in the country. Although the office services the public of South Africa, its risks and financial costs are limited to this single location.

It is on this basis that management views the entity as a single segment to which adequate disclosure has been made in these annual financial statements.

## 23. Budget differences

### Material differences between budget and actual amounts

#### ***Consulting and professional fees***

The lower than budgeted expenditure is due to savings made from actuarial service fees as there was a reduced number of determinations that required services of an actuary for the year under review.

#### ***IT maintenance and support***

The lower than budgeted staff expenditure was due to savings made from the renewal of the service level agreement for ICT support and maintenance services between the OPFA and FSCA.

#### ***Personnel costs***

The lower than budgeted staff expenditure was mainly due to vacancies in executive and senior management level during the year under review. Most of these positions are currently at recruitment stage.

#### ***Depreciation and amortisation***

The underspending relates to budgeted acquisitions planned and the process of acquisition that were finalised at the later stages or not finalised by the end of the financial year.

#### ***Legal expenses***

The overspending is due to higher than expected costs charged by service providers used for the section 30P appeal matters.

#### ***Operating lease rentals***

The budgeted cost not provided for the straight-lining of leases as per GRAP requirements in comparison to actual costs and due to savings on new building lease contract.

#### ***Property, plant and equipment and Intangible assets***

The underspending stems from funds that were made available during the year for capital expenditure and those projects were contracted but not finalised by year end (refer to Commitments: note 15).

#### ***Other operating expenses***

The higher than budget spending is attributable to reallocation of reserves from prior years to consumer awareness and due to advertising and recruitment costs from advertising, response handling and background checks done by external service providers.

#### ***Contributions from the Financial Sector Conduct Authority***

The higher than budgeted contributions received are due to prior year reserves that were utilised during the year under review to fund additional operating and capital budgets.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

### 24. Changes from the approved budget to the final budget

Changes within budget parameters (Reallocation from operating expenditure to personnel costs: Figures in Rand	2019
Staff training	372 061
Employee assistance programme	76 200
Advertising and recruitment	250 500
Staff welfare	326 400
Changes outside initially approved budget parameters (Reallocation of costs to stakeholder engagement/consumer awareness and new position funded from the approved budget and prior reserves):	
Personnel costs	766 439
Seminars and conferences	803 707
Acquisition of property plant and equipment	2 044 000
Acquisition of intangible assets	13 306

### 25. Change in Accounting Estimates

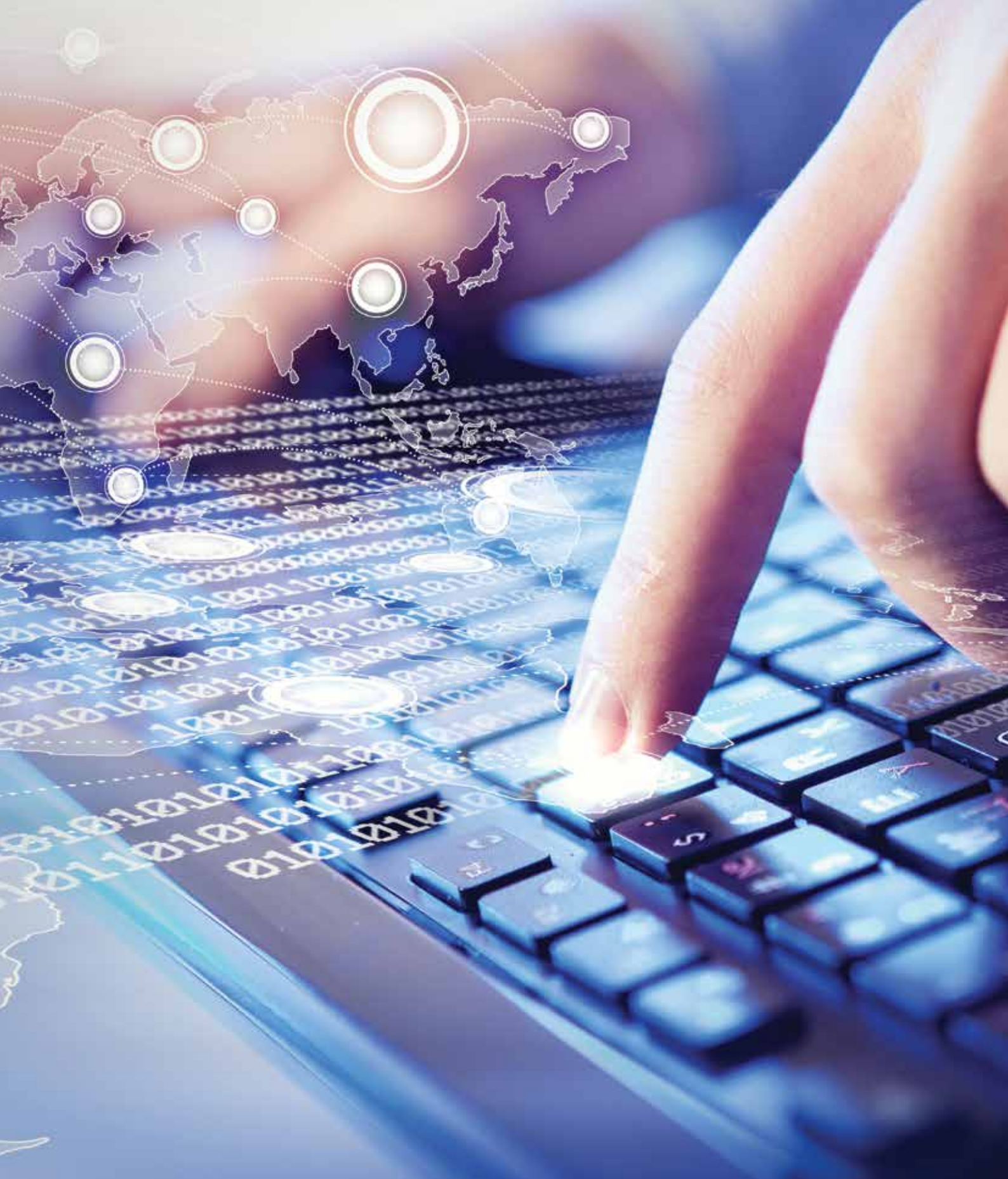
Impact of changes in accounting estimates Figures in Rand	2019	2018
Increase in net surplus	315 679	1 446 421
Decrease in depreciation on property, plant and equipment	257 660	1 330 382
Decrease in amortisation of intangible assets	58 019	116 039
Increase in property, plant and equipment	257 660	1 330 382
Increase in Intangible assets	58 019	116 039

In the current year, management re-assessed the remaining useful lives and residual values of property, plant and equipment and intangible assets. The change in estimate is applied prospectively. The effect of this assessment has decreased the depreciation and amortisation charges in the current period and for future periods by R257 660 (2018: R1 330 382) and R58,019 (2018: R116 039) respectively.

## 26. Prior period error

During the year under review it was identified that the prior year property, plant and equipment balance had been overstated. This was due to items of office furniture and equipment that were damaged due to floods that occurred in March 2018. Subsequent to an assessment by the insurer that was conducted in the 2018/19 financial year, the items that were identified as damaged were written off at a book value of R27 033. Included in the Cash Flow Statement for the current year are proceeds from the insurer of R77 389 received in May 2018 as a payout for the damaged items.

Impact of the correction in prior period error is as follows:	2019	2018
<b>Statement of financial position</b>		
Furniture and fittings: Cost	–	(100 808)
Furniture and fittings: Accumulated depreciation	–	73 775
Office equipment: Cost	–	(2 035)
Office equipment: Accumulated depreciation	–	2 034
Disposals (refer to note 7)	–	(27 033)
<b>Accumulated surplus or deficit</b>		
Accumulated surplus 01 April 2018	–	(27 033)
<b>Statement of Financial Performance</b>		
Gains on disposal of assets	<b>(77 389)</b>	–
<b>Cash flow statement</b>		
Proceeds from sale of property, plant and equipment	<b>77 389</b>	–



## **PART E: PERFORMANCE INFORMATION**

# ANNUAL PERFORMANCE INDICATORS REPORT

## AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The 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 auditor's report to management.

Refer to page 43 of this report for the Auditor's Report. The table below provides a detailed view of OPFA's performance against its predetermined objectives for the 2018/19 financial year.

# 2018/2019 – ANNUAL PERFORMANCE INDICATORS REPORT

Strategic objective	Measurable objective	Measurable indicator	Strategic plan target
1. Dispose of complaints received	To dispose of complaints through determinations, conciliation and settlements	Number of complaints resolved on the case management system	Case management teams to finalise 80% of complaints within six months of receipt, 95% within nine months of receipt and 100% within eleven months of receipt
		Administration of case management system and adherence to the required workflow timelines	Complaints administered within the required workflow timelines
	Percentage of determinations taken on review to the High Court	Number of section 30P applications as a percentage of the number of determinations issued for the year	≤ 1% of signed off determinations taken on Sec 30P review
	To close and allocate complaints received by the OPFA within the workflow document time lines	Complaints closed as out of jurisdiction or reformulations, and allocated to case management teams within the workflow document timelines	New Complaints Unit to finalise all matters received within 3 months



Annual target 2018/2019	Performance results 31 March 2019	Comments
Case management teams to finalise 80% of complaints within six months of receipt, 95% within nine months of receipt and 100% within eleven months of receipt	<p>Not Achieved. 8 234 matters finalised as follows: 5 319 determinations, 2 404 settlements and 511 deemed to be out of jurisdiction.</p> <p>Quarter 1 – 1 600 matters finalised  Quarter 2 – 1 911 matters finalised  Quarter 3 – 2 171 matters finalised  Quarter 4 – 2 552 matters finalised</p> <p>36% of complaints within six months of receipt, 98% within nine months of receipt and 100% within eleven months of receipt.</p>	Outstanding issues are related to funds awaiting/under curatorship and those where similar complaints were on appeal in terms
100% case management compliance with administrative workflow timelines	<p>Achieved. 100% administration of cases within workflow times</p> <p>2 055 matters were finalised within the timelines as follows: 1 421 complaints were deemed out of jurisdiction, 1 settled, 1 complaint conciliated, 2 complaints were closed as reformulations, whilst 77 were duplicates, 497 were abandoned and 56 withdrawn</p>	Achieved
≤ 1% of signed off determinations taken on Sec 30P review	<p>Achieved. 19 new applications were received representing 0.36% determinations that were taken on appeal to the High Court in terms of s30P of the Act</p>	Achieved
All matters received to be resolved within 3 months or allocated to case management teams as per workflow document time lines	Achieved	Complaints at the New Complaints Unit were finalised within three months or allocated to case management teams within two working days

## 2018/2019 – ANNUAL PERFORMANCE INDICATORS REPORT continued

Strategic objective	Measurable objective	Measurable indicator	Strategic plan target
2. Achieve Operational Excellence	To remain within budget, and comply with all regulatory prescripts applicable to the OPFA including the PFMA and Treasury Regulations	Audit opinion	No material audit findings that give rise to a qualified audit opinion
	To ensure that appropriate talent is recruited, developed and retained to support the execution of the PFA's mandate whilst complying with employment legislation and human resource policies	Recruitment of staff in line with employment equity requirements	Vacancies filled in line with employment equity requirements 92% black employees 58% female employees 2% disabled employees
		% execution of training plan	100% of training plan executed
		No of policies reviewed	100% of HR policies reviewed
	% adherence to performance management system	Adherence to performance management system	100% adherence to performance management system
	To maintain and align ICT systems to support business needs and overall objectives of the OPFA	An approved ICT strategy and implementation plan	Alignment of the ICT plan to the overall OPFA business needs
An approved BCM Plan/policy and implementation plan		Alignment of the BCM plan to the overall OPFA risk management	
3. Stakeholder Engagement	To collaborate and build relationships with stakeholders	% of stakeholder engagement plan implemented	100% implementation of activities in the stakeholder engagement plan

Annual target 2018/2019	Performance results 31 March 2019	Comments
No material audit findings that give rise to a qualified audit opinion	Achieved	Unqualified audit opinion with no material findings on performance information and compliance
Recruitment of staff in line with employment equity requirements 92% black employees 58% female employees 2% disabled employees	Not achieved 88% Black employees 62% Female employees 0% Disabled employees	Due to black staff that left the organisation close to the end of the year. Also no applications received from the designated groups for the disabled employees' target of 2%
50% training plan executed by 31 March 2019	Achieved. 75% of the planned training.	6 out of 8 training activities were completed during this period
100% of HR Policies reviewed by 31 March 2019	Achieved	HR policies recently reviewed and approved. To be reviewed in 19/20
100% adherence to performance management system	Achieved. Full year performance review for the 2017/18 and half yearly performance review for the 2018/19 were conducted and moderated by MANCO	Achieved
85% achievement of milestones within the ICT plan	Achieved. 86% of ICT plan implemented	There were 14 activities 12 were achieved, the 2 are underway. The Document Management project is in the implementation stage  The Database Security Monitoring project is unstable; there is a need to upgrade the database version for the monitoring tool to be fully functional
Maintain and comply 100% with the annual BCM Plan	Achieved. 100% implementation of the annual BCM plan	Achieved
100% Implementation of activities in the stakeholder engagement plan	Not achieved. 36% implementation of activities in the stakeholder engagement plan	4 out of the 11 activities achieved. Where 7 of the activities was partially achieved. This was due to increased number of complaints received during this period that necessitated a reallocation of resources to case management

# USEFUL INFORMATION ABOUT OTHER OFFICES

## The Ombudsman for Long-term Insurance

Private Bag x45, Claremont, 7735  
Telephone: +27 21 657 5000  
Sharecall: 0860 103 236  
Fax: +27 21 674 0951  
Email: info@ombud.co.za

## The Credit Ombud

PO Box 805, Pinegowrie, 2123  
Call Centre: 0861 662 837  
Fax: 086 683 4644  
Email: ombud@creditombud.org.za

## The Ombud for Financial Service Providers (FAIS)

PO Box 74571, Lynnwoodridge, 0040  
Telephone: +27 12 470 9080/012 762 5000  
Sharecall: 086 032 4766  
Fax: +27 12 348 3447  
Email: info@faisombud.co.za

## The Ombudsman for Short-term Insurance

PO Box 32334, Braamfontein, 2017  
Telephone: +27 11 726 8900  
Sharecall: 086 726 890  
Fax: +27 11 726 5501  
Email: info@osti.co.za

## The Financial Sector Conduct Authority (FSCA)

PO Box 35655, Menlo Park, 0102  
Toll free: 0800 20 37 22  
Telephone: +27 12 428 8000  
Sharecall: 086 032 4766  
Fax: +27 12 346 6941  
Email: info@fsca.co.za

## The Ombudsman for Banking Services

PO Box 87056, Houghton, 2041  
Telephone: +27 11 712 1800  
Sharecall: 086 080 0900  
Fax: +27 11 483 3212  
Email: info@obssa.co.za

## Public Protector

Private Bag x677, Pretoria, 0001  
Telephone: +27 12 366 7000  
Fax: +27 12 362 3473  
Toll Free: 0800 112 040  
Email: registration2@pprotect.org

## The National Consumer Commission

Private Bag x84, Pretoria  
Telephone: +27 12 761 3200  
Email: complaints@thencec.org.za

## The National Credit Regulator

PO Box 2209, Halfway House, Midrand, 1685  
Telephone: +27 11 554 2600  
Call Centre: 0860 627 627  
Fax: +27 11 805 4905  
Email: info@ncr.org.za

## Motor Industry Ombudsman of South Africa

Suite 156, Private Bag x025, Lynnwood Ridge, 0040  
Telephone: +27 10 590 8378 841/0861 164 672  
Fax: 086 630 6145  
Email: info@miosa.co.za

## The Consumer Goods and Services Ombud

P O Box 3815, Randburg, 2125  
Telephone: +27 11 781 2607  
Sharecall 0860 000 272  
Fax: 086 206 1999  
Email: info@cgso.org.za

## Office of Tax Ombud

PO Box 12314, Hatfield, 0028,  
Telephone: 0800 662 837/+27 12 431 9105  
Fax: +27 12 452 5013  
Email: complaints@taxombud.gov.za

## Financial Ombudsman

Callcentre | Sharecall: 0860Ombuds/086 066 2837

# NOTES

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