REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE COMPENSATION COMMISSION FOR OCCUPATIONAL DISEASES FOR THE YEAR ENDED 31 MARCH 2005

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 158 to 165, for the year ended 31 March 2005, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 76(2) of the Occupational Diseases in Mines and Works Act, 1973 (Act No. 78 of 1973). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. NATURE AND SCOPE

2.1 Audit of financial statements

The audit was conducted in accordance with Statements of South African Auditing Standards.Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:
- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

The audit was completed in accordance with Auditor-General Directive No. 1 of 2005.

I believe that the audit provides a reasonable basis for my opinion.

3. QUALIFICATION

Completeness of revenue
A major part of the revenue comprises of levies that are payable by owners of controlled mines or works in terms of section 61(1) of the Occupational Diseases in Mines and Works Act, 1973 (Act No. 78 of 1973). Levies constitute 12,5% of revenue and is accounted for on a cash basis. There was no adequate system of control over such revenue on which I could rely for the purpose of the audit, and there were no satisfactory alternative auditing procedures that could be performed to obtain reasonable assurance that all levies paid by the mines were recorded in the accounting records.

4. QUALIFIED AUDIT OPINION

In my opinion, except for the effect on the financial statements of the matters referred to in paragraph 3, the financial statements fairly present, in all material respects, the financial position of the Compensation Commissioner for Occupational Diseases at 31 March 2005 and the results of its operations and cash flows for the year then ended, in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999).

5. MATTERS OF EMPHASIS

Without further qualifying the audit opinion expressed above, attention is drawn to the following matters:

5.1 Departure from Statements of Generally Accepted Accounting Practice

In terms of section 19 of the Treasury Regulations, the Compensation Commissioner for Occupational Diseases is regarded as a trading entity and should prepare financial statements according to the requirements of section 18 of the Treasury Regulations. The basis of accounting for levy income, related debtors as well as unclaimed benefits was changed from the accrual basis to the cash basis of accounting during the year under review. This is as a result of an inadequate system of internal control to support the accounting processes. The effect of this departure is disclosed in note 11.

5.2 Limited inspection of risk shift registers

Levies received from mines and works are based on the number of risk shifts worked and declared by employers. Only five mines out of a listed number of 278 were visited to verify the accuracy of risk shifts declared. This arose from lack of visitation plans, staff capacity problems and the vacancy of deputy Commissioner being vacant.

5.3 Unclaimed benefits

Significant amounts of unclaimed benefits have accumulated over time because the financial administrative system is not effective. Benefit payments are not recorded when banks rejected them because recipients have provided incorrect banking details.

6. APPRECIATION

The assistance rendered by the staff of the Compensation Commissioner for Occupational Diseases during the audit is sincerely appreciated.

AH MULLER
for Auditor-General
Pretoria
28 July 2005

AUDITOR-GENERAL

ANNUAL FINANCIAL STATEMENTS FOR THE COMPENSATION COMMISIONER FOR OCCUPATIONAL DISEASES

ACCOUNTING OFFICER'S REPORT FOR THE YEAR ENDED 31 MARCH 2005

The accounting officer is responsible for monitoring the preparation and integrity of the financial statements and related information included in the annual report. Management has developed and maintained a system of internal controls so that the accounting officer can discharge his responsibilities. However,it is the ultimate responsibility of the accounting officer for this system and to regularly review its operations.

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.

The financial statements are prepared in accordance with Statements of South African Generally Accepted Accounting Practice and incorporate disclosure in line with the accounting philosophy of the entity and the requirements of the Public Finance Management Act. Act no. 1 of 1999 as amended. The financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. The accounting officer believes that the entity will be a going concern in the year ahead due to its inter-relationship with the South African Government System and its affiliation with the National Department of Health. The accounting officer has adopted the going concern basis in preparing the annual financial statements.

The Auditor-General as external auditor is responsible for reporting on the financial statements.

The accounting officer approved and signed the annual financial statements for the year ended 31 March 2005 as set out on pages 146 to 153 in May 2005.

MR BK MASHEGO
Compensation Commissioner (CCOD)

ANNUAL REPORT FOR THE OFFICE OF THE COMPENSATION COMMISSIONER FOR OCCUPATIONAL DISEASES: 2004/2005 FINANCIAL YEAR

Income Statement
for the year ended 31 March 2005

	Notes	2004/2005 R	2003/2004 R
Revenue		**215 980 783**	**188 042 751**
Government grant		4 001 809	3 000 000
Levies		36 651 038	14 285 455
Interest on Investments		76 951 222	79 169 729
Profit on sale of assets		92 656 649	34 849 956
Fair value adjustment		-	45 582 190
Dividend income		4 838 145	8 426 222
Other income		881 920	2 729 199
Expenditure		**143 210 988**	**99 502 837**
Pensions	*4*	4 717 915	5 151 131
Compensations (OSB)	*5*	76 212 733	79 762 198
Other awards		6 616	-
Bank charges and finance charges		71 044	106 969
Training expenses		-	1 570
Management fees		3 689 340	1 091 507
Loss on sale of assets/equities		58 513 340	13 389 462
Surplus for the year		**72 769 795**	**88 539 914**

Balance Sheet
as at 31 March 2005

	Notes	2004/2005 R	2003/2004 R
ASSETS			
Non-current assets		**958 669 602**	**846 025 970**
Financial assets and other investments	*1*	958 669 602	846 025 970
Current assets		**141 155 763**	**181 029 600**
Other financial assets	*2*	95 700 000	152 073 790
Bank and cash	*3*	45 455 763	28 955 810
Total assets		**1 099 825 365**	**1 027 055 570**
EQUITY AND LIABILITIES			
Capital and reserves		**1 099 825 365**	**1 027 055 570**
Retained surplus		1 099 825 365	1 027 055 570
Total equity and reserves		**1 099 825 365**	**1 027 055 570**

ANNUAL REPORT FOR THE OFFICE OF THE COMPENSATION COMMISSIONER FOR OCCUPATIONAL DISEASES: 2004/2005 FINANCIAL YEAR

Statements of Changes in Equity
for the year ended 31 March 2005

	Total equity Retained surplus R
Balance as at 31 March 2003	938 515 656
Surplus for the year	88 539 914
Balance as at 31 March 2004	1 027 055 570
Surplus for the year	72 769 795
Balance as at 31 March 2005	**1 099 825 365**

Cash Flow Statement
for the Year ended 31 March 2005

	Notes	2004/2005 R	2003/2004 R
Cash flow from operating activities		(17 747 304)	1 300 802
Net cash flow utilised in operating activities	6	(44 044 801)	(68 827 920)
Interest received		76 951 222	79 169 729
Dividends received		4 838 145	8 426 222
Other income		881 920	2 729 199
(Increase)/ Decrease in working capital	7	(56 373 790)	(20 196 428)
Cash flows from investing activities		**34 247 257**	**(4 850 910)**
Investment to maintain operations:			
Proceeds on sale of investments	8	929 013 235	1 115 460 607
Investment to expand operations:			
Purchase of investment		(894 765 978)	(1 120 311 517)
Cash and cash equivalents for the period		16 499 953	(3 550 108)
Cash and cash equivalents at beginning of period		28 955 810	32 505 918
Cash and cash equivalents at end of period		**45 455 763**	**28 955 810**

ANNUAL REPORT FOR THE OFFICE OF THE COMPENSATION COMMISSIONER FOR OCCUPATIONAL DISEASES: 2004/2005 FINANCIAL YEAR

1. Accounting Policies

The Annual Financial Statements have been prepared in accordance with Statements of Generally Accepted Accounting Practice and the Public Finance Management Act, Act 1 of 1999 as amended. The following are the principle accounting policies of the entity which are in all material respects consistent with those applied in the previous year except as otherwise indicated:

1.1. Basis of preparation
The financial statements have been prepared on the historical cost basis.

1.2. Currency
These financial statements are presented in South African Rand since that is the currency in which the majority of the entity's transactions are denominated.

1.3. Revenue recognition
These statements have been drawn up on the accrual basis, except in the case of levy income, in respect of which only the actual receipts during the financial year were brought to account. This represents a change in accounting policy from the previous year from the accrual basis to the cash basis.

Interest income
Interest income is recognised on a cash basis as and when the funds are received.

Dividend income
Dividend income from investments is accounted for when the funds are received.

1.4. Irregular and fruitless and wasteful expenditure
Irregular expenditure means expenditure incurred in contravention of or not in accordance with a requirement of any applicable legislation including the PFMAor any provincial legislation providing for procurement procedures in that provincial government. Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. All irregular and fruitless and wasteful expenditure is charged against income in the period in which it is incurred.

1.5. Financial assets
The entity's principle financial assets are investments and cash and cash equivalents.

Financial assets for which fair value approximates carrying value
Fair values of financial assets carried at cost including cash deposits with banks short-term receivables and accrued interest are considered to approximate their respective carrying values due to their short-term nature.

Financial assets where fair value differs from cost
Money market unit trusts are carried at their estimated fair value. Quoted market prices where available are used to determine the fair value of trading investments. If quoted prices are not available fair values are estimated by using pricing models quoted prices of assets with similar characteristics or discounted cash flows.

Financial liabilities for which fair value approximates carrying value
Fair values of accounts payable and accrued liabilities are considered to approximate their respective carrying values due to their short-term nature.

Impairment of financial instruments
In the event of any financial instruments being permanently impaired the carrying value of the instruments will be adjusted to reflect the realisable value of the investments as determined. Impairment of financial instruments are reviewed on an annual basis impairment charge is involved in the net income or loss in the period in which impairment has arisen. In instances where previous impairment losses are reversed changes previously recognised as expenses are included as income in net income or loss in the period in which the required reversal are identified.

Offset
Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities and there is an intention to settle the liability and realise the asset simultaneously or to settle on a net basis all related financial effects are offset

1.6. Government grants
Government grants are recognised when the grant is received. The grant is recognised to the extent that there are no further obligations arising from the receipt of the grant.

1.7. Comparative figures
Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year.

1.8. Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and deposits hold on call net of any bank overdrafts, all of which are available for use by the entity unless otherwise stated.

Investment must include a selection of counter-parties through credit risk analyses an establishment of investment limits per institution and investment instrument and the monitoring of investments against limits. The policy should contain the reassessment of investment policies on a regular basis counter-party credit risk based on credit ratings and the assessment of investment instruments based on liquidity requirements.

1.9.Benefits paid
The benefits paid relates to actual payments made during the year and does not include benefits to be paid.

2. Public sector practices and policies

2.1.Inter-relationship with national government
The Compensation Commissioner for Occupational Diseases operates as a trading entity within the influence sphere of the National Department of Health.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2005

	2004/2005 R	2003/2004 R
1. Financial assets and other investments		
Listed shares at fair value	-	203 757 204
Cash and money market assets	-	139 515 957
Interest-bearing investments	958 669 602	502 752 808
	958 669 602	**846 025 970**
Listed shares invested in the following equity categories:	-	**203 757 205**
Properties	-	638 984
Resources	-	36 961 276
Financials	-	52 168 707
Industrials	-	97 510 138
Other	-	16 478 100
Accrued interest capitalised against investment balance:	-	**6 197 448**
Cash and money market assets	-	1 494 492
Interest bearing investments	-	4 702 956
2. Other financial assets		
Short-term deposits	**95 700 000**	**152 073 790**
3. Cash and cash equivalents		
Cash and cash equivalents	**45 455 763**	**28 955 810**

In terms of established practices any cost associated with the maintaining of the separate bank accounts or any interest received on such accounts is for the account of the Compensation Commission of Occupational Diseases.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2005

	2004/2005 R	2003/2004 R

4. Pensions

Pneumoconiosis which has permanently impaired cardio-respiratory functions by:		
Not less than 20% but not more than 50%	369 543	382 151
More than 50% and not more than 75%	89 469	71 307
More than seventy-five per cent	66 308	48 462
Pneumoconiosis together with tuberculosis	305 931	312 648
Tuberculosis	51 554	71 053
Dependants	3 835 110	4 265 510
	4 717 915	**5 151 131**

5. Compensations (One-sum benefits)

Disease in first degree-section 80(1) (87)(1)	24 560 967	21 106 872
Disease in second degree-section 80(3)(87)(3)	40 637 384	35 720 675
Tuberculosis-section 80(4)(87)(4) 1st degree	114 394	167 549
Section-section 80(1) 75%	1 069 778	1 636 968
Section-section 80(2)(b) 2nd degree	7 053 090	7 752 594
Dependants-section 83(1)91(1)	171 620	36 853
Eastern Cape Cases	2 605 500	13 340 686
	76 212 733	**79 762 198**

6. Cash flows from operating activities

Operating income/(loss) before interest and taxation	72 769 795	88 539 914
Interest received	(76 951 222)	(79 169 729)
Profit on sale of assets	(92 656 649)	(34 849 956)
Loss on sale of assets	58 513 340	13 389 462
Other income	(881 920)	(2 729 199)
Fair value adjustment	-	(45 582 190)
Dividends	(4 838 145)	(8 426 222)
	(44 044 801)	**(68 827 920)**

7. Increase /Decrease in working capital

(Increase)/Decrease in debtors	(56 373 790)	(13 768 953)
Increase/(Decrease) in creditors	-	(6 427 475)
	(56 373 790)	**(20 196 428)**

8. Proceeds on sale of investments

Book value of investments disposed of	894 869 926	1 094 000 113
Profit on disposal of investments	92 656 649	34 849 956
Loss on disposal of investment	(58 513 340)	(13 389 462)
	929 013 235	**1 115 460 607**

9. Taxation

The Compensation Commissioner for Occupational Diseases is not liable for any income tax in terms of section 10(CA)(i)(bb) of the Income Tax Act as amended.

10. Contingent liability

10.1 Surrendering of surplus funds

The accounting officer in terms of Treasury Regulation 19.7 must at the end of each financial year declare any surplus or deficit to the relevant treasury. The relevant treasury may apply such surplus to reduce any proposed allocation to the trading entity or require that all or part of it be re-deposited in the Exchequer account.

11. Departure from Statements of Generally Accepted Accounting Practice

The entity changed its policy on revenue recognition and payment of claims from the accrual basis to the cash basis. This departure is as a result of an inadequate debtors system to ensure that income and accounts receivable are complete. The completeness of benefits paid could not be determined, therefore benefits paid reflected on the income statement relates to actual amounts paid.

The comparative have been restated except for the opening balance of retained income in the prior year, as it is impracticable to do so. The effect that this had on the financial year was an increase / (2004: decrease) in surplus for the year from R63 545 038 (2004: R96 951 592) to R72 769 795 (2004: R88 539 914). As a result of this change in policy and disclosure the entity has no accounts payable or accounts receivables.

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