

**Annual Report for the Office of
the Compensation Commissioner
for Occupational Diseases (CCOD)**

for the Year ended 31 March 2005

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Commissioner for Occupational Diseases (CCOD) - Annual Report for the period 1 April 2004 to 31 March 2005

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1. Introduction

The statutory function of the Office of the Compensation Commissioner for Occupational Diseases under the Occupational Diseases in Mines and Works Act of 1973 (Act 78 of 1973) as amended by (Act 208 of 1993) hereafter referred to as the Occupational Diseases in mines and works Act are mainly:

- Determining and recovering levies from controlled mines and works;
- Awarding benefits to miners and ex-miners suffering from work related lung diseases;
- Investment of levies collected and interest earned from investments; and
- Administration and implementation of generally acceptable accounting practices and keeping statistical data.

2. Background

2.1 Accounts Administered by the Compensation Commissioner

2.1.1. Mines and Works Account

The mines and works account is funded through levies collected from controlled mines and works, in terms of Section 62 of the Occupational Diseases in Mines and Works Act.

2.1.2. State Account

The state account is funded by monies appropriated by Parliament annually in terms of Section 69 of the Occupational Diseases in Mines and Works Act, for Compensating individuals who performed risk work in the employ of decontrolled mines/state mines.

2.1.3. Research Account

The research account is funded through levies collected from controlled mines and works in terms of Section 73 of the Occupational Diseases in Mines and Works Act.

2.2 Different Categories of Compensation

2.2.1 First Degree Compensation

Degree of the impairment of lungs/respiratory organs of between 10-40% and more. The claim ranges between R26 000 and R39 000 based on the salary earned.

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2.2.2 Second Degree Compensation

Degree of the impairment of lungs/respiratory organs of 40% and more. The maximum claim is R87 000.

2.2.3 Tuberculosis

Compensation for TB is in the form of reimbursement of loss earnings incurred during TB treatment. Only 75% of loss earnings is payable.

2.3 Administrative Challenges

- Fewer ex-miners than expected are compensated due to the unavailability of labour history
- Not all mines are paying levies because the Risk Committee has not been functioning since 1997
- No visits undertaken to mines to verify levies received due to staff capacity problems
- Huge staff turnover as a result of promotions to other departments and to the private sector
- Compensation backlog due to fingerprint verification being done manually
- Delays in the compensation process as a result of procedures that cannot be circumvented, e.g. manual verification of each claim received
- Huge number of outstanding benefits due to lack of contact between beneficiaries and the office
- The Deputy Commissioner's post has been vacant since December 2004 and only filled in September 2005.

2.4 Risk Committee

The Minister of Health has approved the resuscitation of the Risk Committee and the Committee has started functioning on 01 September 2004. The Chief Inspector of Mines chairs the Committee. The primary function of the Risk Committee is to determine the risk of every mine and works, according to criteria determined by the Minister or as deemed fit by the Risk Committee. The risk has to be related to occupational lung diseases and dust exposure. Names of members to the committee are reflected under section 7.3.

2.5 Actuarial Evaluation

Deloitte and Touché was appointed through the tender process to evaluate the Compensation Fund in terms of section 77A of the Occupational Diseases in Mines and Works Act, 1973 as amended. The Actuarial Valuation Report was made available in September 2004. The actuaries have amongst others recommended that levies received from mines and works be increased from R0.32c to R1.00 per risk shift performed. The Report will be

discussed by the Department's Legal Unit, Actuaries and the Advisory Committee before recommendations are implemented.

2.6 Integrated Computerised System

The Integrated Computerised System that links the activities of the National Centre for Occupational Health, Medical Bureau for Occupational Diseases and CCOD has been finalised and is up and running since January 2004. Claims of miners that were lodged prior to January 2004 will be dealt with outside the system.

3. Financial Statements

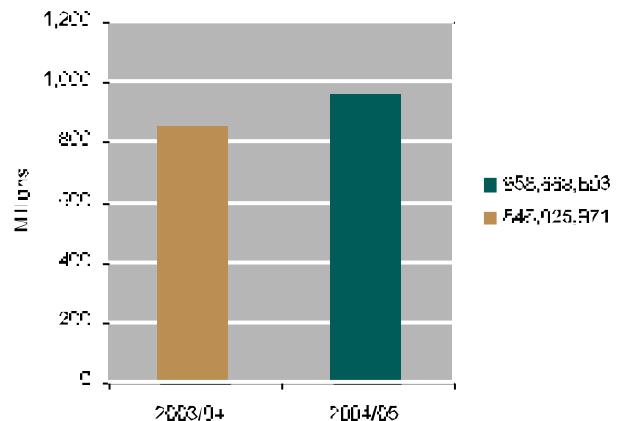
3.1 The following audited financial statements appear annexed to this report.

- 3.1.1 Report of the Auditor-General (Annexure A)
- 3.1.2 Balance Sheet as at 31 March 2004 (Annexure B)
- 3.1.3 Income Statement for the financial year ended 31 March 2004 (Annexure C)
- 3.1.4 Statement in changes in Equity as 31 March 2004 (Annexure D)
- 3.1.5 Cash Flow Statement for the year ended 31 March 2004 (Annexure E)
- 3.1.6 Notes to the Financial Statements for the year ended 31 March 2004 (Annexure F)

3.2 Assets

Most of the Assets of the Fund are in the form of investments. 87% of investments is held as reserves, whilst 13% is meant to cover anticipated liabilities in the short term.

Total investments in 2003/04 and 2004/05 financial years compare as follows:

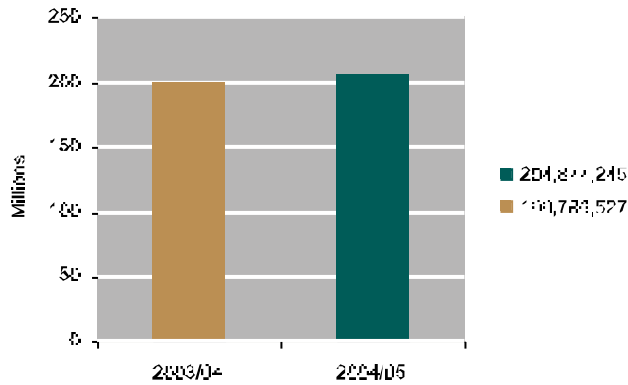


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3.3 Revenue

Revenue of the fund is derived from interest on investments, levies from controlled mines and works and

the Government grant in the form of transfer payments. Revenue has increased by 3% from the last financial year (2003/04) to the current financial year (2004/05).

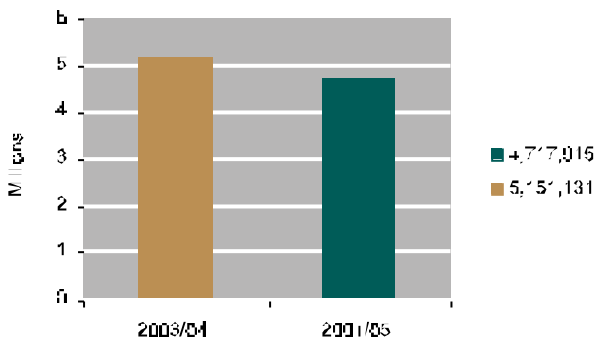


3.4 Expenditure

Expenditure for the fund includes compensation payments (one sum benefits) (OSB), Pensions and Training expenses.

3.4.1 The table below illustrates different types of OSB payments made during the year with their respective stages of impairment

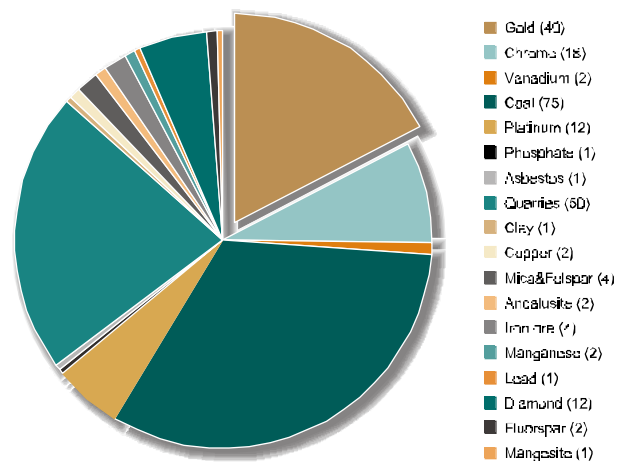
3.4.2 Pension payments in the financial years 2003/04 and 2004/05 decreased by 8% due to the passing on of the beneficiaries and can be illustrated as follows:



4. Controlled Mines and Works

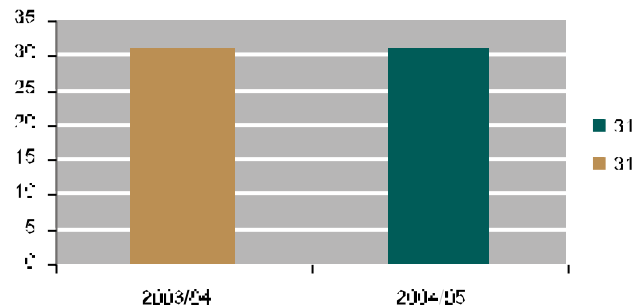
4.1. Controlled Mines

Controlled mines as at 31 March 2005 per mineral are illustrated below.



4.2. Controlled Works

The number of controlled works remained unchanged at 31 from the 2003/04 to the 2004/05 financial year.



TYPES OF DISEASES (OSB)	2003/04	2004/05
Diseases in the First Degree	R 21 106 872.00	R24 560 967.00
Diseases in the Second Degree	R36 985 229.00	R40 793 147.00
Tuberculosis – Section 80(4), 87(4) First Degree	R167 549.00	R114 394.00
Tuberculosis – Section 80(4) 75%	R1 636 968.00	R1 069 778.00
Tuberculosis – Section 80(2)b Second Degree	R7 752 594.00	R7 053 090.00
Dependants – Section 83(1),91(1)	R36 853.00	R171 620.00
Eastern Cape Cases	R13 340 686.00	R2 605 500.00
TOTAL	R81 026 751.00	R76 368 496.00

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5. Staff

5.1 The senior staff as at 31 March 2005 consisted of:

Mr. B.K. Mashego	COMMISSIONER
Mr. S. Ndlovu	DEPUTY COMMISSIONER

5.2 The establishment as at 31 March 2005 is as follows:

DESIGNATION	NO OF POST	FILLED	VACANT
Commissioner	1	1	
Deputy Commissioner	1	1	
Senior Admin. Officer	1	1	
Admin. Officer	2	2	
Chief Admin Clerk	2	2	
Senior Admin. Clerk	7	7	
Senior Registry Clerk	1	1	
Administration Clerk	18	16	2
General Assistant	2	2	
Secretary	1	1	
Switch Board Operator	1	1	
TOTAL	37	35	2

6 Advisory Committee

6.1. The Advisory Committee was established in terms of Section 59 of the Act (Act 208 of 1993 as amended) with its function being to advise the Commissioner on the administration of the Fund.

6.2 As at 31 March 2005 the membership of the Advisory Committee was as follows:

CHAIRPERSON

Mr. B.K. Mashego

EMPLOYER REPRESENTATIVES

1. Dr. F. Randerá
2. Dr S. Shearer
3. Dr D. Barnes
4. Dr J. Pienaar
5. Dr A. Begley

EMPLOYEE REPRESENTATIVES

1. Ms S. P. Nyamate
2. Mr. T. Ndlozi
3. Mr. G. P. Bezidenhout
4. Mr. D. R. De Wet
5. Mr. G. Phillipson
6. Mr. D.D. Tshoane
7. Mr. M. Luthuli
8. Mr. H. G. V. R. de Kock
9. Mr. G. Koornhof
10. Mr. G. Mpufana
11. Mr. O. J. van den Berg
12. Mr. H. Meyer

6.3 As at 31 March 2005 the membership of the Risk Committee was as follows:

CHAIRPERSON

Mr. D. Rowe (Minerals and Energy)

GOVERNMENT OFFICIALS

Mr. A.R. Nundlall (Minerals and Energy)
Dr. L Ndelu (National Health)

EMPLOYER ORGANIZATIONS

Dr. C.W.S. Mbekeni (Chamber of Mines)
Mr. D.E. Wrigley (Chamber of Mines)
Dr. M.A.C. La Grange (Anglo Platinum)

EMPLOYEE ORGANIZATIONS

Ms. L.N. Sebetso (Steel Mining and Commercial Workers Union)
Mr. J.C Meyer (United Association of South Africa)

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The Commissioner presents his report for the year ended 31 March 2005. The Occupational Diseases in mines and works Act of 1973 as amended by (Act 208 of 1993) hereafter referred to as the Occupational Diseases in mines and works Act requires the Chief Commissioner to ensure that full and proper financial records of the Compensation Commissioner for Occupational Diseases (CCOD) financial affairs are maintained.

The Fund's business and operations and the results thereof are clearly reflected in the financial statements. No material fact or circumstances has occurred between the accounting date and the date of this report. The Commissioner is responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The Auditors are responsible to report on the fair presentation of the financial statements. The financial statements have been prepared in accordance with generally accepted accounting practice.

The Commissioner is responsible for the Fund's system of internal control. The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices policies and procedures. Trained skilled personnel with an appropriate segregation of duties implement these controls. They are monitored by management and include a comprehensive budgeting and reporting system operating within strict deadlines and an appropriate control framework.

Nothing has come to the attention of the Commissioner to indicate that any material breakdown in the functioning of these controls procedures and systems has occurred during the year under review. The financial statements have been prepared on the going concerns basis since the Commissioner has every reason to believe that the Fund has adequate resources in place to continue in operation for the foreseeable future.

The Office of the Auditor-General is responsible for reporting on the financial statements.

The Chief Commissioner in terms of The Occupational Diseases in mines and works Act of 1973 as amended by (Act 208 of 1993) approved the annual financial statements for the year ended 31 March 2005 as set out on the pages 148 to 157.



MR BK MASHEGO

Compensation Commissioner (CCOD)