



2019/20
Annual Report



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Vision

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

Mission

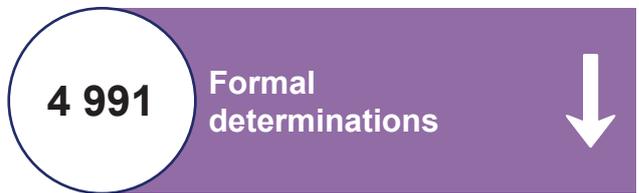
The mission of the OPFA is to resolve complaints in terms of the ACT.

Values

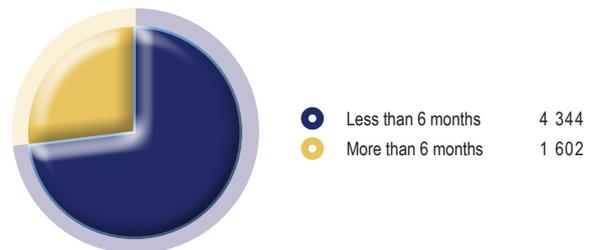
The OPFA will act professionally at all times. To this end the OPFA promotes the following values:

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

KEY FIGURES



Complaints carried over to 2020/21





PART A: GENERAL INFORMATION

GENERAL INFORMATION

Registered name	Office of the Pension Funds Adjudicator
Country of incorporation and domicile	South Africa
Legal form of entity	The Office of the Pension Funds Adjudicator is a Public Finance Management Act (Act no. 1 of 1999) Schedule 3A public entity and statutory body established in terms of section 30B of the Pension Funds Act, 24 of 1956.
Nature of business and principal activities	The mandate of the OPFA is to dispose of complaints lodged in terms of the Pension Funds Act No.24 of 1956 in a procedurally fair, economical and expeditious manner.
Registered office	Block A, 4th Floor, Riverwalk Office Park 41 Matroosberg Road Ashlea Gardens Pretoria 0081
Postal address	PO Box 580 Menlyn Pretoria 0063
Bankers	Standard Bank of South Africa Limited South African Reserve Bank
Auditors	Auditor-General of South Africa
Telephone Number/s	012 748 4000 012 346 1738
Fax Number	086 693 7472
Email Address	enquiries@pfa.org.za
Website	www.pfa.org.za



LIST OF ABBREVIATIONS

OPFA	Office of the Pension Funds Adjudicator
PFA	Pension Funds Adjudicator
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
TCF	Treating Customers Fairly

Foreword by the Minister



“Despite hurdles and difficulties within its operational environment, the OPFA remains integral to protecting the vested rights of pensioners and pension fund members by serving as a crucial line of defence for those who have been victims of unscrupulous practices.”

The last quarter of the 2019/20 financial year was challenging for the world-over, including the Office of the Pension Funds Adjudicator (OPFA), having to respond to the health and economic impact of the Covid-19 pandemic. OPFA’s routine activities during this time, driven partly by walk-ins were affected and staff worked remotely from home as per the National State of Disaster legislative requirements.

Even with these unexpected work abnormalities the management team and staff worked collaboratively to produce a report that captures the general overview and achievements of OPFA. The work ethic of OPFA is reassuring and I am confident that government’s commitment to build an economy where everyone has access to financial services is going to be realised. Therefore, the work of this team should be commended.

The pension funds management both at fund and workplace attracts a fair amount of social attention for their behaviour toward the weak and vulnerable in our society. OPFA mandate is to ensure that neglected groups receive services from fund managers and administrators in the workplace. The conduct of this institution is not a result of operational inefficiencies but deliberate actions that exploit lack of awareness from those affected. The education and awareness programme has helped some amongst this group to develop the necessary skills and confidence to tackle complex retirement issues.

The OPFA continued to interact with funds and fund administrators to address the poor quality and delay in filing responses for complaints. I am pleased that these interactions have yielded some positive results. While the number of new complaints 11 179 was slightly less than the previous year (11 399), the number of complaints remains high and points to systemic inefficiencies that are a reality for ordinary members of retirement funds.

Regulatory compliance particularly in the private security industry and municipalities remain a major source of concern. The majority of the complaints prevalent in these sectors relate to non-compliance with section 13A of the Pension Funds Act. Complaints related to these sectors account for more than 32% of the total cases reported. These cases were all referred to the Financial Sector Conduct Authority (FSCA) for further interrogation.

In the upcoming financial year OPFA will be working towards operational efficiencies to limit the current backlogs and increase of unresolved cases. This is in large parts due to low operational capacity. Like many public institutions, has not been without challenges. It faced a backlog of complaints, 9 602 complaints were finalised during the year under review, a reduction of 7% in the number of complaints as compared to the previous year.



While it is a challenge to attract a steady flow of skilled employees who can perform at acceptable levels, it is encouraging that there is a greater focus to improve efficiency and increase output levels after the completion of a process re-engineering exercise. Greater effort will also be placed on skills transfer and retention. Despite hurdles and difficulties within its operational environment, the OPFA remains integral to protecting the vested rights of pensioners and pension fund members by serving as a crucial line of defence for those who have been victims of unscrupulous practices.

Having absorbed the initial impact of the disruptive and highly contagious Covid-19 scourge on many levels, it is time to look ahead. Lockdowns are being rolled back and we are creeping towards some sort of “new” normality. But that new normal is going to be challenging for some time. The world is now more divided, more stressed and poorer than before. Financial markets are still driven by debt-fuelled stimuli and remain accommodated by ultra-low interest rates. More than ever before, the need of the hour is for maximum strategic clarity and conviction to tackle the challenges we will face.

Finally, I would like to take this opportunity to acknowledge the Pension Funds Adjudicator, the Deputy Adjudicator and the OPFA team for their hard-work, critical strategic thinking, and excellent execution, in order for the office to achieve all the desired outcomes of this organisation.

I also wish to thank the leadership of Mr Abel Sithole, the FSCA Commissioner in his capacity as the OPFA Accounting Authority and the outgoing oversight committees that assisted him in ensuring that the OPFA maintains excellent governance levels and continues to operate within legislated rules and regulations. Finally, I wish this important Tribunal more accomplishments and greater success in its noble work.

TT Mboweni, MP
Minister of finance

Message from the FSCA Commissioner



“The boards of management and funds, including administrators need to rise to the occasion and tighten their governance and administration processes to ensure minimum exposure of pension fund members’ interests.”

It is with pleasure to present the 2019/20 Annual Report for the Office of the Pension Funds Adjudicator (OPFA) in the advent of the novel coronavirus. The OPFA is charged with disposing pension fund related complaints as prescribed by the Pension Funds Act. The impact of the Covid-19 pandemic in the economy and ensuing job cuts affecting the countries workforce, places the mandate of the OPFA in the forefront in ensuring accessible, effective and efficient dispute resolution to provide a timeous relief to complainants.

When the National State of Disaster was declared in March 2020 and lockdown measures were introduced, the OPFA had to temporarily close its offices and its employees had to work from home, walk-ins had to be suspended and planned outreach programme activities were postponed. The lockdown measures are expected to continue in the near future and to have a negative impact on the performance of the organisation.

In the year under review 11 179 new complaints were received, 2% (11 399) less than prior year and 9 602 complaints were finalised which is 7% lower than last year. This was mainly attributable to the suspended walk-ins as part of the health and safety measures introduced by the OPFA and the March 2020 national lockdown that brought all major operations to a standstill.

Despite the challenges and resultant impact on OPFA performance, the extent and nature of complaints

received is still concerning. This suggests that the pension fund industry is not doing enough to address its challenges and align itself to serve member’s interests. The OPFA has been engaging industry and relevant stakeholders on the prevalent systemic issues over the past number of years with lacklustre response. These efforts will be reviewed to ensure improvement and tangible impact.

As reported in the previous years, the majority of the complaints relate to non-compliance with section 13A of the Pension Funds Act due to non-payment of contributions by employers. Responses regarding the responsibility of the fund and the board of trustees in this regard remain ambiguous and suggest poor governance and inadequate fund administration from our end. The OPFA has taken a policy position to refer back section 13A related matters to the fund and request the fund to provide proof of compliance with applicable legislated governance and administrative processes before considering a matter for relief. This will assist in identifying exact points of failure in the value chain and ensure that determinations are specific and clearly identify root causes including those responsible, for possible further action by the regulator.

In the current circumstances and considering the bleak economic outlook, prospects and going concern of businesses across industries will be challenged and the employer’s ability to pay over contributions to the fund will be a critical non-compliance risk area. The boards of management and funds,



including administrators need to rise to the occasion and tighten their governance and administration processes to ensure minimum exposure of pension fund members' interests.

The OPFA is actively exploring a possibility of further encouraging funds to handle complaints in terms of their own internal complaints management procedures before it investigates them. Furthermore, internal processes are setup to encourage parties to settle matters without having to go through the adjudication process. This is to ensure an expeditious complaints resolution to address the expected increase in the number of complaints and more importantly, a timely relief to complainants.

The Financial Services Tribunal (FST), which was introduced in April 2018 as prescribed by the Financial Sector Regulation Act as an alternative route for complainants to apply for reconsideration of determinations, is bearing fruit and positively contributing to an economical and speedy resolution of appeals. The FST received 97 applications for reconsideration, 46 applications were heard, whilst 46 applications were dismissed or settled without a hearing. 21 applications were referred back to the OPFA for reconsideration. The section 30P appeals to the High Court were recorded at 18, showing a downward trend from previous years. This is a positive development in an attempt to persuade aggrieved parties to exploit and get accustomed to a more economical and faster route of utilising the services of the FST first before going to court, when appealing the decision of the Adjudicator.

In closing, I would like to take this opportunity to thank the outgoing members of the respective oversight subcommittees, who since my appointment as the accounting authority of the OPFA in 2018, gave me full support and assistance in overseeing the OPFA's system of governance, administration and internal controls.

I must also express my gratitude to the Pension Funds Adjudicator and her team for executing their mandate with empathy and diligence during this past financial year characterised by uncharted territory. I am assured that the experience gained over the past two decades and the recent appointment of the Deputy Pension Funds Adjudicator sets up the entity to successfully navigate the current situation and ensuing challenges.

Handwritten signature of Mr AM Sithole in black ink.

Mr AM Sithole
FSCA Commissioner

Message from the Pension Funds Adjudicator



“The OPFA put in a lot of work to improve staff agility skills, general competencies and better planning. These efforts are set to bear fruit as the advent of Covid-19 will require that the office does more with less.”

Over the years, the Office of the Pension Funds Adjudicator (OPFA) has defined itself as not simply in existence to resolve complaints but more importantly to make a difference in the experience of retirement fund members in instances where there are disputes. Such a difference can be something as simple as advising a retirement fund to change a process or a procedure or as serious as to agitate to the regulator to investigate systemic issues or wanton disregard of the Act. The latter process has been slow and often complex, however as we end this financial year, the OPFA looks back at its referral rate to the regulator with pride as some of the malfeasance we have warned about is now in the public eye for all to witness. Going forward, as the regulator defines its mandate on conduct more precisely, the OPFA's voice in the value chain will be one not to ignore.

With only one office, one avenue available to complainants, the OPFA needs to keep improving its processes and outcomes, as the alternative is not an option for the thousands of retirement fund members that access the office as a last resort. At a time when our country is locked in a struggle of lives versus livelihoods, those of us in the public service that are charged with the responsibility to protect and advance the interest of others, need to give our best, professionally and ethically. This is a small ask for our time, qualifications and skills. It is a further clarion call for regulators, legislators, ombudsmen and the retirement fund industry to plan in good times for the unknown – so that even when catastrophe hits, the proverbial cupboard is not bare.

The number of complaints received seems to have stabilised, even though at a very high number. This has continued to place a strain on our resources, especially staff. The OPFA put in a lot of work to improve staff agility skills, general competencies and better planning. These efforts are set to bear fruit as the advent of Covid-19 will require that the office does more with less.

A lot of work lies ahead. The continued non-payment of fund contributions by employers is of great concern. Whilst the situation regarding the non-payment of contributions in the big five umbrella funds is not transparent, it would be interesting to see what the termination rate for the nearly one million members has been over the past ten years, where a semblance of consolidation into these funds has been taking place.

Fund administration costs and management fees have continued to rise as a percentage of contributions. This requires that an assessment of the value-add for these costs is made.

There has also been movement, although slow in the work of National Treasury on the South African Ombud dispensation. The World Bank has commenced with its financial Ombud system diagnostic study which will inform how the Ombud dispensation should unfold to support the work of the market conduct authority and the prudential authority whilst protecting consumers. At present, it would be foolhardy for anyone to take any decision not based on fact nor research and the South African experience. The continued shortcomings across all financial services sectors are



also an indictment on the reach of the Ombud offices. The concentration is in Gauteng and Western Cape, leaving consumers of financial services in the other seven provinces without proper access. This is a major hindrance to access especially if consideration is had to financial literacy which renders most consumers of financial services vulnerable.

The OPFA welcomes the work unfolding at the Financial Services Tribunal (FST). Another huge step in the right direction to improve access. This has been a long-standing request from our side for an internal review mechanism that will continue to provide equitable access to all parties. We now look forward to a legislative amendment to make the review at the FST compulsory before elevating matters to court as this will prevent forum shopping and streamline processes to the benefit of the retirement fund industry as a whole.

I wish to thank Mr Abel Sithole, outgoing FSCA Commissioner who also serves as the OPFA Accounting Authority for his steady hand during one of the OPFA's most trying years. From this point onwards, we can only improve. My gratitude also goes to the oversight committees on Human Resources, Remuneration, Risk and Audit for the continued guidance and interest in how we deploy and account for resources. Our thanks also go to the pension fund team at the FSCA for a robust relationship throughout the year.

Last but not least, many thanks to the OPFA staff and management for their hard work, resilience and agility. I can safely say that complainants' interest was central to all our efforts. Till next year – when we get to do this all over again.

Ms MA Lukhaimane
Pension Funds Adjudicator



STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

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

All information and amounts disclosed in the annual report is consistent with the annual financial statements 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 Statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP).

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

The accounting authority is responsible for establishing, and implementing a system of internal control that 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 2020.

Yours faithfully

Mr AM Sithole
FSCA Commissioner

30 September 2020

Ms MA Lukhaimane
Pension Funds Adjudicator

30 September 2020



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.

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 guided by its mandate and is committed to achieving its strategic goals and contribute to social protection of consumers of pension products and services by:

- Being a trusted, independent and impartial Pension Funds Adjudicator
- An organisation that leads by example and committed to service excellence
- Providing access to consumers
- Educate and inform consumers of their rights
- Establish meaningful and collaborative relationships with stakeholders

The OPFA's strategic objectives over this period focus on discharging the mandate of the OPFA; improving and maintaining its operations and having informative and value adding interactions with its stakeholders. Namely:

- Strategic goal 1: Dispose of complaints received
- Strategic goal 2: Achieve operational excellence
- Strategic goal 3: Effective Stakeholder Engagement

The OPFA is committed to 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 resolving complaints, the OPFA lays the basis for more acceptances 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



Pension Funds Adjudicator
Muvhango Lukhaimane



Chief Financial Officer
Bulelani Makunga



Deputy Pension Funds Adjudicator
Matome Thulare



Chief Operations Officer
Vacant



Senior Legal Advisor
Vacant



Senior Assistant Adjudicator
– Team Leader
Jerry Buthane



Senior Assistant Adjudicator
– Team Leader
Silas Mothupi



Senior Assistant Adjudicator
– Team Leader
Lalita Jadoonandan



New Complaints Supervisor
Wilana Groenewald



Human Resources Manager
Vacant



PART B: OPERATIONAL REPORT

Operational report



“In the period under review there was a slight reduction in complaints lodged with the OPFA compared to the previous period.”

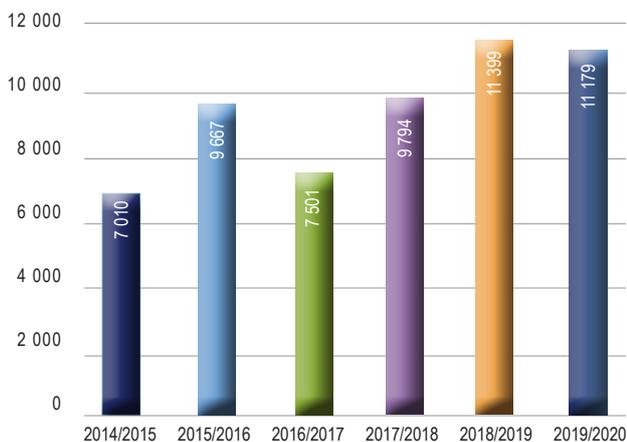
This report is being released during a critical period as the country battles to contain the spread of a novel coronavirus, Covid-19. The State of National Disaster announced towards the end of the final quarter, requires people to remain in their homes and workplaces were closed, except for essential work. In response to the lockdown regulations the OPFA suspended walk-in complainants and staff worked remotely from home.

In the period under review there was a slight reduction in complaints lodged with the OPFA compared to the previous period. The OPFA continued to experience tardiness and late submission of responses from administrators/funds with the largest concentration of complaints. The Private Security Sector Provident Fund (PSSPF) filed responses very late in respect of old cases during the last quarter following intervention from the Financial Sector Conduct Authority (FSCA) and this invariably put a strain on our capacity to dispose of complaints timeously. The quality of responses also affected the timeous disposal of complaints as it led to frequent follow-ups and a waste of time.

11 179 new complaints were received, 1.93% less than last year. The number of complaints remains high and starkly points to an industry that has not sufficiently aligned itself to serve the interests of the primary stakeholder, members. The ordinary member of a retirement fund experiences repeated failures of the board to act in his or her interests and continues to suffer from the pillaging of his pension fund contribution by the impenitent employer. As previously reported, the bulk of the complaints have to do with non-compliance with section 13A of the Act and the concomitant reduction in benefits. The FSCA has indicated that it intends to publish conduct standards relating to the payment of pension fund contributions and it is anticipated that when this happens it would lead to improved levels of compliance. However, as with everything regulatory, given the level of non-compliance, the test will be the appetite and ability to enforce such conduct standards.

The OPFA has noted that some funds would prefer to handle complaints in terms of their own internal complaints management procedures before we could investigate and determine the dispute, which possibility we are actively exploring.

New complaints



PSSPF continues to occupy a significant amount of our resources with the number of complaints from the security sector. The non-compliance had to do with the supine attitude of the board not to collect the necessary contributions from employers in terms of section 13A of the Act. Unfortunately, the appointment of the Statutory Managers has not improved this aspect of the fund. In a move that can only be described as inexplicable and not being in the best interest of members, the newly established National Bargaining Council for the Private Security Sector has not provided for the collection of pension fund contributions in its mandate and this is quite regrettable. In most complaints received by the OPFA relating to section 13A, the members only become aware that arrear contributions are owed on

their behalf by the employer after leaving the service of such employer. This points to another failure to provide basic information to members in the form of annual benefit statements.

The OPFA took a policy decision to refer all matters lodged by funds against employers for non-compliance with section 13A back to such funds, requesting that they submit proof of having complied with the legislated processes before approaching the OPFA for relief. Where there is no such proof, the matters will be closed as being premature. Where such proof is submitted, the OPFA will investigate further and issue the necessary determinations.

The failure of the administrator to provide adequate information to members of N-e-FG Umbrella Retirement Fund (Provident Section) in respect of participating employer, Hlanganani Protection Services caused the occupation of our offices by irate members demanding their benefits. The OPFA had previously issued a determination in respect of the complaints against the employer, ordered that the employer pays the outstanding contributions and the fund to pay fund credits to exited members. However, the administrator insisted that the outstanding contributions must be paid before it could pay out the members and directed the members to our offices to seek approval. The fund was directed to process the withdrawal benefits in respect of the exited members and continue with the collection process of outstanding contributions from the employer.

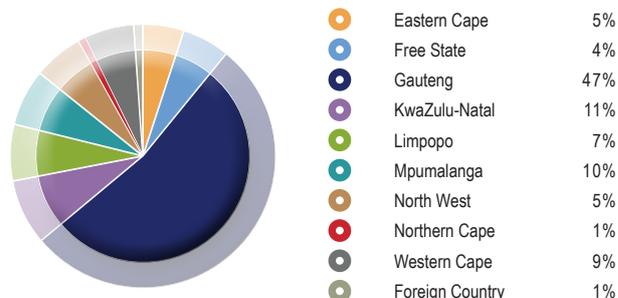
How complaints were received

Email	Letter	Fax	Web Site	Walk-in	Total
5 386	743	707	796	3 547	11 179

5 386 complaints were received through email, 743 via post, 707 via fax, 796 through the OPFA website and 3 547 were walk-ins. It is significant that of the 11 179 complaints, 5 386 complaints were from e-mail complainants. This indicates that members of the public have confidence that their complaints will be received and dealt with expeditiously by the OPFA. The challenges that have been brought by the onset of the Covid-19 pandemic will most definitely result in the increase of complaints and the increased use of e-mail as a medium to lodge complaints with the OPFA is welcomed.

Area

Geographical area of residence

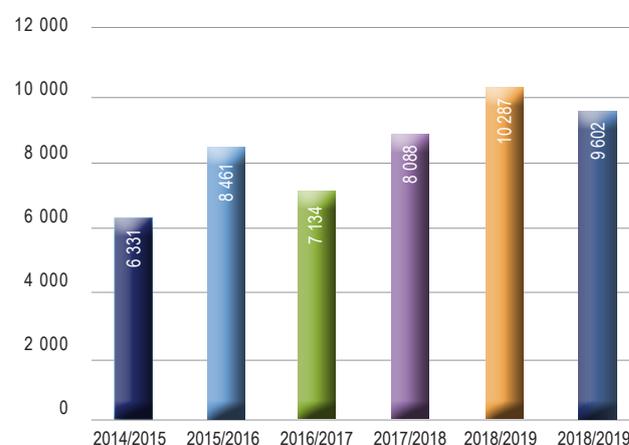


As the economic hub of the country, Gauteng continues to lead with 47% of complaints lodged. Kwazulu-Natal remains second with Mpumalanga coming in third and Limpopo pipped by the Western Cape in fourth place. The increase in complaints from Mpumalanga and Western Cape points to the effective stakeholder initiatives that were undertaken to raise awareness of the services offered by the OPFA.

Total complaints finalised

9 602 complaints were finalised during the year in review. This indicates a reduction of 6.6% in the number of complaints finalised in the previous year. Given the performance related challenges that the OPFA encountered during the year, this marginal reduction remains a positive outcome. The OPFA utilised the available human resources to reallocate the workload.

Total complaints finalised

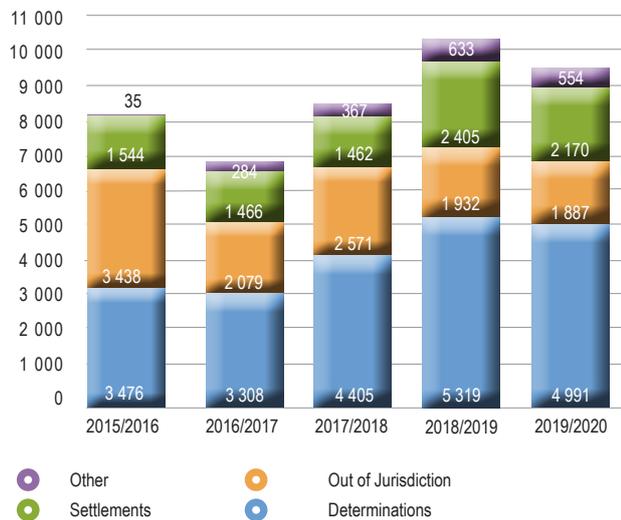


OPERATIONAL REPORT continued

How complaints were closed

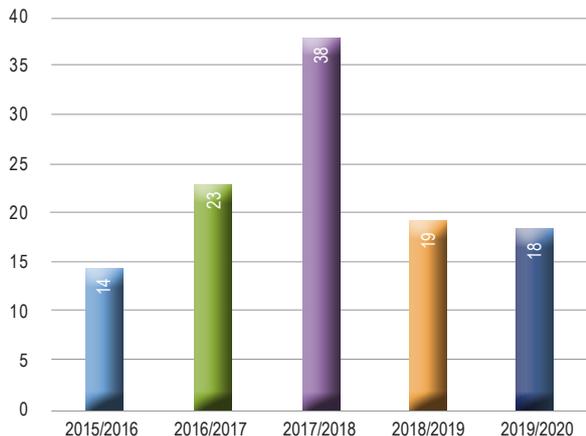
4 991 complaints were determined, 1 887 deemed out of jurisdiction, 2 170 complaints settled, whilst 554 complaints were closed for other reasons. There were 4 674 reliefs (93.6%) and 317 dismissals (6.4%). The trend in the complaints that are settled remains constant and this augurs well for complainants as it ensures expedited resolution of complaints. It remains of concern that some of these issues could have been resolved if the funds/administrators communicated with members and provided information timeously or as and when requested.

Manner of finalisation



Section 30P appeals

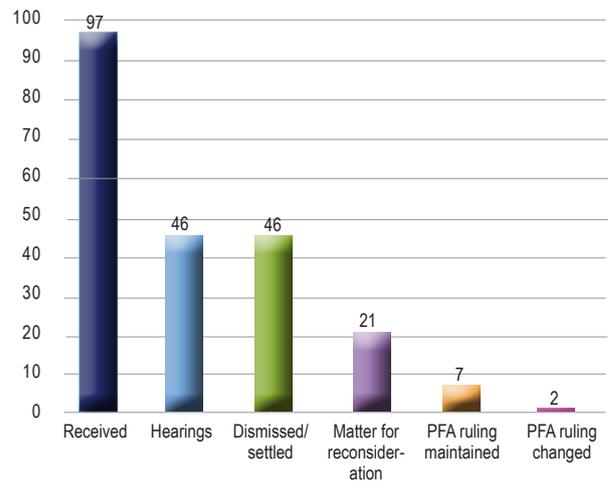
18 section 30P appeals were lodged during this year. Parties are utilising the services of the Financial Services Tribunal to reconsider OPFA determinations. This is a welcome development as it is efficient and provides outcomes within a reasonable period of time.



Financial Services Tribunal

During the year under review, the Financial Services Tribunal received 97 applications for reconsideration of OPFA determinations. 46 applications were heard, whilst 46 applications were dismissed or settled without a hearing. 21 applications were referred back to the OPFA for reconsideration. Of these 21, 7 matters were reconsidered and the original decision of the OPFA was maintained, whilst 2 cases were reconsidered and a new decision was made. The remaining matters were still pending reconsideration at the end of the reporting period.

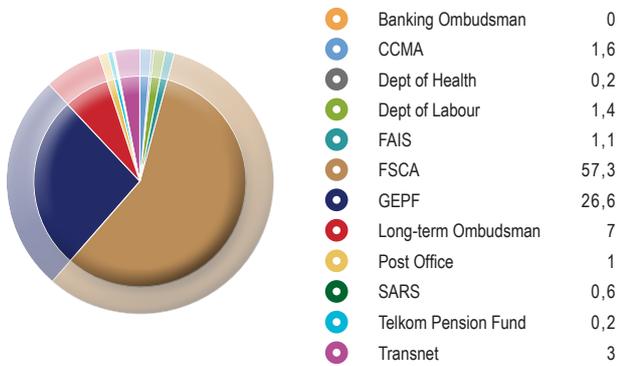
Tribunal applications



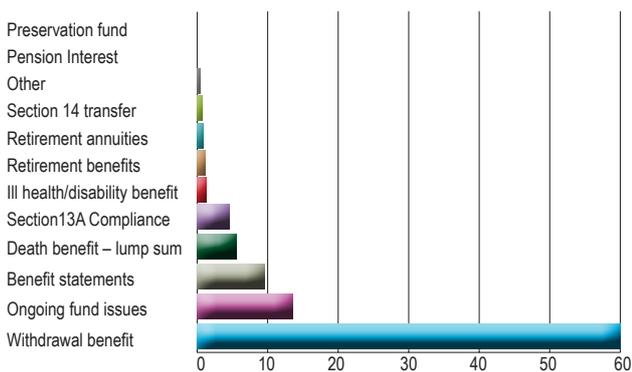
Complaints referred

1 287 complaints were referred to other entities. 57.3% of these were referred to the FSCA and 26.6% to the GEPI. As far as referrals to other financial services ombudsmen are concerned, 7% were to the Ombudsman for Long-Term Insurance (“OLTI”), 1.1% to the Financial Advisory and Intermediary Service Ombud (“FAIS”) and 1.4% to the Ombudsman for Banking Services (“OBS”). It does not appear as if the independent dispute resolution mechanism for members of the GEPI is fully operational as members of that fund continue to forward their complaints to the OPFA.

Complaints referred to other entities



60% of complaints concerned withdrawal benefits, up 3% from last year. These types of complaints paint a picture of desperate members seeking to access their benefits in circumstances where they have been failed by their funds. As stated elsewhere in this report, most complainants only become aware that the employer has not remitted contributions on their behalf upon leaving service and claiming benefits. It is unfortunate that the funds do not comply with their legal obligations in terms of Regulation 33 to inform the members of the non-compliance of employers with section 13A whilst they are still in service and can do something about it. The failure of funds to do all that is necessary to enforce compliance with section 13A amounts to a denial of justice.



Some funds have resorted to lodging complaints with the OPFA against employers for non-compliance with section 13A. Whilst this is permissible under the Act it does not absolve the funds to take other reasonable steps to ensure that contributions are paid timeously. The litany of complaints about reduced benefits shows that the funds are doing very little to recover contributions.

The commercialisation of funds has an impact on the manner in which they deal with delinquent employers as it does not serve their commercial interests to be decisive with the action taken. It is worth mentioning that in some instances the dilatory conduct of the funds to take action has resulted in employers going into voluntary liquidation to avoid the debt.

The concerns highlighted in the previous review about the non-compliance with section 13A in the municipal sector remain. The inability of some of the municipalities to run their affairs prudently has seen the intervention of government and appointment of administrators. Invariably, the competing needs to provide service delivery and at the same maintain financial commitments such as pension contributions, results in default of municipalities to pay over contributions. The impact of such a failure is that members will receive reduced benefits on retirement and their families are often left in the lurch should they pass away with the burden of unpaid risk benefits i.e. funeral and lumpsum death claims. It is encouraging that some funds, such as the Transport Sector Retirement Fund, the Motor Industries Provident Fund and Auto Workers Provident Fund have implemented recovery processes and therefore have a higher compliance rate. In contrast, PSSPF, has a higher non-compliance rate, estimated at well over 60%. The majority of the complaints relating to withdrawal benefits relate to the PSSPF and this has to do with employers failing to pay over contributions to the fund. The OPFA remains concerned about the disservice which members of this fund experience and therefore questions whether this fund is fit for the purpose for which it was established, and if not, someone should be whispering in the ear of the Minister of Employment and Labour that a compulsory fund for the private security sector is not viable. The Financial Sector Regulation Act, 2017 permits the FSCA to issue administrative penalties if a person has contravened a financial sector law. Further, the criminalisation of non-compliance with section 13A has proven to be ineffective as the SAPS does not appear to be capacitated to deal with such complaints. Criminal complaints made by funds in respect of section 13A breaches end up going nowhere. This is an issue that requires the intervention of the FSCA.

Withholding of pension benefits is another issue that requires the funds to amend their processes to ensure compliance with the spirit and letter of the law. In most instances, the funds do not sufficiently balance the

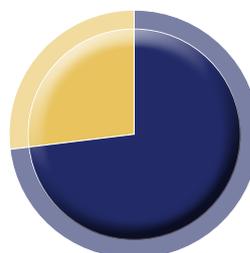
OPERATIONAL REPORT continued

competing interests of the employer and the member before acceding to the request to withhold. The funds are required to afford the member an opportunity to state his or her version before withholding the benefit as the decision is prejudicial to the member's financial interest and must be made only in the clearest of cases where the balance of interests favours the employer. This will include a consideration that prima facie evidence exists that the employer has suffered loss resulting from theft, fraud, dishonesty or misconduct on the part of the member. The OPFA's experience has been that funds simply accede to the request of an employer to withhold without affording the member an opportunity to be heard. This results in substantial hardship to a member that may not be employed. In our view this approach by funds is symptomatic of the commercialisation of pension funds as well as lack of expertise on the board. Whilst board members are required to delve into technical legal issues relating to the withholding of benefits, the only educational requirement that they must meet in order to qualify to serve on a board of a fund is to complete (not pass or fail) the FSCA Trustee Toolkit in terms of FSRA Conduct Standard 1 of 2019 (PFA). The Toolkit itself requires updating and in its current format does not equip a trustee adequately. Even the most well-trained board member will require the ability to ignore commercial considerations when deciding on withholding of benefits. This often proves to be difficult since board members in commercial funds are appointed by their sponsors.

Provision of benefit statements remains another issue of concern. The practice of funds to use the HR departments of the employers to disseminate the benefit statements constitutes a breach of fiduciary duties. If members were provided with benefit statements it would enable them to take steps against the employer and demand that contributions are remitted to the funds. Benefit statements contain important information to assist members with retirement planning and the need to supplement their retirement savings, where appropriate.

Active Complaints as at 31 March 2020

There were 5 946 complaints that remained open at the end of the year up from 4 325 in the previous year, an increase of 37.48%. This reflects the delay in receipt of responses and the capacity constraints under which we operated. In the new year we aim to improve efficiency and increase output levels after the completion of the re-engineering exercise.



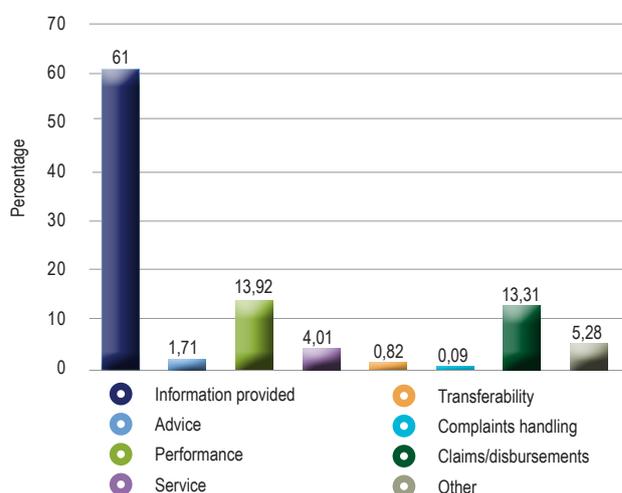
● Less than 6 months 4 344
● More than 6 months 1 602

Treating customers fairly

Treating Customers Fairly is a regulatory and supervisory approach adopted by the FSCA. Thus far there has been no conduct standard from the FSCA in relation to TCF for retirement funds. A draft directive was issued during 2017 for comment however this was never finalised. We understand that the FSCA's intention is to publish a new document for comment but this has not yet transpired. The COFI Bill is also intended to incorporate the TCF principles into legislation. The Bill has not yet been passed as an Act. The Adjudicator can only enforce laws that are in existence.

Inasmuch as there were improved member experience on Treating Customers Fairly outcomes, complaints relating to TCF outcome 3 reduced to 61% from 73.83% in the previous year. Most of the complaints indicate that members are not adequately informed about the type of fund they belong to and the benefits that are provided. This was heightened by the fact that during the period under review pension funds suffered substantial investment losses due to poor market conditions. Complainants were generally not satisfied with the performance of their savings and felt that their reasonable benefit expectations were not met.

TCF outcomes



Stakeholder Management

The OPFA committed to improve and focus on consumer awareness in the year under review. Workshops were conducted with staff to position the OPFA as a customer centric organisation and improve the overall experience of complainants when interacting with the OPFA. This work will continue in the new year as we conduct the stakeholder engagement survey and implement its recommendations.

During the year we increased our interaction with the funds/administrators/principal officers to address the poor quality of and tardiness in filing responses. These interventions had started to yield positive results as responses were being filed and funds showing determination to resolve complaints. The proposals from funds to be afforded the opportunity to resolve complaints directly with the members is welcomed and will reduce complaints that ordinarily ought to have been resolved by the funds at first opportunity.

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

FUNDS

Transport Sector Retirement Fund
Smollan Group Fund
Metal Industries Provident Fund
N-e-FG Umbrella Fund
Corporate Selection Umbrella Pension Fund
Private Security Sector Provident Fund
Auto Workers Retirement Fund

ADMINISTRATORS

Salt Employees Benefits (Pty) Ltd
Sanlam Sky
Sanlam Employee Benefits
Old Mutual Life Assurance Company (SA) Limited
Alexander Forbes Financial Services (Pty) Ltd
MIFA
Momentum Group Limited
ABSA Consultants & Actuaries
N-e-FG Fund Administrators
GIB Financial Services
Liberty Life

EMPLOYERS

Innovative Staffing Solutions Group
Hlanganani Protection Services

Information and communication technology (ICT)

ICT governance continues to be strengthened. Four policies and procedure documents were reviewed and approved, some to address audit findings. With the organisation's reliance on ICT systems, ICT is in a process to improve its infrastructure in a phased approach. All the OPFA applications on the Business Continuity and Production environments have been migrated to the latest Operating Systems and database environments.

Although the ICT environment experienced challenges compared to the previous financial years, it still achieved an average of 92% system uptime achieved against a target of 90%. Three problem incidents were experienced that had an impact on the Service Level Commitment. The strategic projects were impacted by the increased operational projects which require the same amount of planning and implementation capacity as other strategic projects. The operational challenges were due to the reliance on external service providers, with turnaround times which impacted the resolution of technical challenges to business.

The OPFA ICT security controls have improved with the procurement of ICT Security Operation services to mitigate ICT security vulnerabilities and the risk of cyber-attacks. The OPFA ICT security assessment highlighted an average of low risk rating for the year under review.

Risk and Business continuity

ICT continues to improve the OPFA Business Continuity site to reduce the turnaround time in an event of a disaster. Business Continuity tests that included successful testing of internal and external emails took place in the year under review.

OPERATIONAL REPORT continued

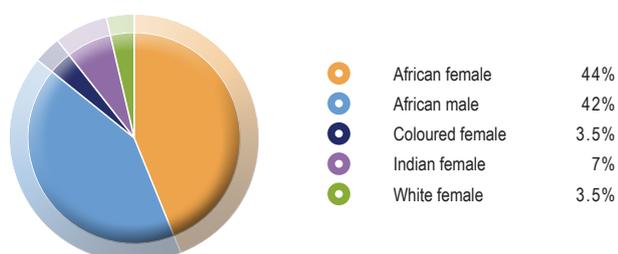
Human resources

The OPFA had an approved staff establishment of 66 employees as at 31 March 2020 including positions on a fixed term contract. The OPFA had a 14% vacancy rate as at 31 March 2020. During the year under review 17 appointments were made. The position of Deputy Pension Funds Adjudicator was filled in January 2020 after three previous attempts had failed to identify a suitable candidate. The filling of the Chief Operations Officer and Senior Legal Advisor positions were important developments in the strengthening of the OPFA at senior management level.

The OPFA believes that employees are the heart of the organization and must be engaged to achieve its strategic objectives. Whilst we experienced more than expected turnover, employees remained focused and worked hard. The inability to deal with sluggishness and implement timeous consequence management meant that interventions to improve performance took place later than required. Employees that could be retained were reassigned and remedial actions implemented to focus on their improvement.

The capacity constraints at case management would continue to place pressure on current personnel and impact on our ability to achieve the strategic objectives. The challenge remains to attract a steady flow of skilled employees who can perform at acceptable levels. Industry has also proven to be a competitor for our skills given the training and development interventions that the OPFA has in place. The OPFA together with the FSCA is busy developing a training manual suitable for those within the regulatory space in order to ensure that they are up to date with all the complexities and intricacies of the retirement funds' space.

Population Groups



Population Group	Female		Male	
African	25	44%	24	42%
Coloured	2	3.5%	0	0%
Indian	4	7%	0	0%
White	2	3.5%	0	0%
Foreign	0	0%	0	0%
Total	33	58%	24	42%

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

B-BBEE compliance performance information

Based on the BBBEE verification conducted for the year under review, the OPFA received a BBBEE Contribution level 8. This is the first verification conducted and the OPFA will endeavour to improve this going forward.

Scorecard Elements	Maximum Score	Achieved Score
BEE Ownership	N/A	N/A
BEE Management Control	20	11.17
Skills Development	30	11.07
Enterprise & Supplier Development	54	31.63
Socio-Economic Development	5	2.14
Total Score	109	56.01

The detailed scoring is as follows:

Management control				
BEE Management Indicators	Points	Target	Actual	Score
Voting Rights of Black members as a percentage of all board members	2	50.00%	0.00%	0.00
Voting Rights Black Female Board members as a percentage of all board members	1	25.00%	0.00%	0.00
Black Executive Directors as a % of All Directors	2	50.00%	100.00%	2.00
Black Female Executive Directors as a % of All Directors	1	25.00%	100.00%	1.00
Black Executive Management as a percentage of all Executive managers	2	60.00%	100.00%	2.00
Black female Executive management as a percentage of all Executive managers	1	30.00%	40.00%	1.00
Black senior managers as a percentage of all senior managers	2	60.00%	50.00%	0.94
Black female senior managers as a percentage of senior managers	1	30.00%	0.00%	0.00
Black middle managers as a percentage of all middle managers	2	75.00%	85.71%	1.72
Black female middle managers as a percentage of all middle managers	1	38.00%	42.86%	0.78
Black Junior managers as a percentage of all Junior managers	2	88.00%	100.00%	0.86
Black female junior managers as a percentage of all Junior managers	1	44.00%	54.55%	0.87
Black disabled employees as a percentage of all employees	2	2.00%	0.00%	0.00
TOTAL MANAGEMENT CONTROL SCORE	20			11.17

Skills development				
Skills Development Indicators	Points	Target	Actual	Score
Adjusted Skills Development spend on Learning Programmes for black people as a percentage of the Leivable Amount	9	6.00%	4.96%	5.81
Adjusted Skills development spend on black disabled people as a percentage of the leivable amount	4	0.30%	0.00%	0.00
Percentage of black people on Learnerships, Internships and apprenticeships as a percentage of all employees	6	2.50%	9.09%	5.26
Percentage of unemployed black people on Learnerships, Internships and apprenticeships as a percentage of all employees	6	2.50%	0.00%	0.00
Bonus				
Number of black people absorbed by the Measured and Industry Entity after completion of Learnership Programme	5	100.00%	0.00%	0.00
TOTAL SKILLS DEVELOPMENT SCORE	30			11.07

OPERATIONAL REPORT continued

Enterprise and supplier development				
Preferential Procurement Indicators	Points	Target	Actual	Score
BEE procurement spend from all empowering suppliers based on the BEE procurement recognition levels as a percentage of Total Measured Procurement Spend	5	80.00%	78.06%	4.88
BBBEE Procurement spend from QSE's based on the applicable BBBEE procurement recognition level as a % of TMPS	4	15.00%	5.64%	1.50
BBBEE Procurement spend from EME's based on the applicable BBBEE procurement recognition level as a % of TMPS	5	15.00%	15.39%	5.00
BBBEE procurement spend from 51% black owned suppliers	11	40.00%	65.50%	11.00
BBBEE Procurement spend from 30% Black women owned suppliers	5	12.00%	16.60%	5.00
Annual value of all supplier development contributions made by the measured Entity as a % of the target	15	0.20%	0.03%	2.25
Annual value of all enterprise development contributions made by the measured Entity as a % of the target	5	0.10%	0.00%	0.00
Bonus				
BBBEE Procurement Spend from Designated Group Suppliers that are at least 51% Black Owned	2	2.00%	16.68%	2.00
Graduation from Enterprise development (ED) to Supplier development (SD)	1	1	No	0.00
Jobs created under ED and SD	1	1	No	0.00
TOTAL SUPPLIER AND ENTERPRISE DEVELOPMENT SCORE	54			31.63
Socio-economic development				
Socio-Economic Development Indicators	Points	Target	Actual	Score
Average annual value of all Qualifying contributions made by the measured entity as a percentage of the target	5	0.10%	0.04%	2.14



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.

Failure to pay contributions to fund Employers have a duty to pay contributions to the pension fund

In a complaint received by the Adjudicator, it was complained that Tactpro Protection Services CC (second respondent) had failed to timeously register as a participating employer with the Private Security Sector Provident Fund (first respondent).

The complainant was employed with the second respondent as a security officer from 20 February 2016 to 3 November 2017.

Following his exit from service, the complainant became entitled to a withdrawal benefit from the first respondent. However, he had not been paid any benefit.

The complainant also stated that the second respondent did not pay his full salary and was not provided with pay slips. He averred that the second respondent also failed to pay its portion of provident fund contributions to the first respondent. He provided a copy of his pay slip for June 2017 which reflects a provident fund deduction of R226.85. He also provided a copy of his completed withdrawal claim form which was stamped by the second respondent.

The first respondent submitted that the second respondent commenced participating in it on 1 November 2016 and was non-compliant in terms of section 13A of the Act. It stated that fund contributions were received from the second respondent for the last time in March 2017. It confirmed that the complainant became its member on 1 November 2016 and there was no record of his exit from the fund.

The first respondent stated that the second respondent was in arrears with contributions for the period February 2017 and April 2017 to date. It provided a contributions history which reflected contribution payments in respect of the complainant for the period November 2016 to December 2016 and January 2017. It averred that further contributions will be allocated to the complainant's record once it received payment of the arrear contributions from the second respondent.

In further submissions, the first respondent stated that the second respondent did not remit the same amount of contributions deducted from the complainant's salary as his current fund credit amounts to R0.01. This was after it was provided with the complainant's pay slip which reflects a provident fund deduction of R226.85.

SUMMARY OF IMPORTANT DETERMINATIONS continued

The second respondent acknowledged that contributions were deducted from the complainant's salary from March 2017 until June 2017, which were not paid over to the first respondent. It indicated that it deliberately and/or negligently failed to effect deductions from the complainant's salary from July 2017 until November 2017.

The second respondent stated it had a contract with the Makana Municipality and it was difficult to honour payments of salaries of employees as its client is practically bankrupt and could no longer keep up with the payment of invoices. This led to a situation where it could not honour its statutory commitments in relation to payment of contributions.

In her determination, Ms Lukhaimane said the second respondent acknowledged that it was in arrears with contributions due to the fact that its client failed to honour payments of its invoices. It undertook to remedy the situation and requested a reasonable time to do so.

"The issue of non-payment of invoices by clients is a real issue in this (security) industry and it normally results in the employer being unable to honour its statutory duty to pay contributions in respect of its employees.

"Thus, it is a systemic problem in this industry which prejudices both employer and members in terms of payment of contributions and affects the final benefit payable upon exit from service."

The second respondent was ordered to pay to the first respondent the arrear contributions together with late payment interest. The first respondent was also ordered to pay the complainant his withdrawal benefit.

In her determination, Ms Lukhaimane said the second respondent acknowledged that it was in arrears with contributions due to the fact that its client failed to honour payments of its invoices. It undertook to remedy the situation and requested a reasonable time to do so.

Adjudication Team



Withholding of withdrawal benefits Fund is reported to regulator for unlawfully withholding benefits

A pension fund with a history of unlawfully withholding withdrawal benefits has been referred by the Pension Funds Adjudicator to the regulator for investigation into its conduct.

In yet another determination against Oasis Crescent Retirement Fund, Muvhango Lukhaimane said her office had received several complaints against the fund for the unlawful withholding of benefits.

She said despite alerting the fund that withholding of a benefit as a result of a breach of employment contracts was unlawful, the fund had not refrained from such conduct.

“Such wilful non-compliance requires regulatory intervention which would ultimately ensure that

members’ interests are not prejudiced by the first respondent’s failure to adhere to the Pension Funds Act and its Rules.

“Further, this Tribunal can avail to the Financial Services Conduct Authority similar complaints against the fund to assist in its investigation process,” Ms Lukhaimane said.

She was commenting in the wake of two determinations she issued against Oasis Crescent Retirement Fund.

In the first case, the complainant was employed by Oasis Group Holdings (Pty) Ltd (third respondent) from 1 October 2014 until 28 September 2018. She said when she resigned, she elected to transfer her withdrawal benefit from Allan Gray to Old Mutual. However, despite several follow ups, Oasis Crescent Retirement Fund (the first respondent) failed to effect the said transfer. She had a fund credit of R39 301.64 as at March 2018.

Case Management Team



SUMMARY OF IMPORTANT DETERMINATIONS continued

The complainant said while there was an alleged act of misconduct or dishonesty on her part, the first respondent made no mention of this in its response to her. The first respondent had not laid a basis for withholding her benefit.

The first respondent submitted that it was notified by the third respondent of its intention to institute legal proceedings against the complainant for damages caused to the latter by the complainant's misconduct and dishonest acts. Thus, the payment of the complainant's withdrawal benefit had been put on hold.

The third respondent said sufficient grounds existed to facilitate a successful claim for damages against the complainant, arising from the breach of her employment contract. It averred that the claim for R53 729.00 included costs incurred in remedying the complainant's misconduct for dishonest acts in absconding from work.

Oasis Crescent Retirement Solutions (Pty) Ltd (the second respondent) said Section 37D(1)(b)(ii) of the Pension Funds Act provides for a deduction from a pension benefit to be effected and the amount paid over to an employer in respect of damage caused by a member through theft, dishonesty, fraud or misconduct.

In her determination, Ms Lukhaimane said a registered fund may deduct any amount due by a member to his employer in respect of any damage caused to the employer by reason of any theft, dishonesty, fraud or misconduct by the member, and in respect of which the member has in writing admitted liability to the employer; or judgment has been obtained against the member in any court.

She said before a fund can withhold a benefit at the request of an employer, the member's misconduct must fall within the ambit of section 37D(1)(b)(ii) of the Act.

However, the complainant's actions which resulted in the breach of her employment contract in respect of her allegedly absconding from work, did not fall within the misconduct as contemplated in section 37D(1)(b)(ii). Thus, any withholding of her benefit on this ground was unlawful.

"The alleged misconduct by the complainant relates to a breach of a contract of employment and not misconduct that caused damage to an employer as contemplated by section 37D(1)(b)(ii) of the Act," said Ms Lukhaimane.

"A fund must satisfy itself that wilful and dishonest conduct did occur and that damages have resulted in consequence thereof. Unless there is strict compliance with the requirements for withholding a benefit, the deduction is not allowed," said Ms Lukhaimane.

Ms Lukhaimane expressed concern about the passive role adopted by the first respondent by failing to request reasons for the withholding of the benefit.

"If the first respondent made this simple request at the onset, it would be in a better position to assess the claim based on the merits thus, preventing the complainant from incurring prejudice."

Oasis Crescent Retirement Fund was ordered to transfer the complainant's withdrawal benefit as requested plus late payment interest.

In a second similar complaint, another complainant said he too was in the employ of Oasis Group Holdings (Pty) Ltd (third respondent).

He said when he resigned on 27 June 2016, he was not paid his withdrawal benefit.

He did not sign an admission of liability and no judgement was issued against him. He said he was served with summons which reflected that he owed the company an outstanding amount of R118 945.66 in respect of recruitment costs.

The first respondent submitted that it was notified by the third respondent that summons had been issued against the complainant. Thus, the payment of the complainant's withdrawal benefit had been put on hold.

The third respondent said the complainant was employed with it from 29 January 2016 for five months. The company had incurred recruitment costs in the amount of R188 100. In terms of clause 28(3) of his employment contract, the cost incurred would be pro-rated by the number of months worked. The pro-rated amount totalled R148 912.50. It contended that it recovered the amount of R29 966.84 and the outstanding amount was R118 945.66.

In her determination, Ms Lukhaimane said the failure of the complainant to comply with his employment contract, in respect of his alleged failure to reimburse expenses incurred by his employer on his behalf, did not fall within the ambit of misconduct as contemplated in section 37D(1)(b)(ii). Thus, any withholding of his benefit on this ground was unlawful.

Oasis Crescent Retirement Fund was ordered to pay the complainant his withdrawal benefit plus late payment interest.

Death benefit

Husband fails in second attempt to claim wife's death benefit

For the second time in a year, a Durban man has failed in his attempts to lay his hands on a benefit of almost R4-million following his wife's death.

In September 2018, a man from Umhlatuzana Township complained to the Pension Funds Adjudicator Muvhango Lukhaimane about Coca Cola Shanduka Beverage Provident Fund (first respondent) for paying the death benefit into the deceased's estate account.

However, the complaint was dismissed on the grounds that the complainant had excluded himself from being a legal dependant of the deceased.

The dead woman Ms S Naidoo was a member of the first respondent until she passed away on 24 June 2016. The complainant was the spouse of the deceased.

Following her demise, a death benefit in the amount of R3 829 618.42 became available for distribution to her beneficiaries. The board of the first respondent resolved to pay the death benefit into the deceased's estate account.

The complainant and the deceased were married out of community of property. The deceased moved out of the common home in November 2015 and thereafter lived alone until the time of her death.

The first respondent submitted that prior to her death, the deceased had initiated divorce proceedings against the complainant. Further, the complainant and deceased agreed in a deed of settlement that neither party had any claim to the assets of the other.

The deceased had a Will in which she appointed her parents as her sole beneficiaries. In the event of them predeceasing her, her entire estate would then devolve upon her two sisters. The Will was declared valid by the High Court following an application by the deceased's parents which was opposed by the complainant.

In her original determination in April 2019, Ms Lukhaimane said the complainant and the deceased were estranged since November 2015 and were no longer living together on the date of her death.

Case Management Team



Lalita Jadoonandan



Yolande van Tonder



Neo Mashigo



Caswell Ritshuri



Siphokazi Cetyana



Gift Mudau



Lesley Ratsebe



Joseph Makama



Phakiso Chuene



Urisha Maharaj

SUMMARY OF IMPORTANT DETERMINATIONS continued

Further, prior to the death of the deceased, she had initiated divorce proceedings against the complainant and they signed a deed of settlement wherein they agreed that neither party had any claim to the assets of the other.

“The deceased had a Will in which she appointed her parents as her sole beneficiaries.

“The complainant confirmed to the first respondent that he was not financially dependent on the deceased. Therefore, by agreement with the deceased, the complainant excluded himself from being a legal and/or factual dependant of the deceased.

“It follows that his exclusion from the allocation of the death benefit was equitable in the circumstances,” Ms Lukhaimane said.

She found that the payment of the death benefit into the estate account was justifiable under the circumstances. Thus, the complaint was dismissed.

However, the complainant was not happy and submitted an application for reconsideration of the determination to the Financial Services Tribunal (FST). The basis for his application was primarily that he was entitled to a portion of the death benefit as the spouse of the deceased and thus, as a legal dependant.

The FST handed down a ruling, setting aside the PFA’s original decision and referred the complaint to the PFA for reconsideration, based mainly on the issue that the PFA had failed to fully investigate the circumstances regarding the complainant’s allegation that he and the deceased were to reconcile.

This was disputed by the first respondent which submitted that the complainant did not submit any evidence to prove that he and the deceased were reconciling prior to her death.

It submitted that by his admission, the complainant and the deceased last communicated three weeks prior to her death, “which is highly non-indicative of reconciliation”.

The first respondent submitted that the overriding factor for all section 37C death claims is financial dependency at the time of the death of the deceased, which factor the complainant failed to prove as he confirmed on numerous occasions and at the FST hearing, that he was not financially dependent on the deceased at the date of her death.

The first respondent submitted that in order to prove that at no point did the deceased consider reconciling with the complainant, it attached affidavits from the deceased’s mother, a close friend and the attorney representing the deceased in the divorce proceedings.

The first respondent submitted that considering the affidavits, it was clear that the deceased was afraid of the complainant and did not want him to know where she lived after they separated.

The deceased sought to rather meet with him in a public space as she feared the complainant.

Also, the deceased had not mentioned that she was considering reconciliation with the complainant to any of the three persons mentioned above, particularly her legal representative who held instruction to proceed with the divorce and had received no instructions whatsoever to halt or pend the divorce proceedings.

Further the deceased’s mother stated that shortly before her death, the deceased also considered immigrating to Canada without her spouse.

The first respondent submitted that the complainant had made it repeatedly clear that he was not financially dependent on the deceased as can be evident by the fact that the parties married via an ante-nuptial contract without accrual. The complainant wanted to be allocated a portion of the death benefit solely on the basis that he was the spouse of the deceased.

The first respondent submitted that the complainant had two immovable properties registered in his name. The complainant was also gainfully employed and would not be left destitute following the death of the deceased.

Therefore, the first respondent decided not to allocate a portion of the death benefit to him.

In issuing a determination for the second time in this matter, Ms Lukhaimane said the complainant was aggrieved with the board’s decision to pay the deceased’s entire death benefit into her late estate.

While the complainant had submitted that he was the legal spouse of the deceased, he and the deceased were estranged since November 2015 and were no longer living together on the date of her death.

She said the complainant had confirmed to the first respondent that he was not financially dependent on the deceased. Therefore, he was not a factual dependant of the deceased.

The complainant had also failed to provide proof that he and the deceased were in the process of reconciliation. The complainant could have submitted WhatsApp messages, SMSes exchanged between the parties or further telephone records proving that the parties were in communication enough to prove that they were reconciling. However, he failed to do so.

“This Tribunal is satisfied that the complainant is not entitled to a portion of the death benefit. Therefore, the complaint is hereby dismissed,” Ms Lukhaimane ruled.

Death benefits set aside because stepson’s dependency was ignored

The Pension Funds Adjudicator has set aside the decision of a fund to allocate death benefits to a deceased’s siblings whilst ignoring a stepson’s dependency.

Muvhango Lukhaimane ordered the board of the fund to conduct a full investigation regarding the dependency of the complainant and his siblings on the deceased and then re-exercise its discretion regarding the allocation.

The complainant is the stepson of the deceased. The case concerns the distribution of a death benefit by Impala Workers Provident Fund (first respondent) following the death of its member on 12 August 2017.

The deceased was married to the complainant’s mother who predeceased him. He was survived by a 55-year old brother and 59-year old sister. The deceased had no biological children.

Following the death of the deceased, a death benefit in the amount of R799 640.13 became due and payable to the deceased’s beneficiaries. The board of the first respondent distributed the death benefit equally between the brother and sister.

The complainant indicated that at all material times, he resided with the deceased together with his mother and the deceased took care of them. He averred that although the deceased was not his biological father, he looked after him financially from the age of seven or eight until his death.

Following the deceased’s death, his siblings submitted affidavits to the first respondent stating that the deceased did not have any child despite knowing that he has a stepson. The complainant stated that when he enquired with the first respondent, he was informed that the death benefit had already been paid to the deceased’s siblings.

The complainant submitted that in terms of section 37C of the Act the first respondent was supposed to investigate whether or not there was any person who was dependent on the deceased and allocate the death benefit after 12 months from the date of death.

In this matter, the first respondent paid the death benefit within four months following the deceased’s death. The complainant indicated that he did not understand the urgency of distributing the death benefit without conducting a proper investigation.

He averred that the board could have obtained information about his existence from the family of his deceased mother.

Sanlam Life Insurance Limited (second respondent) said the board’s resolution indicated that the deceased was involved in a car accident and did not die immediately. He suffered some injuries and his sister took care of him until his death.

The second respondent provided copies of affidavits submitted by the siblings in which they confirmed that the deceased had no child at the time of his death.

The second respondent indicated that during a visit to the first respondent’s office, the complainant indicated that he was afraid to claim a benefit earlier as the relationship between his mother and the deceased’s family was not good.

In her determination, Ms Lukhaimane said: “It is common cause that the complainant and the deceased’s siblings may qualify as factual dependents.

“The fact that a person qualifies as a legal or factual dependent does not automatically give them the right to receive a portion of a death benefit. The deciding factor is financial dependency.

“In this matter, it is common cause that the deceased was married to the complainant’s mother. There is an uncontested submission that the complainant and his mother resided with the deceased until his death and that he looked after them financially.

SUMMARY OF IMPORTANT DETERMINATIONS continued

“It is the duty of the board of the first respondent to establish the complainant’s living circumstances and the extent of his dependency (if any) on the deceased at the time of his death.

“It also appears that the board was aware of the existence of the complainant as the stepson of the deceased when it allocated the death benefit.

“The complainant indicated that he approached the first respondent’s offices in October 2017 and the board still ignored his claim. This was solely based on affidavits submitted by the deceased’s siblings in which they stated that the deceased was not survived by any child.

“The facts indicate that no further investigation was conducted to establish if the deceased was survived by any other dependents except his siblings. Put simply, no further investigation was conducted regarding the complainant’s claim.”

Ms Lukhaimane said the allocation of the deceased’s death benefit was not based on a thorough investigation of all possible beneficiaries.

The board would have been aware of the complainant if it had conducted a proper investigation before allocating the death benefit. It is not the duty of the complainant to come forward and claim the death benefit. It is the duty of the fund to identify all beneficiaries and make an equitable allocation of the death benefit.

Further, the board allocated 100% of the death benefit to the deceased’s siblings without any explanation regarding their dependency on the deceased.

“This Tribunal notes with concern the failure of the board of the first respondent to appreciate the extent of its fiduciary obligation and investigative function as outlined in section 37C of the Act. This much is also evidenced by its failure to explain the exclusion of the complainant from the allocation of the death benefit.

“In light of the above, the decision of the board of the first respondent regarding the allocation of the deceased’s death benefit falls to be set aside,” said Ms Lukhaimane.

She ordered the board to conduct a full investigation regarding the dependency (if any) of the complainant and his siblings on the deceased at the time of his death, and then re-exercise its discretion regarding the allocation that should be made to them (if any).

Complainant failed to prove financial dependency

A complaint by a deceased’s wife that she and her daughter were excluded from death benefits was dismissed by the Pension Funds Adjudicator, Muvhango Lukhaimane, as the complainant failed to provide proof of financial dependency.

Following the deceased’s death, a death benefit in the amount of R899 743.85 became available for distribution to his beneficiaries. The board of the first respondent resolved to allocate the death benefit as follows: life partner’s two children with the deceased 26.84% (R241 510.35) and 33.16% (R298 336.10); the life partner 35% (R314 910.35); and the deceased’s mother 5% (R44 987.20).

The decision by the first respondent not to allocate a portion of the death benefit to the complainant and her daughter was the subject matter of the complaint.

The complainant confirmed that she was the surviving spouse of the deceased and they had been married in community of property since 23 January 2002. She said she had a minor child with the deceased. The complainant indicated that she had been living separately from the deceased for two years and during this period the deceased was financially supporting her and their daughter.

The complainant stated that she received a letter from the first respondent informing her that she was not entitled to any portion of the death benefit as she was not residing with the deceased at the time of his death. The daughter was also excluded from the allocation of the death benefit.

The second respondent confirmed that the first respondent received death benefit application forms on 16 August 2018 from the deceased’s mother, a pensioner who the deceased assisted with groceries and medical expenses.

The first respondent also received a death application document on 21 August 2018 from the deceased’s life partner on her behalf and her two minor children. She stated that she shared the same household with the deceased and they lived together from 2007 until his death. This relationship was confirmed by the deceased’s family.

The second respondent stated that the complainant also filed a death application form which was received on 21 August 2018. She confirmed on her claim form that she did not reside with the deceased and that she did not know about his funeral.

She also stated in an affidavit dated 10 September 2018 that the deceased did not support her financially.

The second respondent submitted that a paternity test report dated 18 March 2016 excluded the deceased as the biological father of the complainant's daughter.

Upon receipt of the DNA results, the deceased requested that the maintenance garnishee order issued in respect of the complainant's daughter be cancelled. The first respondent also received a letter from the maintenance court stating that the deceased was discharged from his maintenance obligations towards the child as at 29 June 2016.

The second respondent indicated that the complainant failed to provide any proof of financial dependency.

In her determination, Ms Lukhaimane said the respondents provided documentary evidence which showed that the deceased was discharged from his maintenance obligation in respect of the complainant's daughter.

On the basis of the DNA test results, the deceased was not the father of the complainant's daughter. By cancelling the garnishee order, the court would have satisfied itself that the DNA test results were not questionable and that a proper process was followed in obtaining blood samples.

"In light of the submissions, the exclusion of the complainant and her daughter from the allocation of the death benefit is justifiable and equitable. In result, the complaint cannot be upheld and is dismissed," said Ms Lukhaimane.

A fund's board is not bound by a beneficiary nomination form

A fund's board is not bound by a beneficiary nomination form and has to exercise its discretion having regard to the level of dependency of each beneficiary.

This was stated by Pension Funds Adjudicator, Muvhango Lukhaimane, in a matter where allocation of a death benefit to a stepson was contested.

The complainant, the mother of the deceased who was a member of Metal Industries Provident Fund (first respondent) when he passed away on 21 January 2018, was unhappy that a benefit was allocated to an eight-year old child who was not his biological son.

Following the deceased's death, a death benefit in the amount of R1 140 780.26 became available for distribution to his beneficiaries. The board of the first respondent resolved to allocate the death benefit as follows: the complainant was allocated 0.88% (R10 000); the current spouse was allocated 30% (R342 234.08). She was paid R102 670.22 on 21 June 2018 and R74 121.18 on 14 November 2018. The balance of her benefit will be paid upon expiry of 12 months after date of the deceased's death. A 12-year old son from his former spouse was allocated 54.71% (R624 134.76). The current spouse's eight-year old son from a previous relationship was allocated 14.41% (R164 411.42).

The decision of the board of the first respondent to allocate a portion of the death benefit to the current spouse's son (the deceased's stepson) was the subject matter of the complaint.

The complainant stated that the deceased completed a beneficiary nomination form in 2011 in which he nominated her and his biological son from his former spouse as beneficiaries. She received a letter from the first respondent in July 2018 which stated that no benefit was awarded to her and that the current spouse's son was receiving a monthly benefit from the first respondent despite the fact that he was not the deceased's biological son. Thus, she submitted that the deceased's wishes as expressed in his nomination form were not adhered to.

The complainant stated that other than his biological son, the deceased had no obligation to maintain the current spouse's son. She requested that the deceased's wishes be implemented. Alternatively, his biological son should be the only beneficiary of the death benefit.

The Metal Industries Benefit Funds Administrators (second respondent) confirmed that the first respondent received death application documentation on 16 March 2018 from the complainant. On 19 March 2018, the first respondent received death application form from the former spouse and she claimed on behalf of her son with the deceased. On 17 April 2018, further claim

SUMMARY OF IMPORTANT DETERMINATIONS continued

documentation was received from the current spouse on behalf of her son from a previous relationship who, she claimed, the deceased provided with financial support and cared for him.

The second respondent confirmed that the deceased completed a beneficiary nomination form on 14 February 2011 in which he nominated the complainant (50%) and his biological son (50%) as beneficiaries. However, the benefits were not allocated as such.

It averred that the first respondent considered the current spouse's son from a previous relationship as a factual dependent as he was financially dependent on the deceased. It submitted that this boy shared a common home with the deceased and the deceased provided financial support to him and the current spouse. The boy was also dependent on the deceased's medical aid scheme from September 2014 until his death. The current spouse confirmed that her son was receiving financial support from his biological father.

In her determination, Ms Lukhaimane said Section 37C of the Pension Funds Act places a duty on the board to identify the beneficiaries of a deceased member and also vests the board with discretionary powers on the proportions and manner of distributing the proceeds of a death benefit.

She said it was common cause that the current spouse's son was not the deceased's biological child. However, the issue of dependency in terms of section 37C of the Act did not depend on biological relationship - the deciding factor was financial dependency of a person on the deceased at the date of his death.

"The submissions indicate that the stepson shared a common home with the deceased and he supported him financially together with his mother, the current spouse.

"There is an uncontested submission that the stepson was dependent on the deceased's medical scheme from September 2014 until his death."

Ms Lukhaimane said it is trite law that the board is not bound by a beneficiary nomination form and has to exercise its discretion having regard to the level of dependency of each beneficiary.

"In light of the submissions, the allocation of the deceased's death benefit is justifiable and equitable in the circumstances. In the result, the complaint cannot be upheld and is dismissed" she said.

Dependency is the decisive factor in the allocation of a death benefit

The wife of a deceased has failed in her attempt to block allocation of a death benefit to the deceased's son born outside their union.

Initially the wife and her two sons from her union with the deceased were allocated and paid out benefits.

Subsequently when it surfaced that the deceased had a third son (SN) who was financially dependent on him, the wife and her two sons were requested to pay back the amount allocated to SN.

The deceased was a member of the South African Retirement Annuity Fund (first respondent) during his lifetime. He passed away on 14 March 2016.

A death benefit in the amount of R2 932 152.11 became available for distribution in terms of section 37C of the Act. The board of the first respondent initially allocated the death benefit to the deceased's beneficiaries as follows: complainant 34%; and each of her two sons 33%.

The first respondent subsequently revised its decision and allocated the death benefit as follows: complainant, her two sons and SN to each receive 25%.

The complainant was dissatisfied with the allocation of the death benefit to SN. She stated that the deceased nominated her and her two children as beneficiaries. She submitted that on 17 June 2016, she received an amount of R648 918.37 and each of her two children received R629 832.54. She stated that she received a call from the first respondent on 30 August 2017 informing her that the deceased's other son (SN) came forward to claim as a dependent.

She submitted that on 22 September 2017, she was informed that the board awarded SN 25% and they needed to pay back the difference between the initial allocation and the new allocation.

She stated that none of her children were contacted to do a DNA test to prove that SN was the deceased's son. She submitted that the first respondent unilaterally re-allocated the death benefit and they did not know how it came to 25% allocations.

She stated that she informed the first respondent that SN was not dependent on the deceased. She submitted that a long period had passed between

the time of payment and the time they were informed about the re-allocation. She submitted that they had used the money.

She stated that they received the money in good faith and it was unfair that the first respondent was holding them liable for payment when they did not even have any knowledge of SN. She submitted that the first respondent failed to investigate the existence of another beneficiary before payment was made.

The first respondent submitted that that on 21 July 2016, its administrator was informed that SN contacted it, alleging to be the deceased's son. SN worked at the deceased's butchery and he supported him. SN provided bank statements for payments made to him by the deceased.

It stated that despite the erroneous and premature payment by its administrator, a final decision had not yet been made and the matter was referred back to the sub-committee. It submitted that SN was requested to provide DNA proof. It stated that SN was tested against the deceased's mother via DNA profiling and the result was positive, confirming that they were grandmother and grandson. It submitted that the board accepted the paternity of the deceased.

It stated that it investigated SN and it was determined that his highest education was matric and that he earned a basic salary of R2 400 as a call centre agent. It submitted that the deceased's other two children had higher formal education and their prospects for the future were, therefore, much better than that of SN. On that basis, it was concluded that SN would possibly have become more dependent on the deceased in future had he not died. It stated that taking all the relevant information into account the board revised the provisional decision and made a final decision on 3 August 2017 as follows: complainant 25%; her two children 25% each; and SN 25 %.

In her determination, Ms Lukhaimane said even though the board had demanded DNA test results (which were positive), it should be noted that one does not need to be a biological child of the deceased in order to be allocated a death benefit. The question is whether or not the child will be deprived of the support as a result of the deceased's death. Dependency is the decisive factor in the allocation of the death benefit.

"This Tribunal would like to highlight that the wishes of the deceased serve merely as a guide to assist the board in the exercise of its discretion.

"Relying on the nomination form to pay the death benefit resulted in the complainant and her two children being paid more than what they were supposed to be paid.

"Be that as it may, it is unfair for the first respondent to expect the complainant and her two children to pay back the overpaid amount that was made as a result of its failure to conduct proper investigation as required in terms of section 37C of the Act.

"However, should the first respondent be of the view that the overpaid money must be refunded, it can institute legal action against the complainant and her two children as this Tribunal cannot be seen to be endorsing the first respondent's failure to comply with section 37C of the Act.

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

Withholding payment from beneficiary fund

Request for R30 000 from beneficiary fund to buy a car is dismissed

A complainant has failed in her attempt to get funds released from the beneficiary fund in order to buy a second-hand car to transport her 15-year old daughter.

The complainant was the spouse of the deceased who passed away on 6 October 2013. Following the deceased's death, a death benefit in the amount of R1 378 599.00 was paid to the Fairheads Umbrella Beneficiary Fund (first respondent) from the Sun International Retirement Fund in respect of the complainant's daughter.

The complainant was receiving a monthly income of R13 000 from the first respondent for the maintenance of her daughter. The complainant requested an extra R30 000 from the first respondent in order to purchase a small second-hand car. The first respondent refused to pay the complainant.

The complainant stated that her daughter requested that her needs must be considered as she was missing out on many things due to the restrictions placed on her funds.

SUMMARY OF IMPORTANT DETERMINATIONS continued

The complainant submitted that she requested R30 000 in order to purchase a small second-hand vehicle after her vehicle was stolen. She indicated that after she lost her car, she had to walk with her daughter to and from the bus stop in order for her to get to school. She stated that the first respondent requested a case number, affidavit, license papers and police report, which she provided as requested. She provided copies of same.

She was then informed to contact this Tribunal to find out if it can approve the payment of R30 000 as it cannot make payment in this regard. The complainant indicated that her request to rent a car was also declined. Thus, she requested this Tribunal to allow her to access R30 000 from the first respondent in order to purchase a car as she is struggling with transportation.

Fairheads Benefit Services (Pty) Ltd (second respondent) filed a response on behalf of Fairheads Umbrella Beneficiary Fund (first respondent) in its capacity as the administrator.

The first respondent stated that the complainant received a monthly income of R13 000 to care of her daughter's daily needs and general upkeep. In addition to school fees, transport, stationery, uniform, school tours, extra mural activities and various requirements, payments were made to the complainant to cover these expenses. In 2016, it partly assisted towards paying for a vehicle for the complainant as she advised that she used the car to take her daughter to her extra mural activities.

The first respondent averred that the board is required to act with due care and in the best interest of a beneficiary. The board is also required to ensure that a beneficiary's benefit lasts until she is 18 years old and that there is money for tertiary education. In order to achieve this, the fund invests the benefit to achieve growth and has to adhere to annual limits.

The first respondent submitted that it will not be in the interest of the daughter to deplete the funds in relation to extra mural activities and opportunities with friends.

Case Management Team



It averred that the daughter was only 15 years old and every single requirement should be covered by the monthly income paid by the fund.

In her determination, Ms Lukhaimane said the first respondent has a discretion to determine the amount payable and may vary same according to the needs of a beneficiary. The fund may make ad hoc payments in respect of the beneficiary's education, maintenance and well-being. However, the board must be satisfied of the legitimacy of any request that is not related to the educational needs of a beneficiary.

She said the first respondent confirmed that the remaining book value of the daughter's benefit in the fund was R459 824.56 as at 30 April 2019.

"Thus, the amount is too little to cater for her future financial needs having regard to her age. It should also be stressed that the complainant has a responsibility to maintain her daughter. Thus, she cannot completely rely on the funds from the beneficiary fund.

"The first respondent is correct in ensuring that the funds are used appropriately. Section 7C(2)(a) of the Pension Funds Act requires the board to take all reasonable steps to ensure that the interests of members are protected at all times.

"In light of the submissions, the complainant did not show that the first respondent acted unfairly to the prejudice of her daughter in refusing to pay her R30 000 to purchase a second-hand car.

"The facts indicate that the first respondent considered the request having regard to the daughter's age and the remaining funds it holds for her. Therefore, the complaint falls to be dismissed," said Ms Lukhaimane.

New Complaints Unit



Wilana Groenewald



Sylvia Arendse



Madumetja Mogale



Tonny Kedikilwe



Nhlayisi Mangwani



Dolly Sibanda



Lerato Mokoena



Sibongile Mbatha



Lerato Lebogo



Busisiwe Dhlamini



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

FOR THE FINANCIAL YEAR 2019/20

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.

The accounting authority and its role

The Commissioner of the Financial Sector Conduct Authority is the designated accounting authority of 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 Management committee to manage 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.

Accounting authority meetings

In the period under review 4 (four) meetings were convened with the FSCA Commissioner and 1 (one) meeting was cancelled due to coronavirus developments and subsequent lockdown measure that was introduced by the government to curb contagion. Details of records of attendance are shown below:

Board member	23/04/19	18/07/19	10/10/19	05/12/19	31/03/2020
A Sithole (FSCA Commissioner – Accounting authority)	✓	✓	✓	✓	C
MA Lukhaimane (Pension Funds Adjudicator – ex officio)	✓	✓	✓	✓	C
AB Makunga (Chief Financial Officer – ex officio)	✓	✓	✓	✓	C

✓ Attended

C: Meeting cancelled

Governance committees

The governance committees are empowered by the Financial Sector Regulation Act to review, monitor and advise the reports from management and thereafter make recommendations to the Accounting Authority. These governance committees are responsible for ensuring the institution complies with relevant legislation, and 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 on the adequacy of risk management processes and strategies. The committee met six times in the previous year, with attendance shown below.

Member	24/05/19	12/07/19	05/09/19	03/10/19	29/11/19	23/03/20
J Mogadime	✓	✓	✓	✓	✓	✓
D Msomi	✓	✓	✓	✓	✓	✓
PJ Sutherland	✓	✓	✓	✓	✓	✓
H Wilton	✓	✓	A	✓	✓	✓
H Ratshefola	A	✓	✓	A	✓	✓

✓ Attendance A: Apologies

Risk committee

The committee assists the institution in ensuring the institution implements effective 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. Please note that Mr Abel Sithole had recused himself from participating in all the governance committee meetings due to a possible conflict of interest by virtue of his appointment as the Accounting Authority.

Member	05/06/19	04/09/19	27/11/19	05/03/20
H Ratshefola (Chairperson)	✓	✓	✓	✓
A Sithole	A	A	N/A	N/A
H Wilton	✓	A	✓	✓
J Mogadime	✓	✓	✓	✓

✓ Attendance A: Apologies 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 plus two special meetings in the period, with attendance shown below. Please note that Mr Abel Sithole had recused himself from participating in all the governance committee meetings due to a possible conflict of interest by virtue of his appointment as the Accounting Authority.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR 2019/20

Member	05/06/19	04/09/19	25/11/19	05/03/20
D Msomi (<i>Chairperson</i>)	✓	✓	✓	✓
A Sithole	A	✓	N/A	N/A
H Wilton	✓	A	✓	✓
P Sutherland	✓	✓	✓	✓

✓ Attendance A: Apologies N/A Not appointed

Remuneration committee

The committee ensures the institution's remuneration strategies and policies are implemented. It reviews compensation matters, benchmarks salaries of staff. The committee met four times plus two special meetings in the review period, with attendance reflected below. Please note that Mr Abel Sithole had recused himself from participating in all the governance committee meetings due to a possible conflict of interest by virtue of his appointment as the Accounting Authority.

Member	05/06/19	04/09/19	25/11/19	05/03/20
H Wilton (<i>Chairperson</i>)	✓	A	✓	✓
A Sithole	A	✓	N/A	N/A
D Msomi	✓	✓	✓	✓
P Sutherland	✓	✓	✓	✓

✓ Attendance A: Apologies N/A Not appointed

PART D: FINANCIAL STATEMENTS



Chief Financial Officer
Bulelani Makunga

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Corporate Services Team



Bulelani Mkaunga



Dumazile Lubando



Wonder Dila



Magadi Tshitanye



Gomotsegang Magaseng



Malakia Raedani



Danielle Magwentshu



Lufuno Balibali



Darshana Maharaj



Nontokoza Manana

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 he is 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 member to meet these responsibilities, the accounting authority 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 member 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 or deficit.

The member has reviewed the entity's cash flow forecast for the year to 31 March 2021 and, in the light of this review and the current financial position, he is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The entity is wholly dependent on the Financial Sector Conduct Authority for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern.

Although the accounting authority is primarily responsible for the financial affairs of the entity, he is supported by the entity's external auditors.

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 46.

The annual financial statements set out on page 50, which have been prepared on the going concern basis, were approved by the accounting authority on 30 September 2020 and were signed on its behalf by:



Mr A Sithole
FSCA Commissioner

AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2020. The committee is an oversight sub-committee of the accounting authority of the Office of the Pension Funds Adjudicator, the Commissioner of the Financial Sector Conduct Authority, 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 review, monitor and advise the accounting authority in his responsibility to ensure effective financial, performance and risk management systems at the OPFA. The committee also evaluates, monitors and advises on the system of internal control and their operating effectiveness. 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 Audit committee meetings by invitation. We are pleased to present our report for the financial year ended 31 March 2020.

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	5/6
H Ratshefola	4/6

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 therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

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 (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept 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

30 September 2020

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 50 to 86 which comprise the statement of financial position as at 31 March 2020, 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 2020, and its financial performance and cash flows for the year then ended in accordance with the statement of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act (PFMA) of South Africa, 1999 (Act no. 1 of 1999).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the public entity in accordance with sections 290 and 291 of the 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 public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the 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 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 on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures did not examine whether the actions taken by the public entity enable service delivery. 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 2020:

Objective	Pages in the annual performance report
Objective1 – Dispose of complaints received	88 – 89

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 this objective:
 - 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 88 to 91 for information on the achievement of planned targets for the year and explanations provided for the under achievement of a significant number of targets.

Adjustment of material misstatements

17. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of Objective 1 – Dispose of complaints received. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE OFFICE OF THE PENSION FUNDS ADJUDICATOR continued

Report on the audit of compliance with legislation

Introduction and scope

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

Other information

20. The accounting authority is responsible for the other information. The other information does not include the financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.
21. 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.
22. 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 separate 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.
23. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

24. 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-General

Pretoria
30 September 2020



**AUDITOR-GENERAL
SOUTH AFRICA**

Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL’S RESPONSIBILITY FOR THE AUDIT

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

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity’s internal control;
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority;
 - conclude on the appropriateness of the accounting authority’s, use of the 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; and
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

Figures in Rand	Notes	2020	2019
Assets			
Current Assets			
Cash and cash equivalents	4	15 716 621	1 764 584
Receivables from exchange transactions	5	272 678	164 632
Statutory receivables from non-exchange transactions	6	7 265 789	11 864 055
Prepayments	7	1 768 921	2 024 746
		25 024 009	15 818 017
Non-Current Assets			
Property, plant and equipment	8	5 886 783	6 101 946
Intangible assets	9	597 096	1 026 507
		6 483 879	7 128 453
Total Assets		31 507 888	22 946 470
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	4 580 129	3 442 824
Total Liabilities		4 580 129	3 442 824
Net Assets		26 927 759	19 503 646
Accumulated surplus		26 927 759	19 503 646

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2020

Figures in Rand	Notes	2020	2019
Revenue			
Transfer from the Financial Sector Conduct Authority	11	70 758 372	64 325 520
Other income			
Interest received	11	18 862	18 577
Gains on disposal of assets		–	142 153
		18 862	160 730
Operating expenses			
Auditor's remuneration – external		(1 464 178)	(1 452 450)
Auditor's remuneration – internal		(560 261)	(247 331)
Consulting and professional fees		(1 611 287)	(671 820)
Depreciation and amortisation	8&9	(2 465 316)	(1 764 545)
Information technology maintenance and support		(6 251 320)	(5 109 516)
Lease rentals on operating lease	12	(6 451 391)	(6 484 483)
Legal expenses		(1 117 632)	(1 804 431)
Loss on disposal of assets		(29 473)	–
Other operating costs	13	(7 003 862)	(6 223 890)
Personnel costs	14	(36 398 402)	(34 256 854)
		(63 353 122)	(58 015 320)
Surplus for the year		7 424 112	6 470 930

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2020

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 April 2018	13 032 717	13 032 717
Changes in net assets	–	–
Surplus for the year	6 470 930	6 470 930
Total changes	6 470 930	6 470 930
Restated balance at 01 April 2019	19 503 647	19 503 647
Changes in net assets	–	–
Surplus for the year	7 424 112	7 424 112
Total changes	7 424 112	7 424 112
Balance at 31 March 2020	26 927 759	26 927 759

CASH FLOW STATEMENT

FOR YEAR ENDED 31 MARCH 2020

Figures in Rand	Notes	2020	2019
Cash flows from operating activities			
Receipts			
Revenue received		75 812 242	58 080 653
Interest income		18 862	18 577
		75 831 104	58 099 230
Payments			
Cash paid to personnel		(35 840 831)	(33 740 821)
Cash paid to suppliers		(24 182 687)	(22 113 217)
		(60 023 518)	(55 854 038)
Net cash flows from operating activities	17	15 807 586	2 245 192
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(1 651 654)	(4 189 309)
Purchase of intangible assets	9	(203 896)	(13 306)
Proceeds from sale of property, plant and equipment		–	77 388
Net cash flows from investing activities		(1 855 550)	(4 125 226)
Net increase/(decrease) in cash and cash equivalents		13 952 037	(1 880 035)
Cash and cash equivalents at the beginning of the year		1 764 584	3 644 619
Cash and cash equivalents at the end of the year	4	15 716 621	1 764 584

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR YEAR ENDED 31 MARCH 2020

Figures in Rand actual	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Interest received – investment	15 837	–	15 837	18 862	3 025	
Revenue from non-exchange transactions						
Transfer from the FSCA	70 758 372	–	70 758 372	70 758 372	–	
Total revenue	70 774 209	–	70 774 209	70 777 234	3 025	
Expenditure						
Personnel	(41 010 195)	(2 112 279)	(43 122 474)	(36 398 402)	6 724 072	30
Depreciation and amortisation	(4 741 705)	1 381 188	(3 360 517)	(2 465 316)	895 201	30
Lease rentals on operating lease	(6 900 320)	(510 491)	(7 410 811)	(6 451 391)	959 420	30
Legal expenses	(1 013 360)	–	(1 013 360)	(1 117 632)	(104 272)	
Information technology, maintenance and support	(6 430 155)	–	(6 430 155)	(6 251 320)	178 835	30
Intangible asset acquisitions	(2 100 000)	–	(2 100 000)	(203 896)	1 896 104	30
Property, plant and equipment acquisitions	(4 349 000)	(1 170 000)	(5 519 000)	(1 651 654)	3 867 346	30
Other operating costs	(7 526 074)	(298 418)	(7 824 492)	(7 003 862)	820 630	30
Auditor's remuneration – external	(1 414 274)	–	(1 414 274)	(1 464 178)	(49 904)	
Auditor's remuneration – internal	(559 546)	–	(559 546)	(560 261)	(715)	
Consulting and professional fees	(1 178 580)	(430 000)	(1 608 580)	(1 611 287)	(2 707)	
Total expenditure	(77 223 209)	(3 140 000)	(80 363 209)	(65 179 199)	15 184 010	
Operating surplus	(6 449 000)	(3 140 000)	(9 589 000)	5 598 034	15 187 034	
Loss on disposal of assets and liabilities	–	–	–	(29 473)	(29 473)	
Surplus before taxation	(6 449 000)	(3 140 000)	(9 589 000)	5 568 562	15 157 562	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement						
	(6 449 000)	(3 140 000)	(9 589 000)	5 568 562	15 157 562	
Reconciliation						
Basis difference						
Acquisition of property, plant and equipment				1 651 654		
Acquisition of intangible assets				203 896		
Actual Amount in the Statement of Financial Performance				7 424 112		

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 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 and amounts have been rounded to the nearest Rand.

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

These accounting policies are consistent with the previous period, except for the changes set out in note 3 due to first-time adoption of Standards of GRAP.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months. The accounting authority and management are of the view that the economic impact of the coronavirus will not significantly affect the operations of the OPFA and the cash reserves currently available will provide a buffer to ensure the entity meets its short-term commitments as they fall due. The transition and implementation of the Financial Sector Regulation Act No.9 of 2017 will not materially impact the mandate or future funding of the OPFA.

1.2 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

The materiality level used to assess whether an omission or misstatement could influence the user's decision, based on the approved OPFA Materiality and Significance Framework is R316 000 (2019: 293 000).

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

ACCOUNTING POLICIES continued

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

1.3 **Significant judgements and sources of estimation uncertainty** continued

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.

Impairment testing for non-financial assets

The OPFA has judged all non-financial assets to be non-cash generating based on the entity's objective of using these assets to deliver a service and not to generate a commercial return. 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.

1.4 **Property, plant and equipment**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

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

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Useful life
Machinery	Straight-line	10 years
Furniture and fixtures	Straight-line	5 to 10 years
Motor vehicles	Straight-line	5 years
Office equipment	Straight-line	3 to 7 years
IT equipment	Straight-line	3 to 5 years
Leasehold improvements	Straight-line	Lease period
Library books	Straight-line	4 to 8 years
Paintings and sculptures	Straight-line	5 to 10 years
Signage	Straight-line	Lease period or earlier date

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset 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.

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

ACCOUNTING POLICIES continued

1. Presentation of Annual Financial Statements continued

1.4 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 included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Useful life
Computer software	Straight-line	3 to 5 years

1.6 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 reassessed 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.

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.

ACCOUNTING POLICIES continued

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

1.6 **Financial instruments** continued

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.

Trade receivables and payables are subject to a 30-day payment term, which is consistent with the terms used in the public sector. Short-term receivables and payables are consequently not discounted.

1.7 **Statutory receivables**

Identification

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

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

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

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The entity recognises statutory receivables as follows:

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

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Impairment losses

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

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

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

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

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

ACCOUNTING POLICIES continued

1. Presentation of Annual Financial Statements continued

1.7 Statutory receivables continued

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

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

Derecognition

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

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the entity, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP.

Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.8 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.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

The OPFA is a public entity and similarly to other schedule 3A public entities, it renders services as mandated by law and not for a commercial return. Funding obtained is only determined based on the cost of operating and not for a purpose of furthering an enterprise. In result, the OPFA is designated a non-cash generating unit.

1.11 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.

ACCOUNTING POLICIES continued

1. Presentation of Annual Financial Statements continued

1.11 Employee benefits continued

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.

Retirements 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 plan.

1.12 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 19.

1.13 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 (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

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

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

ACCOUNTING POLICIES continued

1. Presentation of Annual Financial Statements continued

1.14 Revenue from exchange transactions continued

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions 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 using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.15 Revenue from non-exchange transactions

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

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

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. Non-exchange revenue consists of funding transferred from the Financial Sector Conduct Authority to the OPFA.

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.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.16 Comparative figures

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

1.17 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.

1.18 Irregular expenditure

Irregular expenditure is defined in section 1 of the PFMA as expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

All expenditure relating irregular 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.

ACCOUNTING POLICIES continued

1. Presentation of Annual Financial Statements continued

1.19 Budget information

Entity are typically subject to budgetary limits in the form of budget authorisations (or equivalent), which is given effect through the Public Finance Management Act 1 of 1999 and supporting regulations.

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

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019/04/01 to 2020/03/31.

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

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.20 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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

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

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

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

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

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

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

1.21 Events after reporting date

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

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

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

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

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 2020 or later periods:

Standard/Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	No effective date	Not expected to impact results but may result in additional disclosure
• Guideline: Guideline on the Application of Materiality to Financial Statements	No effective date	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact

3. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- GRAP 20 – Related Party Disclosures
- GRAP 108 – Statutory Receivables

GRAP 20: Related Party Disclosures

During the year, the entity changed its accounting policy with respect to the disclosure of related parties. In order to conform with the benchmark treatment in the newly effective standard, GRAP 20: Related Party Disclosures. The accounting policy used in the previous years was adopted from IPSAS 20: Related Party Disclosures and the then 'Approved but ineffective'. As a result, the change in accounting policy does not have a material impact on what was previously disclosed.

GRAP 108: Statutory Receivables

During the year, the entity changed its accounting policy with respect to the treatment of receivables from non-exchange transactions arising from statute. In order to conform with the benchmark treatment in the new standard, GRAP 108: Statutory Receivables which was effective 01 April 2019. The entity accounted for receivables from nonexchange transactions in terms of GRAP 104: Financial Instruments in the prior years.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 31 March 2019 is as follows:

Statement of financial position	2019	2018
Receivables from non-exchange transactions		
Previously stated	11 864 055	5 619 188
Adjustment	(11 864 055)	(5 619 188)
	–	–
Statutory receivables from non-exchange transactions		
Previously stated	–	–
Adjustment	11 864 055	5 619 188
	11 864 055	5 619 188

4. Cash and cash equivalents

Figures in Rand	2020	2019
Cash and cash equivalents consist of:		
Cash on hand	24 814	2 520
Cash at bank	15 691 807	1 762 064
	15 716 621	1 764 584

5. Receivables from exchange transactions

Figures in Rand	2020	2019
Study assistance	272 678	164 632

6. Statutory receivables from non-exchange transactions

Figures in Rand	2020	2019
Transfers from the FSCA	7 265 789	11 864 055

Statutory receivables general information

Transaction(s) arising from statute

The OPFA is funded by the FSCA according to section 30R of the Pension Funds Act (Act No. 24 of 1956). The FSCA imposes levies to the Pension Fund Industry that include levies for funding the operations of the OPFA. The FSCA collects the levies and recognise them in their books. The OPFA submits a budget annually to fund its operations to the FSCA for approval. The FSCA then deposits the approved funds in trenches throughout the year. The trenches received are recognised as income and presented as 'Transfers from the FSCA' in the Statement of Financial Performance. The receivable arises when a portion of the total budget has not been transferred by year end. This amount is normally paid within 3 months and is not considered past due.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

6. Statutory receivables from non-exchange transactions continued

The following factors are considered in assessing impairment of statutory receivables:

- Probability that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

The impact of Covid-19 on the ability of the FSCA to contribute as required by the Pension Funds Act is not considered significant enough to affect the settlement of the Debtor. Post financial year-end the FSCA settled the outstanding amount.

7. Prepayments

Prepayments consists of payments for expenses realised over the period to which that service is to be rendered or utilised. These expenses primarily consists of subscription fees, membership fees and computer support, licenses and warranties.

8. Property, plant and equipment

Figures in Rand	2020			2019		
	Cost/ valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ valuation	Accumulated depreciation and accumulated impairment	Carrying value
Leasehold property	5 564 223	(4 951 497)	612 726	5 564 223	(4 797 994)	766 229
Plant and machinery	276 849	(196 101)	80 748	276 849	(168 416)	108 433
Furniture and fixtures	2 200 028	(1 474 356)	725 672	1 596 281	(1 397 856)	198 425
Motor vehicles	386 533	(137 978)	248 555	386 533	(90 671)	295 862
Office equipment	401 316	(323 026)	78 290	447 949	(351 359)	96 590
IT equipment	10 574 295	(6 486 554)	4 087 741	9 964 287	(5 389 538)	4 574 749
Paintings and sculptures	–	–	–	291	(230)	61
Library books	345 617	(296 777)	48 840	338 459	(282 126)	56 333
Signage	39 877	(35 666)	4 211	39 877	(34 613)	5 264
Total	19 788 738	(13 901 955)	5 886 783	18 614 749	(12 512 803)	6 101 946

8. Property, plant and equipment continued

Reconciliation of property, plant and equipment – 2020

Figures in Rand	Opening balance	Additions	Disposals/ scrapped	Depreciation	Total
Leasehold property	766 229	–	–	(153 503)	612 726
Plant and machinery	108 433	–	–	(27 685)	80 748
Furniture and fixtures	198 425	713 313	(13 215)	(172 851)	725 672
Motor vehicles	295 862	–	–	(47 307)	248 555
Office equipment	96 590	29 046	(415)	(46 931)	78 290
IT equipment	4 574 749	902 137	(8)	(1 389 137)	4 087 741
Paintings and sculptures	61	–	(61)	–	–
Library books	56 333	7 158	–	(14 651)	48 840
Signage	5 264	–	–	(1 053)	4 211
	6 101 946	1 651 654	(13 699)	(1 853 118)	5 886 783

Reconciliation of property, plant and equipment – 2019

Figures in Rand	Opening balance	Additions	Disposals/ scrapped	Depreciation	Total
Leasehold property	890 423	25 880	–	(150 074)	766 229
Plant and machinery	136 118	–	–	(27 685)	108 433
Furniture and fixtures	233 025	75 984	–	(110 584)	198 425
Motor vehicles	343 169	–	–	(47 307)	295 862
Office equipment	129 562	9 997	–	(42 969)	96 590
IT equipment	1 286 817	4 054 832	(2 715)	(764 185)	4 574 749
Paintings and sculptures	71	–	–	(10)	61
Library books	70 850	22 616	–	(37 133)	56 333
Signage	6 317	–	–	(1 053)	5 264
	3 096 352	4 189 309	(2 715)	(1 181 000)	6 101 946

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

8. Property, plant and equipment continued

Expenditure incurred to repair and maintain property, plant and equipment

Figures in Rand	2020	2019
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Building Services	188 778	90 634
Repairs and Maintenance	133 638	70 932
	322 416	161 566

9. Intangible assets

	2020			2019		
	Cost/ valuation	Accumulated amortisation and impairment	Carrying value	Cost/ valuation	Accumulated amortisation and impairment	Carrying value
Computer software, other	4 510 711	(3 913 615)	597 096	4 867 891	(3 841 384)	1 026 507

Reconciliation of intangible assets – 2020

	Opening balance	Additions	Disposals/ Scrapped	Amortisation	Total
Computer software, other	1 026 507	203 895	(21 110)	(612 196)	597 096

Reconciliation of intangible assets – 2019

Computer software, other	1 596 746	13 306	–	(583 545)	1 026 507
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10. Payables from exchange transactions

Figures in Rand	2020	2019
Trade payables	297 657	565 308
Sundry payables	676 067	246 365
Accrued leave pay	1 770 478	1 465 894
Operating lease accrual	1 835 927	1 165 257
	4 580 129	3 442 824

11. Revenue

Figures in Rand	2020	2019
Interest received – investment	18 862	18 577
Transfers from the FSCA	70 758 372	64 325 520
	70 777 234	64 344 097
The amount included in revenue arising from exchanges of goods or services are as follows:		
Interest received – investment	18 862	18 577
The amount included in revenue arising from non-exchange transactions is as follows:		
Transfer revenue		
Transfers from the FSCA	70 758 372	64 325 520

12. Lease rentals on operating lease

Figures in Rand	2020	2019
Premises		
Contractual amounts	6 058 467	6 058 467
Equipment		
Contractual amounts	392 924	426 016
	6 451 391	6 484 483

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

13. Other operating expenses

Figures in Rand	2020	2019
Insurance	350 413	259 845
Rates and taxes	691 301	636 472
Subscriptions	278 990	229 621
Membership fees	58 660	60 995
Electricity and water	446 913	428 266
Refuse and sewerage	57 152	35 156
Advertising and recruitment costs	602 399	495 885
Cleaning	261 340	247 008
Offsite storage	192 161	169 549
Bank charges	40 823	32 091
Car track	3 284	2 479
Training and workshops	356 936	180 248
Conferences and seminars	284 004	114 713
Internet expenses	172 954	178 340
Staff welfare	146 242	400
Study Assistance	39 279	37 065
Consumables	376 111	376 581
Consumables under R5000	156	–
Courier Services	8 523	8 162
Office plants	41 479	44 477
Forex loss	1 204	–
Library expenses	6 932	5 755
Flowers and gifts	24 681	20 385
Covid-19 expenses	2 000	–
Licenses	3 396	–
Bad debts	–	37 100
Executive medicals	–	1 500
Call centre	185 055	198 154
Postage	271 202	247 311
Printing	108 830	137 921
Promotions	14 950	362 651
Building services	188 778	90 634
Repairs and maintenance costs	133 638	70 932
Strategic Planning Workshop	123 373	162 174
Secretarial fees	11 492	11 492
Printing and stationery	594 428	436 563
Telephone and fax	539 142	375 258
Cellphone expenses	42 769	32 687
Travel and Accommodation	179 992	265 069
Fuel parking mileage wash & tolls	38 732	35 398
Travel – overseas	124 152	195 553
	7 003 862	6 223 890

14. Personnel costs

Figures in Rand	2020	2019
Salaries	31 153 070	29 789 312
Incentive scheme	1 968 231	1 600 384
UIF	97 563	95 188
Workman's compensation	43 181	18 077
SDL	305 525	289 531
Leave pay provision charge	1 278 922	1 081 635
Retirement annuity benefits	640 791	738 353
Employee group scheme	172 457	126 787
Long-service awards	45 500	5 500
Personal 13th cheque provision	92 372	88 930
Other staff related costs	105 948	51 656
	35 903 559	33 885 352
Remuneration of non-executive directors		
Committee fees	354 700	334 797
Other	140 143	36 705
	494 843	371 502
	36 398 402	34 256 854

15. Employee benefit obligations

Defined contribution plan

It is the policy of the OPFA to provide retirement benefits to all its employees. The OPFA remunerates its employees on a cost to company basis where it is required that employees make the contribution to an approved post-employment scheme. The entity utilises the Allan Gray Retirement Fund for this purpose, which is subject to the Pensions Fund Act. However, some employees who belonged to the old scheme which are still in the employ of the OPFA, a portion of their total contribution is made by the employer and recognised as an expense in the annual financial statements.

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

Figures in Rand	2020	2019
The amount recognised as an expense for defined contribution plans is	640 791	738 353

16. Taxation

The Office of the Pension Funds Adjudicator is exempt from income tax in terms of section 10(1)(cA)(i)(bb) of the Income Tax Act 58 of 1962.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

17. Cash generated from operations

Figures in Rand	2020	2019
Surplus	7 424 112	6 470 930
Adjustments for:		
Depreciation and amortisation	2 465 316	1 764 545
Gain (loss) on sale of assets and liabilities	29 473	(142 153)
Other non-cash items	5 335	67 479
Changes in working capital:		
Receivables from exchange transactions	(108 046)	34 835
Other receivables from non-exchange transactions	4 598 266	(6 244 867)
Prepayments	255 825	(1 228 341)
Payables from exchange transactions	1 137 305	1 522 764
	15 807 586	2 245 192

18. Commitments

Figures in Rand	2020	2019
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	2 638 917	603 083
• Intangible assets	390 534	495 210
	3 029 451	1 098 293
Total capital commitments		
Already contracted but not provided for	3 029 451	1 098 293
Total commitments		
Total commitments	3 029 451	1 098 293
Authorised capital expenditure	3 029 451	1 098 293
This committed expenditure relates to IT infrastructure replacement project that was awarded at year end and was subsequently cancelled following advice from the National Treasury. The commitment expenditure on intangible assets relates to a Risk Management System that was acquired and successfully installed pending user training that was not completed at year end to warrant a project signoff.		
Operating leases – as lessee (expense)		
Minimum lease payments due		
– within one year	6 002 085	5 722 632
– in second to fifth year inclusive	18 920 704	24 896 888
	24 922 789	30 619 520

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 with escalations of 0% to 8% per annum (2018: 0% to 8% per annum) have been included in the lease agreement. No material contingent rent is payable.

19. Contingencies

Costs orders relating to section 30P applications against the OPFA were issued on 12 matters. The OPFA sought to rescind the costs orders however based on 3 judgments already handed down by the High Court. It appears that the procedural shortcoming in not opposing the matters has resulted in likely to result in rescission not being granted. The OPFA decided to withdraw its rescission applications in the remaining matters and tender the costs associated with same. Costs implications cannot be reliably estimated at this stage due to court taxation process that must still be completed. The matters should be resolved within the next financial year. The OPFA has budget legal fees for the next financial year to an amount of R1 013 360 to this effect.

20. Related parties

Relationships

Financial Sector Conduct Authority

Schedule 3A Public Entity and under common control of the National Treasury

Figures in Rand	2020	2019
Related party balances		
Amounts included in trade receivables regarding related parties		
Financial Sector Conduct Authority	7 265 789	11 864 055
The FSCA funds the operations of the OPFA according to section 30R of the Pension Funds Act 24 of 1956. The transfer is based in a total operating budget of the OPFA, which paid in trenches during the year. The non-exchange statutory receivables are due to payments not received from the FSCA as at year end.		
Related party transactions		
Transfers revenue		
Financial Sector Conduct Authority	(70 758 372)	(64 325 520)
Shared services costs incurred		
Financial Sector Conduct Authority	4 689 535	4 414 994

The OPFA shares services with the FSCA as it relates to ICT infrastructure and maintenance, governance, language and secretariat services which are billed on a periodic basis. All transactions between the FSCA and OPFA are considered to be at arm's length.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

20. Related parties continued Remuneration of management

Figures in Rand Non-executive members' fees 2020	Committee		
	Fees	Other	Total
A Sithole	10 882	–	10 882
H Wilton	81 112	35 129	116 241
J Mogadime	64 480	6 466	70 946
D Msomi	74 646	74 733	149 379
H Ratshefola	48 934	6 466	55 400
PJ Sutherland	74 646	17 348	91 994
	354 700	140 142	494 842

Figures in Rand 2019	Committee		
	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
	334 797	36 705	371 502

Figures in Rand Executive management remuneration 2020	Incentive			Total
	Emoluments	bonus	Leave commutation	
M Lukhaimane, PFA	2 639 942	610 000	149 164	3 399 106
M Thulare, DPFA (Appointed 01 January 2020)	578 300	–	–	578 300
C Raphadana, SAA (Resigned 31 January 2020)	1 184 683	–	134 453	1 319 136
J Buthane, SAA	1 377 325	164 226	–	1 541 551
L Jadoonandan, SAA	1 389 889	197 444	–	1 587 333
S Mothupi, SAA (Promoted 01 March 2020)	117 409	–	–	117 409
W Ngcobo, HR Manager (Resigned 31 July 2019)	362 250	–	32 763	395 013
B Makunga, CFO	1 434 165	203 891	47 813	1 685 869
	9 083 963	1 175 561	364 193	10 623 717

20. Related parties continued

Figures in Rand		Incentive	Leave	
2019	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	1 474 840
J 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	–	45 476	418 890
W Ngcobo, HR Manager (Appointed 01 December 2018)	359 188	–	–	359 188
B Makunga, CFO (Appointed 02 May 2018)	1 167 533	60 044	–	1 227 577
	8 272 610	803 246	322 579	9 398 435

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 allowance. 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. Other short term and post-employment benefit payable by employer for a member of key management are not considered material.

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

21. Change in estimate

Impact of changes in estimates

In the current year management reviewed useful lives and residual values of property, plant and equipment and intangible assets. No re-assessment was implemented. However, the estimates made in the prior year have an impact in the Statement of Financial position and Statement of Financial Performance. An estimate for impact of PPE was revised and adjusted with actual additional Depreciation of R747 283 from the prior year which relates to Leasehold and Signage items of PPE. The table below indicates the impact of the re-assessment:

Figures in Rand	2020	2019
Increase in net surplus	597 827	1 062 962
Decrease in depreciation on PPE	597 827	1 004 942
Decrease in amortisation of intangible assets	–	58 019
Increase in PPE	597 827	1 004 942
Increase in intangible assets	–	58 019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

22. Prior period errors

Employee benefit obligation expense that was disclosed in the prior year included amounts payable by employees which are already included under salaries as OPFA employees are remunerated on cost to company basis. Where contributions to a post-employment scheme are also included. The amount that should have been disclosed as a recognised expense for the year ended 31 March 2019 is R738 353 (2018:R816 622) which consists of the employer payable portion for staff members that belonged in the old pension scheme. Refer to note 15 for current year disclosure.

A prior period adjustment of secretarial fees of R11 492 from governance fees under employee costs to general expenses has resulted in a net movement of zero in the Operating surplus and opening retained income including Net Cash Flows from Operating Activities balance.

In determining straight-lining for operating leases, VAT for the last year of the lease term was not aggregated, as a result the accrued monthly rental and corresponding accrued liability in accordance with GRAP 13 was understated. This also confirmed that the rental billed was also understated and this amount was allocated to sundry payables as an accrual. This note must be read together with note 10 and note 12.

The impact of the error(s) results on the prior year (2019 and 2018) financial statements and respective line items is as follows:

Figures in Rand	2019	2018
Statement of financial position		
Increase in operating lease liability	157 194	12 091
Increase in sundry payables	179 191	—
Statement of financial performance		
Increase in rental expense	336 385	12 091

23. Comparative figures

The governance committee fees, computer licenses and services, leasing of photocopiers were reclassified and/or presented separately in the face of the Statement of Financial Performance, to improve disclosure and achieve fair presentation. The reclassification has resultant in a net movement of zero in total expenses, a decrease in other operating costs to R6 223 890 (2019: R7 736 268), increase in employee costs R34 256 854 (2019: R34 253 755), increase in IT maintenance and support to R5 109 516 (2019: R4 026 253) and increase operating lease rentals to R6 484 483 (2019: R5 722 082).

The classification of costs that constitute repairs and maintenance was considered against building services expenditure and management was of the view that it should be disclosed as an additional cost as the majority of the expenses relate to maintaining the office space (Leasehold). As a result, repairs and maintenance disclosed under note 8 increased to R322 416 (R161 566).

The basis difference under investing activities on Note 28 were also updated from a comparative figure of R1 881 774 as reported in 2019 to R2 023 926 in the notes for the current year.

In note 17 changes in payables from exchange present in 2019 was R261 716 and did not include movements in operating lease of R924 664 and sundry payables balance of R336 386 from rental expenses under billing in previous years (refer to note 22), in the current year comparatives the two accounts were combined. Furthermore, lease gain or losses from disposal of PPE and other non-cash items were split to enhance presentation of the disclosure note.

Study assistance for an amount of R37 065 was reclassified from personnel costs (Note 14) in the prior year and disclosed under operating expenses (Note 13) in the current year.

24. Risk management

Financial risk management

In the course of its day-to-day operations the OPFA is exposed to credit, liquidity and market risk. The OPFA has developed a comprehensive risk strategy in order to monitor and control these risks. The Internal Audit function reports on a quarterly basis to Audit and Risk Committee, independent governance committees that monitor risks and policies implemented to mitigate risk exposure. 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 cash, other liquid financial instruments and the ability to settle debts as they become due. The entity endeavours to maintain adequate resources by monitoring rolling cash flow forecasts of the cash and cash equivalents on the basis of expected cash flow movements during the year.

The entity's financial liabilities mainly consist of Trade Creditors and Accruals which are presented in the statement of financial position for the year ended 31 March 2020 is R4 580 129 (2019: R3 442 824). All these financial liabilities matured or will mature in less than 12 months and the impact of discounting is considered insignificant and immaterial. The entity has sufficient liquid resources to settle these creditors as and when they fall due. Leave accrual has been included to take into account maximum possible exposure, though management sees the risk as less likely. Prior year was also adjusted accordingly for users to be able to compare year on year.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The OPFA only deposits cash with major banks with high quality credit standing and that are approved by the National Treasury.

Trade receivables from non-exchange transactions consist of funds owed by the FSCA and that had not been deposited to the OPFA's bank account. The credit risk is limited as the OPFA is funded by the FSCA which is a regulatory body that impose levies to regulated industries in terms of legislation. The effect of Covid19 on the collection of levies is not yet quantifiable and management continues to measure and manage the risk to ensure minimal impact on the operations of the OPFA.

The OPFA investment policy limits the entity to invest with the Reserve Banks' Corporation for Public Deposits (CPD). Management does not expect the credit risk exposure to materialise in the medium term, if conditions change, then the risk will be mitigated at such a time. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

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

Figures in Rand	2020	2019
Financial instrument		
Standard Bank Limited	15 404 926	1 494 297
Corporation for Public Deposits	286 881	267 767

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

24. Risk management continued

Market risk

Interest rate risk

As the OPFA 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. The assumption is that the only item that will be impacted by changes in interest rate is the cash & cash equivalents balance. If it is further assumed that the market interest rate applied by banks in accruing interest income on credit balances is proportionally altered with changes in the prime interest rate. In result, should the balances held in cash and cash equivalents remain constant, the entities cash and cash equivalents would decrease/increase by R78 583 (2019: R8 823) per annum for every increase/decrease by 50 basis points in the prime interest rate with a proportional increase/decrease in market interest rates.

Foreign exchange risk

The entity does not hedge foreign exchange fluctuations. Management reviews its foreign currency exposure, including commitments on an ongoing basis.

25. Going concern

We draw attention to the fact that at 31 March 2020, the entity had an accumulated surplus of R26 927 259 and that the entity's total assets exceed liabilities by R26 927 759. A positive cash and cash equivalents balance of R15 716 621 to fund short-term obligations as they fall due.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the FSCA collects levies imposed during the year, given the uncertain economic impact of Covid19 on the financial services industry in general and pension funds industry in particular. Management are monitoring the conditions and are in constant engagement with the FSCA regarding risks that may impact funding of the OPFA's operations.

26. Events after the reporting date

The management committee approved a disposal of old assets that were not in use or had reached the end of their useful lives at year end. These assets were included in the fixed asset register at year end, mostly having depreciated to R1. This is not considered an adjustable event as the approval took place after balance sheet date.

A contract to purchase IT infrastructure for the Disaster recovery site that had been awarded before year end was subsequently cancelled following advice from the National Treasury. The amount is currently included under commitments disclosure note and does not have an impact on the statement of financial position or the statement of financial performance.

A notice of motion was brought against the Commission for Conciliation Mediation and Arbitration (CCMA) and OPFA by a previous employee in the Labour Court. The OPFA or its appointed legal representatives had not received any summons subsequent to that. Following numerous follow ups with the former employee and the Labour Court with no progress on the matter, management was advised that due to the time elapsed since the matter was set for a review application, without any further steps the file has been placed in archives. Where the file has been placed in archives it will have the same consequences as a matter that has been dismissed. In result, management has considered the matter as dismissed and probability as remote. Hence the matter no longer gives rise to a contingent liability.

27. Irregular expenditure

Figures in Rand	2020	2019
Add: Irregular Expenditure – current	199 467	—
Incidents/cases identified in the current year include those listed below:		
Reasons for irregular expenditure incurred in the current year		
Extension of more than 15% not approved by Treasury (Participation contract)	199 467	—

28. 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	2020	2019
Operating activities		
Actual amount as presented in the budget statement	(5 568 561)	(2 604 000)
Basis differences	21 376 147	4 849 192
Net cash flows from operating activities	15 807 586	2 245 192
Investing activities		
Actual amount as presented in the budget statement	(7 619 000)	(6 007 000)
Basis differences	5 763 450	1 881 774
Net cash flows from investing activities	(1 855 550)	(4 125 226)
Net cash generated from operating, investing and financing activities	13 952 037	(1 880 035)

29. Segment information

General information

Identification of segments

The entity is organised and reports to management on the basis of its core mandate as set out in the Pension Funds Act 24 of 1956. Due to the nature and design of the services provided by the entity, 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 mandate.

The entity's operations are located in Pretoria, its only office in the country. Although the office services the public throughout the country, its operational risks and financial costs are limited to a 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.

30. Budget differences

Material differences between budget and actual amounts

Personnel costs

The lower than budgeted staff expenditure was mainly due to funding that was reserved for additional staff to address capacity shortages and also due to vacancies in executive and senior management positions during the year under review. The creation of additional positions was approved on a phased approach without funding. Funding for the created positions was frozen to provide the accounting authority and management an opportunity to closely monitor the economic impact of the coronavirus pandemic on the OPFA's financial sustainability in the medium term. Most of the vacant positions have been filled and/or are currently at recruitment stage.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

30. Budget differences continued

Material differences between budget and actual amounts continued

Depreciation and amortisation

The underspending relates to budgeted acquisitions planned and the process of acquisition that were not finalised by the end of the financial year. Refer to the Commitments note 15 for further details.

Operating lease rentals

The budgeted cost not provided for the straight-lining of leases as per GRAP requirements in comparison to actual costs and also due to time apportioned funds that were reserved to finance the additional space that was at procurement stage during the year.

Information technology and support

The underspending in IT costs is mainly due to savings on the FSCA support contract that was signed for 9 months to align contract with the financial year and for security services that were budgeted for but not finalised at year end.

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). Some capital expenditure included setup costs and equipment planned for the additional space that was at procurement stage during the year.

Other operating expenses

The underspending is mainly attributable to outreach programmes that were cancelled during the year mainly as a result of Covid19 developments in the last quarter of the year and other resultant savings such as promotional and travel expenses.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters and additional budget funded from prior year reserves. Refer to budget differences above for detailed information

Figures in Rand			
Non-executive members' fees	Operating	Capital	
2020	expenditure	expenditure	Total
Consulting and Professional Fees	430 000	–	430 000
Depreciation and amortisation	(1 381 188)	–	(1 381 188)
Operating lease rentals	510 491	–	510 491
Other operating costs	298 418	–	298 418
Personnel costs	2 112 279	–	2 112 279
Acquisition of Property, plant and equipment	–	1 170 000	1 170 000
	1 970 000	1 170 000	3 140 000



PART E: PERFORMANCE INFORMATION

2019/2020 – ANNUAL PERFORMANCE INDICATORS REPORT

Strategic objective	Measurable objective	Measurable indicator	Strategic plan target
1. Dispose of complaints received	New Complaints Unit to close or allocate all matters within 3 months	Time it takes in months for the New Complaints Unit to close or allocate matters to Case Management	New Complaints Unit to finalise all matters received within 3 months.
	Dispose of complaints in a procedurally, fair, expeditious resolution of complaints regarding pension funds, in terms of the ACT	Percentage of complaints finalised within a year	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
	-	Percentage of compliance with Administrative workflow timelines (Refer to Annexure D) <i>* Annexure D is the OPFA Workflow Document</i>	Case management timelines adhere 100% to the workflow documented timelines
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 by external auditors	Unqualified 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	Time it takes to fill vacant key (MANCO) positions in months	Vacancies of Key positions (MANCO positions) filled within 6 months
	-	Percentage of compliance with MANCO approved employment equity plan	90% compliance with OPFA MANCO approved employment equity plan
	-	Percentage of HR policies to be reviewed in a 2-year cycle	100% of HR policies reviewed every 2 years

Annual target 2019/2020	Performance results 31 March 2020	Comments
Within 3 months	Achieved 11 179 new complaints were successfully processed within 3 months	
Finalise 80% of complaints within six months of receipt, 95% within nine months of receipt and 100% within eleven months of receipt with an exception of cases that are under curatorship and/or re-opened due to reasons not within the OPFAs control.	Not achieved 28% of complaints within six months of receipts, 88% within nine months of receipt and 94% within eleven months of receipt	7 737 matters finalised as follows: 4 991 determinations, 2 170 settlements and 576 deemed to be out of jurisdiction. The target was not met due to a number of reasons which include staff vacancies, responses received late and Out of Jurisdiction matters that were initially incorrectly classified and later reopened.
100% compliance with administrative Workflow Document timelines.	Not achieved 98% compliance with administrative Workflow Document timelines.	274 matters out of 11 179 did not follow workflow guidelines. The 274 matters were incorrectly identified as Out of Jurisdiction and closed. These were later reopened and dealt with.
Unqualified audit opinion	Achieved	Unqualified opinion with no findings
Within 6 months	Not achieved Deputy Pension Funds Adjudicator and Chief Operations Officer positions were filled over a year after being vacant. Senior Legal Advisor and Team Leader positions were filled within 6 months.	Key MANCO posts were filled over a year after being vacant due to lack of suitable candidates.
90%	Not achieved Employment equity targets: Africans target not achieved (86% against the target of 87%); Disability target not achieved (0% against the target of 4%); Female target not achieved (58% against 59%).	Challenges to attract and retain persons with disabilities. A strategic partnership with NGO's will be explored.
Development and MANCO approval of Human Resources policies	Achieved All the 23 HR policies were reviewed and approved	

2019/2020 – ANNUAL PERFORMANCE INDICATORS REPORT continued

Strategic objective	Measurable objective	Measurable indicator	Strategic plan target
2. Achieve Operational Excellence (continued)	To maintain and align ICT systems to support business needs and overall objectives of the OPFA and ensure business continuity in the event of a disaster	Percentage implementation of the ICT strategic projects plan	100% implementation of the ICT strategic projects plan
	To ensure business continuity so that the overall objectives of the OPFA are met	Percentage implementation of the BCM plan	100% implementation of MANCO approved annual BCM plan
3. Stakeholder Engagement	To collaborate and build relationships with stakeholders	Percentage implementation of activities in the MANCO approved stakeholder engagement plan	100% implementation of activities in the stakeholder engagement plan
		Stakeholder satisfaction survey satisfaction rate	75% satisfaction rate from Stakeholder satisfaction survey (Specific to complainants and pension funds dealt with during that particular year)

Annual target 2019/2020	Performance results 31 March 2020	Comments
100% implementation of the ICT project plan	<p>Not achieved</p> <p>50% of projects were achieved (2 of 4 projects)</p> <p>The new Risk Management System was implemented and migration of applications onto the new Operating System and Database environments was completed.</p>	<p>The Business Continuity Infrastructure upgrade was not completed due to supply chain related delays.</p> <p>The Email encryption project can only be procured from the current email relaying service provider, the contract cost will exceed 15%.</p>
100% implementation of MANCO approved annual BCM plan	<p>Not achieved</p> <p>The disaster recovery test was not completed</p> <p>Activities achieved were the approval of the disaster management plan, updating of the battle box for disaster recovery, and training on risk management and ethics.</p>	<p>The disaster recovery test was postponed due to restrictions imposed by the State of National Disaster announced during the month of March 2020.</p>
75% implementation of activities in the MANCO approved stakeholder engagement plan	<p>Not achieved</p> <p>55% of activities were implemented.</p> <p>Of the 31 approved activities on the Stakeholder Plan, the following were achieved: 11 stakeholder meetings; 5 conferences and 1 breakfast session.</p>	<p>Activities were not in line with the approved plan due to competing priorities. Towards the end of the financial year, the State of National Disaster affected the remaining scheduled activities.</p>
75% satisfaction rate from Stakeholder satisfaction survey (Specific to complainants and pension funds dealt with during that particular year)	<p>Not achieved</p> <p>64.14% Stakeholder satisfaction rate</p>	<p>Recommendations from the survey to be studied and implemented to address stakeholder concerns.</p>

USEFUL INFORMATION ABOUT OTHER OFFICES

The Credit Ombud

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

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

The Ombud for Financial Services 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 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

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 National Consumer Commission

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

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

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 Call centre

Sharecall: 0860Ombuds/086 066 2837

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



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