

Ref #697976

15 November 2018

Director-General: Labour
Compensation Fund
Attention: Director Employer Services: Mr Bheki Ngcobo

Email: CF.Assessmentmodel@labour.gov.za

Dear Sir

**SAICA SUBMISSION ON THE REGULATIONS ON THE NEW ASSESSMENT MODEL MADE BY THE
MINSITER UNDER THE COMPENSATION FOR OCCUPATIONAL INJURIES AND DISEASES ACT**

In response to your request for comments on the *Regulations on the Compensation Fund New Assessment Model*, attached is the comment letter prepared by The South African Institute of Chartered Accountants (SAICA).

We thank you for the opportunity to provide comments on this document.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Yours sincerely,

Juanita Steenekamp (CA (SA))
Project Director – Governance and Non-IFRS Reporting

SPECIFIC COMMENTS

SAICA welcomes the proposed new assessment model. We support the use of only six categories as the current 102 subclasses are inefficient and prone to error and mistakes.

SAICA has a concern with regards to entities / companies with various divisions. We question how employers with various divisions will be implementing this model, many small employers started their business by providing different type of services, such as security and cleaning services, or a working farm with a guest house. The security section of the business would be higher risk than the cleaning section and we request clarity on what basis the company would be allocated to a specific class.

As stated we support the new assessment model, but we have some concerns with regards to current outstanding issues which have not been resolved by the Compensation Fund and how the new assessment model will impact these outstanding issues. There are currently a large number of employers that has been chosen for audit and whilst awaiting the audit the entity has not been able to submit their returns, they also cannot obtain a letter of good standing. We request that all outstanding audits be completed to ensure that entities can move over to the new assessment model.

There are numerous entities that have applied for a change in nature of business, which has not been concluded by the Compensation Fund. We request that transitional arrangements be included to ensure that that change in nature of business requests be concluded prior to the entities being transferred to the new assessment model. We are also enquiring on what options would be available for an employer who wants to question the category that they are placed in, would there be an engagement or objection process available for employers.

SAICA attended the Compensation Fund information session on the 2nd of November 2018 on the new assessment model. We are requesting clarity on the method to be used to implement the new assessment rates. The Regulations state that the 6 restructured classes will be adopted and the new rates will be phased-in through discounts and loadings to employers as applicable. The information sessions referred to 5 steps to be completed in year 1 and 2.

Year 1:

1. Year 1 Tariffs required per 102 subclasses
2. Year 1 tariff per 6 restructured classes
3. Use Use restructured class tariff if difference is less than 5%
4. Else final tariff= $66.7\% \times \text{current sub-class tariff} + 33\% \times \text{restructured class tariff}$
5. Difference between final Year1 tariff and restructured tariff is a loading or discount.

Year 2:

1. Year2 Tariffs required per 6 restructures classes
2. Sub-classes shifted to the restructured tariffs in Year1 have Year2 restructured tariff applied
3. Other sub-classes use restructured class tariff if difference less than 5%

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4. Else, final tariff = 50% * Year1 final tariff + 50% * Year2 restructured tariff
5. Difference between final Year2 tariff and restructured tariff is discount / loading applicable

We would like to request clarity on the implementation of the 5 steps as this has not been included in the assessment model.