

# RAF Annual Performance Plan 2019/20

**03 September 2019**

**Chairperson: Mr LE McDonald (ANC) (Acting)**

## Meeting Summary

The Committee was briefed by the Road Accident Fund (RAF). The RAF was governed by the Road Accident Fund Act 56 of 1996 and the Road Accident Amendment Act 19 of 2005 and was a National Public Entity that reported to the Department of Transport (DoT) and the Minister of Transport. Members heard that the RAF has developed a business model around transition, sustainability and dispensation, and have improved direct claims management to ensure that full compensation goes to the accident victims.

Members heard that the current RAF Act, the Funding Model and the Financing Model are not sustainable at all and this was something that the RAF had to work on. Essentially, the RAF was faced with cash constraints that lead to the non-payment of claims. Members were disappointed to hear that these claims - R15 million worth – although they had been finalised, were unable to be paid due to the lack of resources. Members asked for clarity on why the information on fraud detection management was so unclear, and what efforts the RAF had made pertaining to recovering the money that was linked to the fraudulent activities. Members had difficulty understanding why the presentation did not address or mention any attempts or projects pertaining to pedestrians as they were the organisation's biggest claimants. The Committee asked how long a claim lasts for because people living in the rural areas had no idea on the claiming procedures.

Members complained about there being too many '*acting*' positions in the organisation and reminded the RAF that the Committee had made it clear that the CEO position had to be filled. With regard to the issue of driving licenses being made illegally, Members asked who was making their own licenses, in which country were these licenses being made and if they were being made outside of South Africa. The Committee asked what was being done about fraudulent activities being committed by lawyers and advocates; how driving schools related to the Youth Drivers Development Program were being appointed particularly in the Free State; clarity on whether the fraud was being committed by just the lawyers or the officials in the Department as well; when the processes of filling all the mentioned vacant posts would be concluded, and clarity on the entity's legal costs because it was important to know what the entity was doing to address the increase of unnecessary legal expenses. On the issue of fraudulent activities, Members were assured that the RAF took this matter seriously and confirmed that they were working very closely with law enforcement. They also confirmed that they were taking precautionary measures against these activities such as making arrests and terminating employment. The Committee felt that the entity was undergoing challenges and suggested that at any time that the RAF talked about its challenges, they should also provide solutions for those challenges so that Members could see that there was progress in the entity.

## Meeting report

**Mr L McDonald (ANC) was elected as Acting Chairperson in the absence of Mr M Zwane (ANC).**

### **BRIEFING BY THE ROAD ACCIDENT FUND (RAF)**

Ms Lindelwa Xingwana-Jabavu, Acting Chief Executive Officer (ACEO) of the Road Accident Fund said that she was going to take the Committee Members through their mandate, business model, organisational structure as the RAF, performance information, alignment to the seven Apex Priorities, strategic objectives and any projects that the RAF was currently working on as there was a special request on that from the

Committee. In addition, she said the presentation would also cover the financial status of the organisation, the challenges the organisation encountered as well as the litigation processes they were currently dealing with.

### **The RAF Strategic Outcomes (2015-2022)**

The Fund has seven strategic outcomes which consists of; efficient claims processing, accessible services, effective financial management, optimal ICT services, improvement of people management, and transformation of the RAF and finally one that pertains to quality.

### **RAF's Performance Achievements**

The Annual Performance:

- 84% as a start-off percentage
- 2015/16 they performed at 90%
- 2016/17 they performed at 90%
- 2017/18 they performed at 91%
- 2018/19 they performed at 77%

RAF's Revenue (in the year so far):

- Staff compliments increased from 2754 to 2776.
- The revenue from 2018 to 2019 increased from 37.3 billion to 43.2 billion, which was result of the 30 cents increase they received from the fuel levy.
- The fuel levy was set at 193 cents per litre from 163 cents per litre. This represented 13% of the fuel price.

Ms Xingwana-Jabavu stated that more than 78 300 claimants were engaged through the Award-Winning RAF on the Road Community Outreach Program and other promotions and activations. She confirmed that at the end of September 2019 the organisation would be visiting Escourt on a Saturday, whereby all Committee Members were invited to attend. She also mentioned that these visits happened almost on a monthly basis.

Claims Liability:

- The RAF registered 328 173 new claims and finalised 229 534 claims in 2018/19;
- Late claims liability increased by 27% at a value of 273 billion from 215 billion in the previous year;
- The average value per claim increased by 3% from R111 to R114;
- The RAF accumulated about 40 983 of direct claims in 2018/19 as opposed to 32 622 direct claims in 2017/18; and
- Of those direct claims 14 323 were settled in 2018/19 and 20 399 were settled in 2017/18.

The RAF's Cash Expenditure:

- Amounted to 92% of the net of the RAF's fuel levy;
- This suggested that out of what the RAF received from the fuel levy the bulk of the money went towards the payment of claims;
- Funeral costs increased by 11% from 16 000 to 18 000;
- Average medical claims increased by 45% from 10 000 to 15 000; and
- Average general claims increased by 8% from 429 to 462

*(See document for more details)*

Improvements and Achievements around the seven Apex Priorities:

- The RAF developed a business model around the transition, sustainability and dispensation.
- They improved direct claims management to ensure that full compensation goes to the accident victims.
- They improved post-care management to ensure that victims of road crashes are provided with medical care and are reintegrated into the communities and are economically active citizens.
- They implemented 100% of their ethics initiatives in 2018/19.
- They improved fraud detection and management before undue payments were made in 2018/19. (She confirmed that the RAF works very closely with Law Enforcement Agencies particularly for fraudulent activities) and
- They improved their procurement outcomes.

Mr Victor Songelwa Acting Chief Financial Officer (ACFO) of RAF took the Committee through the organisation's financial figures mostly on the organisation's income, expenditure and deficits of the current year and the past 5 years. (Please see document for more details). However, Mr Songelwa pointed out that the RAF receives on average R3.5 billion a month which is spread across six banks in the country. He stated that their expenditure on claims kept increasing as they usually find themselves paying up to R4.5 billion worth of claims even though they only receive roughly R3.5 billion. This suggested that they exceeded the given budget, and this has been a challenge for them.

He also stated that with the current RAF Act, the Funding Model and the Financing Model are not sustainable at all and this was something that the RAF had to work on. Essentially, the RAF was faced with cash constraints that lead to the non-payment of claims. He did confirm that those claims (R15 million worth of claims) had been finalised, however they were unable to pay them due to the lack of resources.

Ms Xingwana-Jabavu reassured the Committee that the RAF was determined to deliver in terms of their strategic plans.

The Chairperson opened the floor for questions.

### ***Discussion***

Mr L Mangcu (ANC) asked how the RAF intended to deal with the symptoms of their problems. He referred to slide 17 which pertained to the RAF's alignment to the seven Apex Priorities. He drew everyone's attention to the capable, ethical and development priority which addressed the management of fraud detection. According to the second bullet the RAF improved fraud detection management which was about R1.4 billion in 2018/19. He argued that he had not seen any figures or an annual report for 2018/19 on fraud detection. That said, in 2016/17 the organisation's fraud detection was at R1.5 billion. He wanted clarity on why the information on fraud detection management was as unclear as the RAF had made 10 arrests in 2016/17 and another 10 arrests in 2018/19 pertaining to fraudulent activities. He wanted to know the efforts that RAF had made pertaining to the matter specifically on recovering the money that was linked to the fraudulent activities. He argued that it seemed like there was no permanent solution regarding that matter. On the 33 targets that the RAF had set they achieved 90.9% of those targets in 2017/18, thus he questioned what they had achieved in 2018/19. He expressed that he wanted to know what measures were put in place in order to close that gap.

He referred to slide 15 (alignment of apex priorities) specifically on economic transformation and job creation and mentioned that he struggled to link the part about the 200 unemployed youth driver licenses and PDP with the RAF's mandate. He then expressed that he was struggling to understand why the presentation did not address or mention any attempts or projects pertaining to pedestrians as they were the organisation's biggest claimants.

Mr M Chabangu (EFF) expressed that the presentation was nearly equal to the task and said that he had a number of questions. His first question was directed to the Funding Model that the RAF mentioned that they received from the fuel levy. He wanted to know whether they also received money from e-tolls and normal tolls. Secondly, he wanted to know how long does a claim last for people living in the rural areas as most of them have no idea on the claiming procedures. Thirdly, he wanted to know why the ACEO was still acting, as Committee Members had made it quite clear that that position was to be filled. He also

argued that there were way too many “acting” positions. Fourthly, on the point of the driver’s licenses, he asked who was making their own licenses. He also asked in which country were these licenses being made and if they were being made outside of South Africa. His fifth question was about the fraudulent activities, where he wanted to know what was being done if these fraudulent activities were being committed by lawyers and advocates. The last question was pertaining to the Youth Drivers Development Program, where he wanted a detailed explanation on how this program was being carried through. He also wanted to know how these driving schools were being appointed particularly in the Free State.

Ms M Ramadwa (ANC) thanked the RAF for the presentation. She expressed that it seemed like the entity was undergoing challenges which was what she got from the presentation. She suggested that at any time that the RAF talks about its challenges, they should also provide solutions for those challenges just so the Committee Members can see that there was progress in the entity. Thus, she expressed that the organisation failed to do so in their presentation. She also wanted clarity on whether the fraud was being committed by just the lawyers or the officials in the Department as well. Therefore, if indeed it was the officials in the Department, she wanted to know the repercussions of that. She emphasised that if nothing was being done about this fraudulence then it would continue. She reiterated the importance of having consequences for such actions. That said, she expressed that she would have liked it if the organisation included the Auditor General’s (AG) report in their presentation, particularly the findings and plan of action as nothing was reported on that. She reiterated Mr Chabangu’s point on the vacant positions by arguing that, by not filling the CEO position it would affect the organisation’s progress. She asked when the processes of filling all the mentioned vacant posts would be concluded.

Mr P Mey (FFPlus) wanted clarity on the entity’s legal costs. He wanted to know what the entity was doing in order to address the increase of unnecessary legal expenses. He also wanted to know what other measures were being implemented to reduce legal costs. About the statutory duty to compensate, he asked what businesses were being used in order to revamp hospitals centres, etcetera. Lastly, he wanted to know if there were any cut-off dates or age for the treatment of patients as far as the new system was concerned.

The Chairperson gave the Department an opportunity to respond to the questions asked. He also mentioned that for some of the questions they could respond to them in writing which would have to be done in the next seven days.

Ms Xingwana-Jabavu in response to Mr Mangcu’s questions, stated that there was a slide that outlined the entity’s performance for the past five years which included 2018/19. That very slide (page 12 of the document) included graphs pertaining to 2018/19’s performance which was at the value of 77%. She pointed out that the drop from 91% to 77% was due to the lack of medical experts in the previous year. She did confirm that the entity had recently finalised a tender that would provide for the medical experts in need. Regarding the question on e-tolls, she asked Mr Chabangu to repeat his question. She then confirmed that they do not receive any funds from e-tolls.

On the question about driver’s licenses, she confirmed that the RAF does not get involved in the issuing of licenses. She stated that they were only involved in the compensation of claimants that had been involved in car accidents. Regarding the question of fraudulent crimes committed by lawyers, her response was that they usually conducted an investigation and also reported the alleged lawyers to the Law Society and lastly, they involved law enforcement agencies for any arrests that needed to be done. On the Youth Driver Development Program and the appointment of driving schools, she stated that the Strategy Officer would respond to that question.

On the question about who usually got involved in fraudulent activities, she confirmed that it was sometimes attorneys or medical experts or doctors or even the RAF’s officials. She stated that if the outcome of the disciplinary hearing resulted in the termination of employment then they would do so. However, if there was a criminal element after the termination of employment, they usually report such crimes to law enforcement agencies. She told the Committee they had a case in East London where one or two of their employees sold a claim to a lawyer. She confirmed that the employee was fired and they took action by going to court. Thus, that particular employee has been struck off the role of an attorney. About the AG Report, she said that slide 17 of the document addressed the entity’s audit outcomes for 2018/19.

She mentioned that it was an unqualified audit opinion which was similar of that of the previous year (2017/18). The main reason behind this unqualified audit opinion was based on the performance information, specifically how they report on their performance of their set targets as an entity. She confirmed that they were currently in the process of bettering the reporting on that matter. Lastly, she responded to the question on vacant positions by stating that the Board was currently busy with the recruitment processes. She mentioned that the Chairperson of RAF would give a more accurate answer on when those processes would be concluded. She did confirm that for the CFO position they had started with the interview processes and that they had a follow-up session soon for the appointment of the chosen candidate. She also mentioned that they had not had a 14-year period where they did not have a CFO. She told the Committee that RAF had a CFO who eventually resigned who is now the current CFO of South African Broadcasting Corporation (SABC).

Mr Chabangu expressed that he was not satisfied with the response that Ms Xingwana-Jabavu had given regarding RAF's current critical projects particularly on the Youth Driver Development Program. He then read an abstract pertaining to the Youth Driver Development Program from the document. He then asked the Department to explain in detail how they assist the youth with getting those licenses through the program and asked how they involved the mentioned driving schools. In other words, he wanted know how was the entity helping the youth get their licenses.

Ms Xingwana-Jabavu said that they were still going to respond to that question. Regarding the question on having permanent solutions to their problems, she said that the problem lay with the current business model as it was not sustainable and was informed by legislation. She mentioned that they had been working with the Department of Transport in order to come up with a more sustainable legislative arrangement. Then on the question about the cut-off dates for claims, she said that claimants were only allowed to claim for a period of three years. If after the three-year period the claimant has not claimed, the claim would then be prescribed. She then asked some of her colleagues to take some of the questions.

Mr Mangcu expressed that where RAF could respond, they should please do so in writing as the Committee was not impressed by the entity's response to the question on the AG's Report. He emphasised that the Committee wanted to know what exactly the AG had to say as well as RAF's response to that report. He urged the entity to give the Committee more detailed responses than the responses they were receiving back.

Ms Xingwana-Jabavu said they would take that into consideration. She did mention that they were going to share the document about the AG's outcome with the Committee.

Mr Songelwa said that they would rather provide their responses in writing. About the audit findings he said that they had a report on that and that it would be shared with the Committee in writing.

The Chairperson urged that they jumped straight to the question about the entity's recruitment processes.

Mr Matsonto Mathebula the Chairperson of RAF, said that one of the Board's top priorities was to appoint a CEO. He confirmed that they have had their first round of interviews. He also mentioned that candidates had been selected for the second round of interviews. He assured the Committee that they were still planning the date that those interviews would take place on. He also mentioned that this was happening with the concurrent appointment of a CFO. He assured the Committee that they were trying to conclude these processes as quickly as possible. That said, he mentioned that the Board's intention was to submit their recommendations to the Minister by the mid-September. He further mentioned that they were hoping that when that time came, they would be able to present the names of selected candidates. He told the Committee that they were having interviews for the CFO position on the 6th of September, which would also be concluded on that same day.

Ms Mantiti Kola Chief Strategy Officer of RAF responded to the question regarding the Youth Driver Development Program by saying that the crash-data that was supplied by their 'sister-entity' as well as the information collected from Road Information Collection Agencies like the Metro Police indicated that road accident fatalities were between the ages of 18 and 40 which was the reason behind the establishment of Youth Driver Development Program. She mentioned that, that was done through advertisements on the Department of Transport's website in order to ensure that they had as much coverage and inclusivity of all

provinces. She confirmed that because of these advertisements they were able to gain about 9 000 applicants. However, due to cash constraints they were only able to finance 200 of those applicants. She also told the Committee that the appointment of driving schools was done through an open tender, therefore service providers were selected through an SEM process. Regarding their Corporate Social Responsibility, she pointed out that their budget for this particular area was about R8.5 million of the R37 billion that they receive. She mentioned that they manage to use that money wisely as they only target areas that were linked to RAF's objectives such as the Files and Patient Optimisation Project in hospitals.

Ms Xingwana-Jabavu addressed the question about the Practice Directive in Gauteng and stated that they would respond comprehensively in writing. She did mention that it was an initiative from the Judiciary where they work with plaintiffs and attorneys. She also mentioned that they would respond to that in writing.

Mr Mey expressed that wanted clarify on his question about the treatment of patients and not about claims, particularly on what was the cut-off age that the Fund would assist patients with their treatment.

Mr Chris Wilemse, Senior Manager of Regulations of RAF said that he assumed that this was in reference to the Bill that was currently before the National Assembly. Thus, he mentioned that in that Bill a provision had been made for the medial treatment of road accident victims, therefore he confirmed that there was no cut-off age for that medical treatment.

The Chairperson thanked RAF for their presentation. He expressed that the Committee would appreciate it if the Department could be on time and to have all the relevant members present for future meetings. He emphasized that time management was very important. He expressed that the Committee did not want to feel like they were being disrespected by anyone. He also expressed that the Department would have to be more honest with the Portfolio Committee. He then urged the Board to finalise the appointments of those vacant posts. He suggested that they improve their expenses for legal fees. He also expressed that RAF's claim system was tedious and that it was something that needed to be addressed with urgency. Lastly, he urged that the next time the RAF or the DoT were presenting, they should bring all the necessary information as this would help them make more informed decisions.

The meeting was adjourned.