

UNEMPLOYMENT INSURANCE FUND

ANNUAL REPORT
2018/2019

ELEVATING PEOPLE



labour

Department:
Labour
REPUBLIC OF SOUTH AFRICA



UNEMPLOYMENT BENEFIT



DEATH BENEFIT



ILLNESS BENEFITS



MATERNITY BENEFIT



ADOPTION BENEFIT



Department of Labour
Annual Report for the Unemployment Insurance Fund
for the year ended 31 March 2019

Publisher: Department of Labour
Chief Director of Communications
Private Bag X117
Pretoria
0001

Editing: Photography and Distribution: UIF Communication and Marketing

Layout, Designing and Printing:

RP299/2019

ISBN: 978-0-621-47803-7

Title of Publication: Unemployment Insurance Fund (UIF) Annual Report 2018/2019



Minister of Labour



Minister, TW NXESI, MP
The Honourable Minister of Labour

It is my privilege to submit to you the Annual Report on the activities of the Unemployment Insurance Fund (UIF) for the year ended 31 March 2019. As required by section 11(3) of the Unemployment Insurance Act (UIA), 63 of 2001, the report includes the statement of financial position and the Statement of Financial Performance for the year ended 31 March 2019. It also contains the Auditor-General's report in terms of the Public Finance Management Act (PMFA), No. 1 of 1999.

A handwritten signature in black ink, appearing to read 'TW Nxesi', written over a horizontal line.

Minister, TW Nxesi, MP

BOARD MEMBERS



Mr Teboho Maruping
(UIF Commissioner)



Dr Welcome Nzimande
(UIF Board Chairperson)



Mr Jan Mahlangu
(Investment Committee Chairperson)



Dr Prittish Dala
(Acting Audit Committee
Chairperson)



Mr Mondli Mchunu
(Financial Advisory
Committee Chairperson)



Mr Thulani Tshefuta
(Labour Activation Programmes
Committee Chairperson)



Ms Laura Kganyago



Mr David Maphotho



Adv Eric Nwedo



Adv Msuthu Matshani



Mr Tony Franks



Mr Dumisani Mthlane



Mr Cameron Morajane



Mr Mvuyisi Macikama



Mr Takalani Musekwa

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The background of the entire page is a low-angle, upward-looking photograph of a skyscraper under construction. The building's facade is covered in a complex, grid-like pattern of steel beams and scaffolding. A large tower crane is positioned to the right of the building, extending vertically. The sky is a clear, pale blue. A solid dark blue vertical bar runs down the left side of the page, containing the text 'General Information' in white.

**General
Information**

01

1. General Information

Registered Name:	Unemployment Insurance Fund
Registration Number (if applicable):	Schedule 3 A public entity, established in terms of Section 4 (1) of the Unemployment Insurance Act, 63 of 2001 as amended
Physical Address:	230 Lillian Ngoyi Street Pretoria 0002 UIF Pretoria
Telephone Number/s:	(012) 337 1700
Toll free Number:	(0800) 843 843
Call Centre:	(012) 337 1680
Websites:	www.labour.gov.za www.ufiling.co.za
External Auditors:	Auditor General of South Africa, 300 Middel Street, New Muckleneuk, 0181
Bankers:	First National Bank, 6th Floor , 1st Place Bank City, Cnr Simmonds & Pritchard Streets, Johannesburg, 2001 ABSA Bank, ABSA Towers, 15 Troy Street, Johannesburg, 2001 Standard Bank, 9th Floor, Standard Bank Centre, 5 Simmonds Street, Johannesburg, 2001 Nedbank, 135 Rivonia Road, Sandown, 2196

2. LIST OF ABBREVIATIONS/ACRONYMS

AGSA	Auditor General of South Africa
MEC	Member of Executive Council
BBBEE	Broad Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
PFMA	Public Finance Management Act
TR	Treasury Regulations
MTEF	Medium Term Expenditure Framework
SMME	Small Medium and Micro Enterprises
SCM	Supply Chain Management
MP	Member of Parliament
UIF	Unemployment Insurance Fund
DG	Director General
UICA	Unemployment Insurance Contributions Act
UIC	Unemployment Insurance Commissioner
ITA	Income Tax Act
DOL	Department of Labour
UIFB	Unemployment Insurance Fund Board
PIC	Public Investment Corporation
UIA	Unemployment Insurance Act
ERP	Enterprise Resource Planning
DPSA	Department of Public Service and Administration
SARS	South African Revenue Services
MOU	Memorandum of Understanding
SACCI	South African Chamber of Commerce and Industry

Foreword By The Accounting Authority



Mr. T Lamati
Director General of Labour

INTRODUCTION

The Constitution of the Republic of South Africa provides that everyone has the right to have access to social security including appropriate social assistance for those who are unable to support themselves and their dependents. Therefore, the Unemployment Insurance Fund (UIF) is one of the social security agencies whose mandate is to provide social security to its contributors in line with section 27 (1) (2) of the Constitution Act 108 of 1996 as amended which states that “everyone has the right to social security”.

To give effect to the supreme law of the country, the Constitution, the Unemployment Insurance Act, 63 of 2001 (as amended) was enacted to establish the UIF whose primary mandate is to register employers and employees in South Africa and pay unemployment benefits to all those who qualify.

In pursuing its mandate, UIF develops the strategy and annual performance plan that outline deliverables to be achieved throughout the year.

OVERVIEW OF THE UIF'S STRATEGY AND PERFORMANCE

The UIF has identified four strategic outcome-oriented goals to pursue over five years and these are:

- Improve payment of benefits to UIF beneficiaries;
- Improve revenue collection from employers;
- Participate in government initiatives to create and sustain decent employment;
- Effective administration of the Fund's operations.

In the year under review the strategic objectives of the Fund were reviewed to give a more strategic focus, consequently the following strategic objectives were identified:

- Ensure financial sustainability;
- Strengthen Institutional capacity within the Fund;
- Provide easy to use services through multiple access points;
- Improve service delivery;
- Collaborate with stakeholders improve compliance with UI Acts; and
- Enhance employability of UIF beneficiaries and enable entrepreneurship.

UIF recognizes that to achieve its objectives it must develop performance measures for each financial year and constantly monitor and evaluate its performance. In the 2018/2019 financial year, there were 16 performance targets to be pursued by UIF.

The Fund achieved 10 of the 16 giving it a performance of 63 %. Measures and strategies have been in place to address those that were not achieved.

The core business of UIF is to register employers and employees and pay benefits to qualifying beneficiaries. It is essential that claims for benefits are paid within the shortest time possible in order to relieve unemployed UIF contributors from financial constraints.


To achieve this UIF has reduced the claim processing time for all benefits. Previously the Fund finalised claims for ordinary benefits within 35 working days, and in the year under review 94% of unemployment benefits were processed and finalized within 15 working days.

The Fund manages one of the key strategic interventions of the Department that is aimed at reintegrating unemployed UIF contributors back to the labour market. Therefore UIF, through the Labour Activation Programmes (LAP) trains and reskills unemployed UIF contributors in partnership with Sector Education and Training Authorities, Technical and Vocational Education and Training Colleges and Universities. During the year under review 3823 beneficiaries participated in various Labour Activation Programmes.

STRATEGIC RELATIONSHIPS

The UIF discharges its mandate in collaboration with other state institutions and government departments, and it works closely with employers and employees to improve service delivery. During the financial year the UIF continued its partnerships with various stakeholders, including South African Institute of Chartered Accountants, South African Institute of Professional Accountants, Sage HR & Payrol, and Pay Day Software Systems, to assist it to improve the compliance levels of employers.

The Fund's relationship with the South African Revenue Services (SARS) continues to yield good results for the Fund's operations. Continuous engagements ensure that this relationship grows to higher levels to ensure adequate cover to qualifying employees.



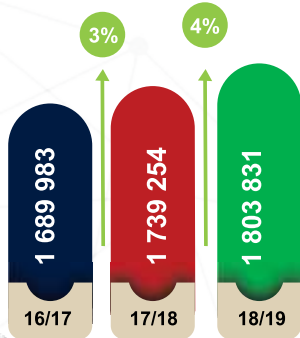
T Lamati
Director General of Labour
Date: 31 July 2019

UIF COMMISSIONER TEBOHO MARUPING

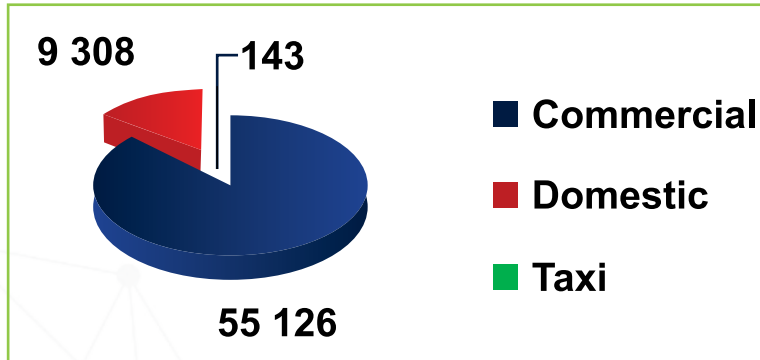


Highlights

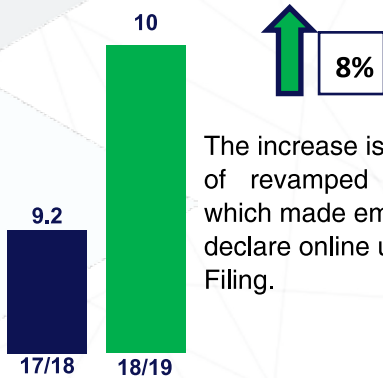
1, 8 Million Employers Registered



New Employers 18/19 = 64 577

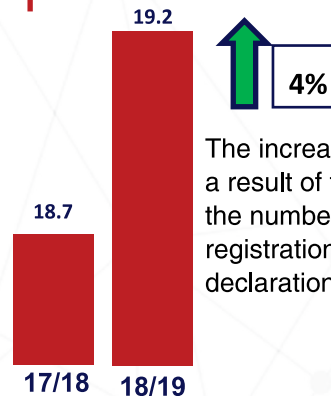


Employees' Declarations (millions)



The increase is a result of revamped systems which made employers to declare online using u-Filing.

Contribution Revenue (billions)



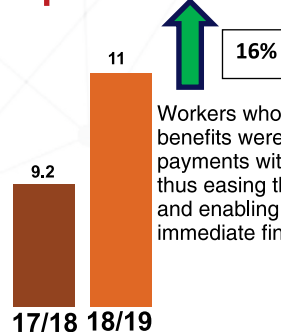
The increase in Revenue is a result of the increase in the number of employers registration and employees declarations.

BENEFITS CLAIMS

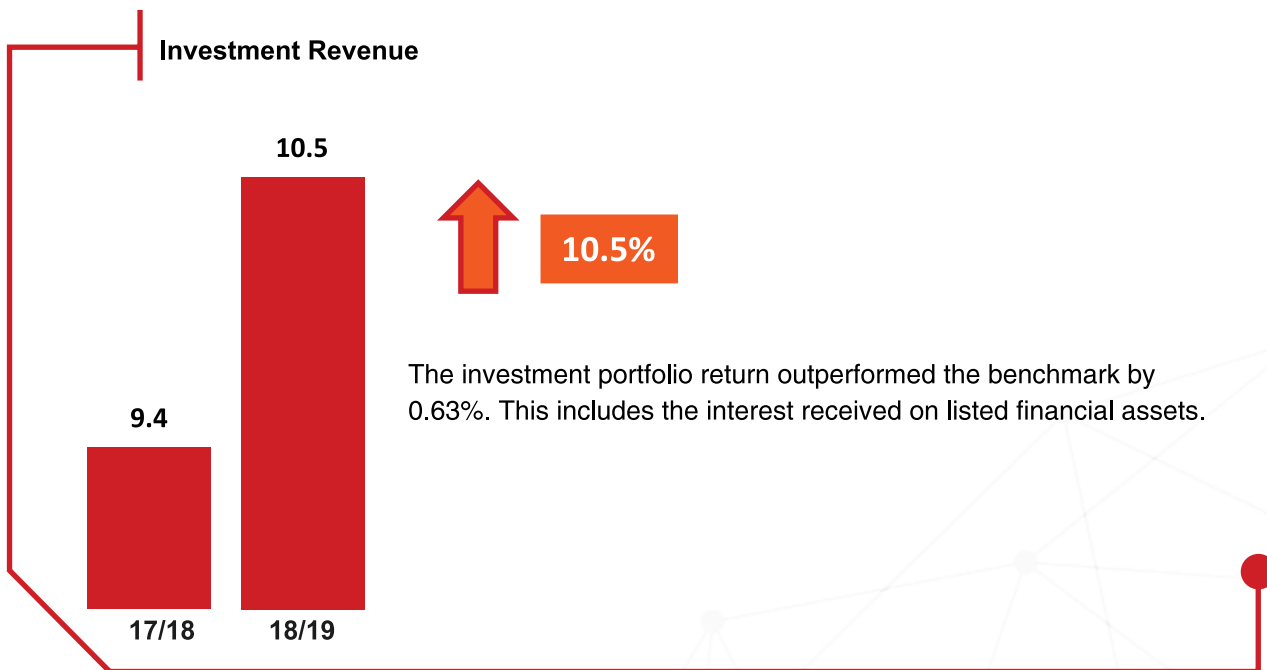
Benefit Type	Received	Approved	Approval Rate
Adoption	53	36	68%
Maternity	114 675	106 267	93%
Illness	17 430	15 966	92%
Death	14 397	14 397	100%
Ordinary	671 188	643 671	96%

Changing Lives Drive 35 DAYS DOWN TO 15 DAYS
 654 053 of claims irrespective of the benefit type were paid within 35 days in year 2014/15.
 817 743 of claims are now paid per benefit type (15 days for unemployment, 10 days for in-service (maternity illness and adoption) and 20 days for deceased benefit) in year 2018/19.

Benefit Payments (billions)



Workers who claimed their benefits were able to receive payments within 6 working days, thus easing their financial burden and enabling them to meet their immediate financial needs.



Future Outlook

- The name change of the Department will require the UIF to re-look its posture and concentrate on job creation. On a positive note, the Fund is already stepping ahead by financing retention and re-entry of contributors into the labour market through our Labour Activation Programme.
- The Unemployment Insurance Fund (UIF) acquired a **19% equity** stake in Edcon through a **R1.2 billion** investment into the company through the Public Investment Corporation (PIC), to rescue the retail giant from financial distress and prevent at least **140 000** direct and indirect job losses.
- Training programmes worth **R 7.9 Billion** were launched to benefit **160 000** people over the next few years to create jobs and entrepreneurs around the country. The Fund will invest in socially responsible projects that will have high impact on job creation and job preservation.
- **R 2 billion** Programme Development Partnership Fund (PDP) has been launched to assist with job creation and job preservation. The PDP Fund is also used as a catalyst for development of black fund managers, to this end 6 black fund managers have been shortlisted and once they succeed, they will each receive an allocation of a minimum of **R 350 million** for investment projects.
- The UI Amendment Act – which came into effect in 2019 - is delivering a variety of new and improved benefits:
 - ✓ contributing workers undergoing learnership training in terms of the Skill Development Act will be eligible for unemployment insurance benefits once their learnership contract ends;
 - ✓ benefits are paid from the date of unemployment instead of the application date; and
 - ✓ contributors will be able to claim unemployment benefits for up to 365 days instead of **238 days** if they have worked for a continuous four- year's period; foreign nationals are eligible for benefits; and benefits will be paid to workers who lose income as a result of reduced working times.
- The Labour Laws Amendment Act also paved the way for the introduction of parental leave for working fathers to receive financial relief while looking after their children. The payment of parental benefits by UIF will be in line with the 10 leave days granted and will be subject to credit days accumulated and 66% flat rate applicable.

- The Labour Laws Amendment Act also paved the way for the introduction of parental leave for working fathers to receive financial relief while looking after their children. The payment of parental benefits by UIF will be in line with the 10 leave days granted and will be subject to credit days accumulated and 66% flat rate applicable.

THE UNEMPLOYMENT INSURANCE DISRUPTORS



Queue management system in all labour centres has resulted in proficient management of queues and service delivery.



Wi-Fi enables our clients to access u-Filing and other Department of Employment and Labour services without using their data.



The u-Filing system has also been revamped to enable employers to easily declare employees and pay contributions. This has further enabled workers to claim their UIF benefits online, thus saving time and money.



The Unstructured Supplementary Service Data (USSD) platform will be rolled out this year, to enable our clients to check status of their claims, confirm registration with the Fund, locating their nearest Labour Centres. Through this platform claimants and stakeholders will not incur any airtime cost: the service will be free.

UNEMPLOYMENT INSURANCE FUND COMMISSIONER'S STATEMENT

Levels of unemployment in South Africa persist which inevitably puts a sharp focus on the role played by the Unemployment Insurance Fund (UIF) in providing social security to vulnerable workers and their families.

Unemployment affects the unemployed individual and his family, not only with respect to income, but also with respect to health and mortality. In some instances the effects of unemployment tend to linger for years and that why it is critical that UIF intervenes at the right time, all the time to curb its harmful effects.

Changing Lives Drive

Previously it took the Fund 35 days to process all claims irrespective of benefit type, and upon close analysis we realised this was not helping our beneficiaries as we took too long to process and pay claims. The periods to finalise claims have consequently been reduced to 15 days for Unemployment benefit, 10 days for in-service (Maternity and Illness benefits, and adoption) and 20 days for Deceased benefit. During this reporting period, a total of 671 188 valid claims with complete information were received through various labour centres, of which 628 807 claims were finalised within 15 working days. This translates to 94% against the target of 90%. This gives us comfort that workers who claimed for unemployment benefit were able to receive payments within a short space of time, thus easing their financial burden and enabling them to meet their immediate financial needs.

Service Delivery Improvement

In light of the complaints about poor service delivery experienced by our stakeholders and clients, UIF developed the Service Delivery Action Plan aimed to drastically improve service delivery.

The action plan addresses gaps in claims processes, Information Technology infrastructure and systems, and personnel capacity. The Fund has made significant progress in implementing the following IT-related action items: Infrastructure upgrade, installation of Wi-Fi and Queue Management System in all labour centres. The Queue Management System has resulted in proficient management of queues and service delivery. Furthermore, the u-Filing system has also been revamped to enable employers to easily declare employees and pay contributions. The supplementary positive changes on the modernised system comprised the functionality of enabling workers to claim their UIF benefits online instead of physically claiming at our offices, thus saving them time and money. The introduction of Wi-Fi at labour centres enables our clients to access u-Filing and other Department of Employment and Labour services without using their data.

The Fund will continue leveraging technology to improve service delivery. This year, we will be rolling out the Unstructured Supplementary Service Data (USSD) platform which can be used on the basic non-smartphones.

The introduction of USSD will promote self-service to our clients and contribute further towards reducing long queues at labour centres. USSD will enable clients to check status of their claims, confirm registration with the Fund, as well as locating their nearest labour centre. The extraordinary benefit of the USSD is that claimants and stakeholders will not incur any airtime cost: the service will be free.

We believe through these initiatives we will be saving our clients a bus or taxi trip to the labour centre, thus putting more money in their pocket and saving them the precious time of queuing at the labour centre – which they can use to apply for jobs in the event of unemployment.

Poverty Alleviation Schemes

There have been calls from both the public and private sector for the UIF to avail its surplus to fund various initiatives. However, our consistent retort remains that the Fund will only buttress financially viable schemes that are aimed at creating or retaining jobs. During the 2018/2019 period, the Unemployment Insurance Fund (UIF) acquired a 19% equity stake in Edcon through a R1.2 billion investments into the company through the Public Investment Corporation (PIC), to rescue the retail giant from financial distress and prevent at least 140 000 direct and indirect job losses.

The decision was made after robust engagements and consideration of the negative impact on our economy, the financial risks, and most importantly, the massive job losses if Edcon closed down. The decision was also in line with Section 5 of the UIF Act which states that the funds of the UIF must be used to finance the retention of contributors in employment and the re-entry of contributors into the labour market and any other scheme aimed at vulnerable workers.

Implementation of Amendment Act

The UIF, as a caring organisation, understands the current economic situation and unemployment in the country, as well as the devastating impact that is appended to losing a job. The Amendment Act – which came into effect in 2019 - is easing the financial encumbrance on workers and delivering a variety of new and improved benefits.

The significant amendments for unemployment benefits include: contributing workers undergoing learnership training in terms of the Skill Development Act will be eligible for unemployment insurance benefits once their learnership contract ends; benefits are paid from the date of unemployment instead of the application date; contributors will be able to claim unemployment benefits for up to 365 days instead of 238 days if they have worked for a continuous four- year's period; foreign nationals are eligible for benefits; and benefits will be paid to workers who lose income as a result of reduced working times.

These ground-breaking and progressive changes were done in the interests of improving and providing more benefits to workers. The UIF has also reduced the turnaround times in terms of paying beneficiaries because we understand that the majority of workers that claim from us are doing so to put food on the table for their families.

Working mothers remain one of our key beneficiaries and the maternity benefit has also been to put more money into their pockets. The new act provides for maternity benefits to be paid at a 66% fixed rate; an application for maternity benefits can be made 8 weeks prior to the birth of the child or within 12 months after the child is born; a contributor who has a miscarriage during the third trimester or bears a still-born child is entitled to full maternity benefits; and the payment of maternity benefits may not affect the payment of unemployment benefits to remove unfair discrimination against women for being mothers.

The Labour Laws Amendment Act also paved the way for the introduction of parental leave for working fathers to receive financial relief while looking after their children. We welcome the fact that some companies have started to implement parental leave while we are currently finalizing regulations and systems development in preparation for the implementation of Parental and Commissioning Parental benefits, as well as system changes to accommodate the amendments announced in terms of Adoption benefits. The payment of parental benefits by UIF will be in line with the 10 leave days granted and will be subject to credit days accumulated and 66% flat rate applicable.

Training interventions

The name change of the Department will require the UIF to re-look its posture and concentrate on job creation. On a positive note, the Fund is already stepping ahead by financing retention and re-entry of contributors into the labour market through our Labour Activation Programme. At the beginning of this financial year, we launched, through our political leadership, training programmes worth about R7.9 billion training programmes that would benefit 160 000 people over the next few years to create jobs and entrepreneurs around the country. The learners are going to be trained in various programmes including artisanship, skills programmes, learnerships, and business venture creation.

Fund's investments

The Fund will ramp up efforts to invest in socially responsible projects that will have high impact on job creation and job preservation. Currently SRIs accounts for 24% of the UIF investment portfolio, and within this portfolio we have launched the R 2 billion Programme Development Partnership Fund (PDP) and the High Social Impact investment (HSI) to assist with job creation and job preservation.

Since the launch of the PDP in November 2018 about 48 applications have been received and of those, 23 are at various stages of the screening process. The PDP Fund is also used as a catalyst for development of black fund managers, to this end 6 black fund managers have been shortlisted and once they succeed, they will each receive an allocation of a minimum of R 350 million for investment projects.

Audit Report Matters

The Fund has received a qualified opinion for the 2018/19 financial year, which is a slight regression from the unqualified opinion received in the previous year. The regression is largely due to non-submission of audited financial statements by the majority of our investee companies for audit purposes. The financial year - end of most investee companies poses a challenge for auditors because they are unable to conduct a complete audit due to outstanding financial information.

UIF is in discussions with the Investment Manager (PIC) to resolve this matter as we intend maintaining our investments in the unlisted space to continue to create jobs and preserve those that already exist.

As the Fund we remain committed to clean and proper governance and are confident that the current opinion is not a reflection of poor governance within UIF. We will double our efforts to obtain a clean audit in the current financial year.

Kea Leboga

Baie Dankie

Ngiyabonga



Unemployment Insurance Commissioner

T. Maruping

Date: 31 July 2019

**STATEMENT OF RESPONSIBILITY AND CONFIRMATION
OF ACCURACY FOR THE ANNUAL REPORT**

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

All information and amounts disclosed in the annual report are 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 (Part 5) have been prepared in accordance with the Generally Recognised Accounting Practise (GRAP) standards applicable to the public entity.
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 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 public entity for the financial year ended 31 March 2019.

Yours faithfully



**Unemployment Insurance Commissioner
T Maruping**
Date: 31 July 2019



**Director General of Labour
T Lamati**
Date: 31 July 2019

LEGISLATIVE AND OTHER MANDATES

The Unemployment Insurance Fund is a Schedule 3 A public entity in terms of the Public Finance Management Act, 1 of 1999.

2.1. Constitutional Mandate

The supreme mandate of the UIF is derived from section 27 (1) (c) of the Constitution of the Republic of South Africa. The UIF provides social security to its contributors in line with section 27 (1) (c) which states that “everyone has the right to social security”.

2.2. Legislative Mandate

The mandate of UIF is stated in the Unemployment Insurance Act (Act 63 of 2001) as amended. The UIF was established in terms of section 4(1) of the UIA. The Act empowers the UIF to register all employers and employees in South Africa and pay those who qualify for unemployment insurance benefits.

The Unemployment Contributions Act (Act 4 of 2002) empowers the SARS Commissioner and the UI Commissioner to collect monthly contributions from both employers and employees. Section 9 of the UCA empowers the UI Commissioner to collect contributions from all those employers who are not required to register as employers in terms of the fourth schedule of the Income Tax Act (Act 58 of 1962) and who are not liable for the payment of the skills development levy in terms of the Skill Development Act (Act 9 of 1999). These contributions are used to pay benefits and other expenditure reasonably incurred relating to the application of the Act.

2.3. Policy Mandate

The UIF is expected to make a contribution to the following service delivery outcomes:

- Creation of decent employment through inclusive economic growth;
- An efficient, effective and development-oriented public service and an empowered and inclusive citizenship;
- An inclusive and responsive social security system.

Overall, the UIF is expected to provide adequate social safety nets to protect vulnerable workers.

The Fund administers the following legislations:

- **Unemployment Insurance Act, 30 of 2001, as amended (UIA).**
Purpose: the Act empowers the UIF to register all employers and employees in South Africa for unemployment insurance benefits.
- **Unemployment Insurance Contributions Act, 4 of 2002.**
Purpose: to provide for the imposition and collection of contributions for the benefit of the Unemployment Insurance Fund; and to provide for matters connected therewith.

ORGANISATIONAL STRUCTURE

MR TEBOHOMARUPING
UIF Commissioner



VULEDZANI MULINDI
Director: Internal Auditing



TSHEPISO MAPHATANE
Director: Risk Management



MPUMI MNCONYWA
Chief Director: Labour
Activation Programmes



JUDITH KUMBI
Chief Director: Operations



FEZEKA PUZI
Chief Financial Officer



MZWANELEYAWA
Chief Director: Corporate
Services



MAELELETSE NAPE
Director: Labour Activation
Programmes



SAMANTHA NAICKER
Director: Declarations
and Call Centre



LEZANNE BRIEDENHANN
Director: Reporting



XOLAMONAKALI
Director: ICT



PUMLADUMA
Director: Labour Activation
Programmes



ALLAN RAGAVALOO
Director: Provincial Support



HLALISA ADERIBIGBE
Director: Budget,
Expenditure and Bank
Reconciliations



PETRO ROUX
Director: Human Resources
Management



SINDI ZUNGU
Director: Labour Activation
Programmes



MALESELA MAKGAMATHO
Director: Compliance



CHRISTINE FOURIE
Director: Treasury Investment
Actuarial Services



ANDRIES MATHABELA
Director: Organisational
Effectiveness



ZIYANDA FOLOLO
Director: Income



DAVID KHUMALO
Director: Strategic Planning,
Monitoring and Evaluation



MARIA RAMOSHABA
Director: Supply Chain
Management



MAZWIGWANI PHATHELA
Director: Legal Services



MAKHOSONKE BUTHELEZI
Director: Communication and
Marketing



LEBO VAN WYK
Director: Board Services
and Security Management



**Performance
Information**

02

1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to page 117 of the Report of the Auditors Report, published as Part 6: Financial Information.

2. SITUATIONAL ANALYSIS

2.1 Service Delivery Environment

2.1.1 Outputs

Improved client service (Payment of benefits)

Unemployment benefits

A total of 671 188 valid claims with complete information were received through various Labour centres, of which 628 807 claims were finalised within 15 working days. This translates to 94% against the target of 90%.

Inservice benefits

A total of 132 158 valid claims with complete information were received through various Labour centres, of which 121 418 claims were finalised within 10 working days. This translates to 92% against the target of 90%.

Death benefits

A total of 14 397 valid claims with complete information were received through various Labour centres, of which 13 179 claims were finalised within 20 working days. This translates to 92% against the target of 90%.

Claims submitted through U-Filing claims portal.

A total of 24 694 claims were submitted through U-filing portal against an annual target of 25 000. The number was under achieved by 306, as a result of system downtime owing to data centre move. Beneficiaries are now submitting claims online thus; eliminating a need to physically visit the Unemployment Insurance Fund offices to submit applications.

Improved compliance (Registration of employers)

A total of 64 577 newly registered employers were reported against the target of 65 000. The number was under achieved by 423. This is as a result of system downtime owing to data centre move.

Social Responsibility.

South Africa's current economic outlook makes it imperative for the Fund to play a role in alleviating the hardships that unemployed South African workers have to bear. The Fund contributes to meaningful job retention and job creation initiatives in partnership with the Industrial Development Corporation (IDC) and the Public Investment Corporation (PIC).

The Fund has disbursed approximately R1.17 billion through the Industrial Development Corporation (IDC) agreement that is utilised to fund Socially Responsible Investments. Since the inception of the new agreement in March 2017, the combined efforts of UIF and IDC has created and saved 9,494 jobs in the following sectors: Agro processing, Automotive & Transport Equipment, Basic & Speciality Chemicals, Basic Metals & Mining, Chemical Products & Pharmaceuticals, Clothing & Textiles, Heavy Manufacturing, Industrial Infrastructure, Light Manufacturing & Tourism and Machinery & Equipment. In addition, UIF investments through the PIC have sustained 27,707 jobs of which 22,805 are permanent, 4,902 were temporary / seasonal and 8,121 were new jobs created during the 2018/19 financial year. Of these jobs sustained, 3,154 were employees from local communities (within a 50 km radius) and 181 SMEs were supported. A total number of 3,099 houses were committed of which 1,153 were completed and 1,965 are still under construction. Student accommodation of 131 beds are under refurbishment. Financial support to students in the form of student loans were allocated to 25,946 students to the value R419,573,143. Twenty-four hospitals were funded leading to an increase of 2, 843 new hospital beds.

TABLE 1: Number of UI beneficiaries benefited from LAP schemes and expenditure

SCHEMES	PROGRAMME(S)	NUMBER OF BENEFICIARIES		EXPENDITURE	
		2017/2018	2018/2019	2017/2018	2018/2019
Training of the Unemployed	Skill Programmes, Apprenticeships and Learnerships.	4 702	2 131	R 25 873 732.02	R 90 828 761.59
Training Layoff Scheme	Social Plan Funding.	358	1 692	R31 054 58.00	R13 193 933.37
Turnaround Solutions	Jobs Saved.	6 684	0	R19 693 768.70	R16 050 000.00
TOTAL		11 744	3823	R 48 672 958.72	R120 072 694.96

2.1.2. Challenges encountered and corrective measures when rendering services to the Public.

NO	PERFORMANCE INDICATOR	CHALLENGES	CORRECTIVE MEASURE
1	Percentage of valid claims (Unemployment benefit) with complete information approved or rejected.	<p>Inadequate monitoring of labour centres by the provincial office which results in labour centres sending applications for assessment at the processing offices after the turnaround times have expired.</p> <p>Lack of capacity at service points is linked to Provinces.</p>	<p>Provincial Support Unit is visiting labour centres to monitor the performance.</p> <p>OE is busy correcting the structures for Provinces in this financial year.</p>
2	Percentage of valid claims (In-service benefits; Maternity, illness and adoption benefits) with complete information approved or rejected.	<p>Inadequate monitoring of labour centres by the provincial office which results in labour centres sending applications for assessment at the processing offices after the turnaround times have expired.</p> <p>Lack of capacity at service points is linked to Provinces.</p>	<p>Provincial Support Unit is visiting labour centres to monitor the performance.</p> <p>OE is busy correcting the structures for Provinces in this financial year.</p>
3	Percentage of valid claims (Deceased benefit) with complete information approved or rejected.	<p>Inadequate monitoring of labour centres by the provincial office which results in labour centres sending applications for assessment at the processing offices after the turnaround times have expired.</p> <p>Lack of capacity at service points is linked to Provinces.</p>	<p>Provincial Support Unit is visiting labour centres to monitor the performance.</p> <p>OE is busy correcting the structures for Provinces in this financial year.</p>

2.2. Organisational environment

The Position for the Chief Director: Corporate Services was vacant from October 2018 to March 2019.

2.3 Key policy development and legislative changes.

In January 2017, the President assented to the Unemployment Insurance Amendment Act, 2016 , this was rolled out on the 1st January 2019.

In 23 November 2018 the President assented to the Labour Laws Amendment Act 2018, and the implementation date was 1 January 2019.

2.4. Strategic Outcome Oriented Goals.

Strategic outcome oriented goal 1	Improve revenue collection from employers	2018/19 Target	Achievement
Goal statement	Increase contributions collected by at least a rate equal to the prevailing Consumer Price Index (CPI).	4.58% Increase in contribution revenue as compared to previous year.	4.40%
Strategic outcome oriented goal 2	Improve benefit payments to beneficiaries	2018/19 Target	Achievement
Goal statement	Increase the rate of processing claims in order to pay within the targeted service levels and turnaround times.	90% within 15 working days by March 2019 (Unemployment benefits).	94%
		90% within 10 working days by March 2019 (In-service, Maternity, Illness and adoption benefits) by March 2019.	92%
		90% within 20 working days by March 2019 (Deceased benefits).	92%

Strategic outcome oriented goal 3	Participate in government initiatives of creating and sustaining decent employment	2018/19 Target	Achievement
Goal statement	Contribute in the various schemes designed to alleviate the harmful effects of unemployment which includes investing mandated funds in the Social Responsible Investments	90% within 20 working days by March 2019	100% (13/13 applications received (12 approved and 1 rejected) within 20 working days
Strategic outcome oriented goal 4	Ensure effective administration of UIF operations	2018/19 Target	Achievement
Goal statement	Maintain effective systems of internal control as required by the Public Finance Management Act of 1999. (An unqualified audit opinion).	Maintain effective systems of internal control as required by the Public Finance Management Act of 1999. (An unqualified audit opinion).	The fund has obtained qualified audit for 2018/19 financial year. Therefore the target was not met.

3. PERFORMANCE INFORMATION BY PROGRAMME/ACTIVITY/ OBJECTIVE

3.1 Programme 1: Administration

<p>Office of the Commissioner Provide Strategic Leadership and Overall Management Regarding The Administration And Overall Operations Of The Fund.</p>	<p>Corporate Services To Provide Support and an Enabling Environment For The Fund To Meet Its Strategic Objectives Through Placing The Right People at The Right Time.</p>	<p>Chief Financial Officer Provide financial governance on financial management and accounting services of the Fund.</p>
<p>Internal Audit Independently Focus on Reviewing Internal Controls of The Fund; Reviewing Risk Management, Governance Processes And Programs of The Fund.</p>	<p>Human Resource Management and Development Training and Development of Staff; Maintaining Sound Labour Relations; Promoting Equality In The Fund; Performance Management; Recruitment And Selection; and Provision of Service Condition And Benefits. Protection of Vulnerable Workers.</p>	<p>Investment Management and Actuarial Services To coordinate Investment management and Actuarial Services for the fund.</p>
<p>Risk Management Enterprise Wide Risk Management; and Fraud Investigations.</p>	<p>Policy Development, Strategic Planning, Monitoring, Evaluation To Manage The Development and Implementation of Fund Strategic Planning. Monitoring and Evaluation Processes and Manage Research and Policy Development.</p>	<p>Supply Chain Management Enhance supply chain management processes and systems to be in line with the regulatory framework and governance best practices.</p>
<p>Communications Provision of Communication Services; And Provision of Marketing Services; And Advertising, Branding And Publications.</p>	<p>Legal Services To Provide Efficient and Effective Legal Services To The Fund.</p>	<p>Budget, Expenditure and Bank Reconciliation Creditor and expenditure management Claims payments; Reconciliation of bank accounts; And Integrated budget planning and management.</p>
<p>Organisational Effectiveness Organisational Development, Change Management, Business Processes & Quality Management and Performance Management.</p>	<p>Board Service, Governance and Security Management To Manage Board Services Information, Physical Security And Ensure Effective Code of Good Governance.</p>	<p>Financial Reporting Compilation and submission of the Annual Financial Statements and Auditor general as well as publication of AFS in the annual report Management of financial reporting; and Provision of financial systems support.</p>
<p>Information and Communication Technology Manage the Funds projects; and Develop and implement ICT governance model.</p>	<p>Income Management Management of revenues and debt collection processes and management of payroll audits and enforcement.</p>	<p>income Management Management of revenues and debt collection processes and management of payroll audits and enforcement.</p>

3.2 Programme 2: Business Operations.

Chief Directorate: Operations

To collect contributions and pay benefits.

- Management and administration of benefits payments;
- Management and administration of declaration processes;
- Monitoring of provincial office performance;
- Provision of Call Centre services; and
- Registration of employers.

3.3 Programme 3: Labour Activation Programme

Chief Directorate: Labour Activation Programme

Provide strategic leadership and guidance on the implementation of the Labour Activation Programmes.

- Develop strategies and policies to guide the monitoring of Labour Activation Programmes.
- Maintain partnership and network with relevant stakeholders involved in Labour Activation Programmes.
- Provide funding to the institutions identified with the responsibility of executing Labour Activation Programmes.

1. Strategic objectives, performance indicators, planned targets and actual achievements

Programme 1: Administration.								
Strategic objectives	Performance indicator	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Actual Achievement 2017/2018	Planned target 2018/2019	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
Ensure financial sustainability	Percentage of administrative expenditure (excluding capex) as compared to revenue maintained.	9.9% (R1 691m/R17 120mX100)	11.1% (2038016/18239065x100)	11% (2 001 016/18 184 546x100)	≤ 15% by March 2019	Achieved. 13% (2 457 311/ 19 565 207) by March 2019	None	None
	Percentage of valid invoices paid within 30 calendar days after receipt by the Fund.	N/A	N/A	N/A	100% within 30 calendar days by March 2019	Achieved. 100% of valid invoices were paid within 30 calendar days after receipt by the Fund	None	None
	Percentage of total mandated social responsible investment committed	68% (R7 688m / R11 2757m x100)	85% (R20 935 691 043 / R 24 704 553 x100)	91% (R24 843 290 558 / R27 348 750 148x100)	80% by March 2019	Achieved 96% (30 015 088 955 / 31 284 826 085) of total mandated social responsible	Target overachieved by 16%.	The overachievement of 16% can be attributed to SRI transactions moving from the pipeline to committed

Programme 1 : Administration.

Strategic objectives	Performance indicator	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Actual Achievement 2017/2018	Planned target 2018/2019	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
						investments committed by 31 March 2019.		transactions.
Strengthen institutional capacity of the Fund	Percentage of vacancy rate reduced.	20.3%	22.9%	12.9% (74/574x100)	Vacancy rate reduced to ≤ 10% by March 2019	Not Achieved. 13.3 (80 vacancies/ 602 establishment)	Target underachieved by 3.3%	High volumes of applications were received. Recruitment and selection of 68 internship posts to the establishment. The process to appoint 32 call Centre agent posts to be finalized in Q1 of 2019/20.

Programme 1: Administration.									
Strategic objectives	Performance indicator	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Actual Achievement 2017/2018	Planned target 2018/2019	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations	
Provide easy to use services through multiple access points.	Number of provincial sites upgraded with free Wi-Fi to access UIF systems	N/A	N/A	N/A	126 provincial sites by March 2019	Not Achieved 33	Target underachieved by 93	There were delays in the appointment of a service provider. Service provider has now been appointed and equipment was delivered on 19 March 2019. Implementation to commence in Q1 of 2019/20.	
	Integrated claims management System (ICMS) implemented	N/A	N/A	N/A	Develop, test and deploy release 1 reports by March 2019	Not Achieved Development, testing and deployment of release 1 reports not done	Target not achieved Development, testing and deployment of	Delay with the appointment of a service provider and approval for Accenture to conduct handover to the	

Programme 1: Administration.								
Strategic objectives	Performance indicator	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Actual Achievement 2017/2018	Planned target 2018/2019	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
							release 1 reports not done	new service provider. The target has been revised and rolled over to the 2019/20 APP.



Programme 2: Business Operations.																																																								
Strategic objectives	Performance indicator	Actual Achievement t 2015/2016	Actual Achievement t 2016/2017	Actual Achievement t 2017/2018	Planned target 2018/2019	Actual Achievement 2018/19				Deviation from planned target to Actual Achievement t for 2018/2019	Comment on deviations																																													
Improve service delivery	Percentage of valid claims (Unemployment benefit) with complete information approved or rejected within specified time frames	84%	89%	83%	90% within 15 working days by March 2019	Achieved 94% within 15 working days				Target overachieved by 4%	Provincial Support monitoring provinces through visits and OPS Forums. Provinces are also decentralizing claims processing to service points. Provinces which were previously not achieving have improved their performance.																																													
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Strategic objectives	Performance indicator	Actual Achievement t 2015/2016	Actual Achievement t 2016/2017	Actual Achievement t 2017/2018	Planned target 2018/2019	Actual Achievement 2018/19		
Improve service delivery	Percentage of valid claims (In-service benefits; Maternity, illness and adoption benefits) with complete information approved or rejected within specified time frames	88%	87%	71%	90% within 10 working days by March 2019	<p>Provincial Support monitoring provinces through visits and OPS Forums. Provinces are also decentralizing claims processing to service points. Provinces which were previously not achieving have improved their performance.</p> <p>Target overachieved by 2%</p>		
		Achieved						
		92% within 10 working days						
		Province	Created	Finalised	Finalised %			
		Eastern Cape	8 898	8 255	93%			
		Free State	5 176	4 879	94%			
		Gauteng	39 004	37 488	96%			
		Head Office	8 028	6 055	75%			
		KwaZulu-Natal	20 629	18 744	91%			
		Limpopo	7 622	6 886	90%			
Mpumalanga	6 719	5 784	86%					
North West	4 861	4 610	95%					
Northern Cape	2 684	2 601	97%					
Western Cape	28 537	26 116	92%					
Grand Total	132 158	121 418	92%					

Programme 2: Business Operations.											
Strategic objectives	Performance indicator	Actual Achievement t 2015/2016	Actual Achievement t 2016/2017	Actual Achievement t 2017/2018	Planned target 2018/2019	Actual Achievement 2018/19				Deviation from planned target to Actual Achievement t for 2018/2019	Comment on deviations
Improve service delivery	Percentage of valid claims (Deceased benefit) with complete information approved or rejected within specified time frames	82%	89%	75%	90% within working days by March 2019	Achieved 92% within 20 working days				Target overachieved by 2%	Provincial Support monitoring provinces through visits and OPS Forums. Provinces are also decentralizin g claims processing to service points. Provinces which were previously not achieving have improved their performance.
						Province	Created	Finalised	Finalised %		
						Eastern Cape	1 808	1 673	93%		
						Free State	1 060	1 036	98%		
						Gauteng	3 407	3 002	88%		
						KwaZulu-Natal	2 796	2 632	94%		
						Limpopo	902	792	88%		
						Mpumalanga	1 059	948	90%		
						North West	1 137	1 048	92%		
						Northern Cape	402	380	95%		
				Western Cape	1 826	1 668	91%				
				Grand Total	14 397	13 179	92%				

Programme 2: Business Operations.																																																										
Strategic objectives	Performance indicator	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Actual Achievement 2017/2018	Planned target 2018/2019	Actual Achievement 2018/19				Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations																																															
Improve service delivery	Percentage of benefit payment documents created after receipt within specified time frame.	N/A	N/A	99%	95% within working days by March 2019	Achieved 99% within 6 working days				Target overachieved by 4%	Payment forms were prioritized by date and captured immediately on the system.																																															
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Improve service delivery	Percentage of new companies created with a registration document (UI54) within 2 working days.	N/A	N/A	98%	95% within 2 working days by March 2019	Achieved 99% within 2 working days				Introduction of manual tool: Registration captured on a first in, first out basis (consideration is also given to the volumes)
						Province	Created	Finalised	Finalised %	
						Eastern Cape	3 856	3 797	98%	Target overachieved by 4%
						Free State	1 920	1 861	97%	
						Gauteng	5 424	5 337	98%	
						Head Office	40 289	40 012	99%	
						KwaZulu-Natal	4 849	4 765	98%	
						Limpopo	2 042	2 032	100%	
						Mpumalanga	1 257	1 191	95%	
						North West	1 071	1 054	98%	
						Northern Cape	961	926	96%	
						Western Cape	2 829	2 789	99%	
						uFiling	79	79	100%	
						Grand Total	64 577	63 843	99%	
Improve service delivery	Percentage of applications with complete information issued with compliance certificates or tender letter within 10 working days	N/A	N/A	N/A	90% within 10 working days by March 2019	Not achieved Actual= 79% within 10 working days Applications with complete information = 4 975 Application issued within 10 days = 3 930				The action plan was implemented from September 2018 which brought month to month improvement in performance. The target could however not be met due to higher performance deficit cumulatively at the beginning of the period.
Collaborate with stakeholders to improve compliance with UIF Acts.	Number of newly registered employers per year	51	58	66	65 000 by March 2019	Not Achieved 64 577				Target underachieved by 423 Performance was impacted by the systems downtime owing to data centre move. Systems stabilized after the data centre move and introduced online registration
	Number of newly registered employees by the Fund	N/A	N/A	N/A	250 000 by March 2019	Achieved 838 922				Target overachieved by 588 922 Compliance and communication campaigns to increase registration of employees.

Programme 3: Labour Activation Programme									
Strategic objectives	Performance indicator	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Actual Achievement 2017/2018	Planned target 2018/2019	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations	
Enhance Employability of UIF Beneficiaries, Enable Entrepreneurship and Preserve Jobs.	Number of UIF beneficiaries provided with learning and/or work place experience opportunities	3258	6000	N/A	450 000	Not achieved 3 823 beneficiaries provided with learning and/or work place experience opportunities. Of these; 3 497 (91%) are UIF contributors and 326 (9%) are non-contributors	Target underachieved by 446 177	The target was not achieved, due to delays on internal and external probity which was introduced for the first time in 2018/19 financial year and this was not considered during Funding agreements were signed as from February 2019 and will be implemented in 2019/20.	
	Percentage of Training Lay-off Scheme (TLS) applications with complete information approved or rejected by the delegated authority within specified Timeframes.	N/A	100%. 5 applications received 2 approved and 3 rejected within 30 days.	100%. 22 applications were received and approved within 20 working days.	90% within 20 working days by March 2019	Achieved 100% (13/13 applications received (12 approved and 1 rejected) within 20 working days	Target overachieved by 10%.	All applications received were within the Commissioner's threshold to approve.	

ANNEXURE A

TECHNICAL INDICATOR DESCRIPTIONS THAT WERE ENHANCED DURING THE REPORTING PERIOD

Enhancement of the technical indicator description

Programme 2: Business operations

	Old description	Enhanced
Indicator title	Number of newly registered employees with the Fund.	
Method of calculation	A count of new employees registering with the Fund for the first time during the financial year (1 April to 31 March).	A count of new employees registering with the Fund for the first time being out of employment for a period of more than 16 years (inception of Siyaya-2002).
Calculation type	Non-Cumulative	Cumulative

	Old description	Enhanced
Indicator title	Number of newly registered employers per year	
Calculation type	Non-Cumulative	Cumulative

4. Strategy to overcome areas of under performance

No.	Performance indicator	Major variance and reasons	Action taken to resolve the problem
1.	Percentage of vacancy rate reduced.	Target of ≤ 10% was underachieved by 3.3% due to high volumes of applications received. Recruitment and selection of 68 internship posts additional to the establishment also contributed to the non-achievement.	The process to appoint 32 call Centre agent posts to be finalized in Q1 of 2019/20.
2.	Number of provincial sites upgraded with free Wi-Fi to access UIF systems.	Target of 126 was underachieved by 93% due to delays in the appointment of a service provider.	The service provider has now been appointed and equipment was delivered on 19 March 2019. Implementation to commence in Q1 of 2019/20.
3.	Integrated claims management System (ICMS) implemented.	Target of developing, testing and deployment of release 1 reports was not achieved due to delays with the appointment of a service provider and approval for Accenture to conduct handover to the new service provider.	The target has been revised and rolled over to the 2019/20 APP.
4.	Percentage of applications with complete information issued with compliance certificates or tender letter within 10 working days.	Target underachieved by 11% due to higher performance deficit cumulatively at the beginning of the period.	The action plan was implemented from September 2018 which brought month to month improvement in performance. The target could however not be met due to higher performance deficit cumulatively at the beginning of the period.
5.	Number of newly registered employers per year.	Target underachieved by 423 due to systems downtime owing to data centre move.	Systems stabilized after the data centre move and introduced online registration.
6.	Number of UIF beneficiaries provided with learning and/or work place experience opportunities.	Target underachieved by 446 177 due to delays on internal and external probity.	Funding agreements were signed as from February 2019 and will be implemented in 2019/20.

7. Summary of Financial Information

a) Summary of expenditure (Below are previous financials, updated to be provided after external audit process)

Summary of expenditure		2018/2019		2017/2018		
Item	Budget R'000	Actual	(Over)/Under	Budget R'000	Actual	(Over)/Under
Benefits payments	9 734 875	5 709 970	4 024 905	10 282 977	5 080 096	5 202 881
Labour Activation Programmes (Schemes)	945 358	120 073	825 285	889 466	48 673	840 793
Administration	3 361 571	2 498 162	884 248	3 283 091	2 124 398	1 158 693
Total	14 041 804	8 328 205	5 734 438	14 455 534	7 253 167	7 202 367
Summary of Revenue		2018/2019		2017/2018		
Item	Budget R'000	Actual	(Over)/Under	Budget R'000	Actual	(Over)/Under
Revenue collected	20 031 526	19 565 214	466 312	20 050 163	18 740 065	1 310 098
Total	20 031 526	19 565 214	466 312	20 050 163	18 740 065	1 310 098
Summary of other income		2018/2019		2017/2018		
Item	Budget R'000	Actual	(Over)/Under	Budget R'000	Actual	(Over)/Under
Other income	1 678	22 843	-21 165	1 967	22 169	-20 202

Investment revenue	10 240 800	10 571 813	-331 013	10 451 287	9 354 313	1 096 974
Fair value adjustments	0	9 574 096	-9 574 096	0	3 859 251	-3 859 251
Total	10 242 478	20 168 752	-9 926 274	10 453 254	13 235 733	-2 782 479
Summary of change in reserves						
Item	2018/2019	Actual	(Over)/Under	2017/2018	Actual	(Over)/Under
	Budget			Budget		
	R'000			R'000		
Change in benefits payable	-992 358	-12 823 361	-11 831 003	-464 623	-11 304 516	-10 839 893
Unearned premium reserves	-6 235 817	-1 831 199	4 404 618	-2 389 071	-2 625 121	-236 050
Total	-7 228 175	-14 654 560	-7 426 385	-2 853 694	-13 929 637	-11 075 943
Summary of financial information						
Summary of income, expenses and reserves						

Item	2018/2019		2017/2018		Actual	(Over)/Under	Budget	Actual	(Over)/Under
	Budget	Actual	Budget	Actual					
	R'000			R'000					
Total revenue	30 274 004	30 159 870	114 134	30 503 417	28 116 547			2 386 870	
Administration expenditure	-3 361 571	-2 498 159	-863 412	-3 283 091	-2 124 398			-1 158 693	
Benefit Payments	-9 734 876	-5 709 970	-4 024 906	-10 282 977	-5 080 096			-5 202 881	
Unemployment Alleviating Schemes	-945 358	-120 073	-825 285	-889 466	-48 673			-840 793	
Change in benefits payable	-992 358	-12 823 361	11 831 003	-464 623	-11 304 516			10 839 893	
Unearned premium reserve	-6 235 817	0	-6 235 817	-2 389 071	0			236 050	
Fair value adjustment	0	-9 574 096	9 574 096	-	3 859 251			-3 859 251	
Surplus/Deficit from equity investments	0	-453 264	-453 264	-	43 334			-43 334	
Impairment of Investments	0	-568 995	568 995	-	-734 205			734 205	
Net Surplus/deficit for the year	9 004 024	-1 588 048	10 592 072	13 194 189	12 727 245			466 944	
LINKING PERFORMANCE WITH BUDGET									
The overall performance information of the Fund from 01 April 2018 to 31 March 2019 is at 63% of targets were achieved. 74% of the budget was spent for the financial year 2018/19									

Programme 01 - Administration		2018/2019		2017/2018	
Programme 01 - Administration	Budget	(Over)/Under	Budget	Actual	(Over)/Under
	R'000		R'000		
Ensure financial sustainability	1 658 712	146 299	1 623 301	1 493 524	170 260
Total	1 658 712	146 299	1 623 301	1 493 524	170 260
The programme purpose is to provide management, strategic and administrative support services to the Fund. To carry out this objective Programme 01 spent 60% of the allocated budget for the financial year 2018/19 and achieved 50% of the set targets.					
Programme 02 - Business Operations		2018/2019		2017/2018	
Programme 02 - Business Operations	Budget	(Over)/Under	Budget	Actual	(Over)/Under
	R'000		R'000		
Collaborate with stakeholders to improve compliance with UIF Acts	462 844	191 277	390 087	390 087	0
Improve service delivery	1 234 987	88 899	1 226 095	999 496	226 599
Total	1 697 831	280 176	1 616 182	1 327 658	226 599
The programme purpose is to collect contributions and pay benefits. To carry out this objective Programme 02 spent 83% of the allocated budget for the financial year 2018/19 and achieved 75% of the set targets.					
Programme 03 - Fund poverty alleviation schemes		2018/2019		2017/2018	

Programme 03 - Fund poverty alleviation schemes		2018/2019		2017/2018		
Programme 03 - Fund poverty alleviation schemes	Budget	Actual	(Over)/Under	Budget	Actual	(Over)/Under
	R'000			R'000		
Enhance employability of UIF beneficiaries, enable entrepreneurship and preserve jobs	5 028	1 434	3 594	3 124	1 339	1 785
Total	5 028	1 434	3 594	3 124	1 339	1 785
Grand Total Programmes	3 361 571	2 477 552	884 019	3 283 091	2 124 398	1 158 693
The programme purpose is to provide labour market programmes . To carry out this objective Programme 03 spent 29% of the allocated budget for the financial year 2018/19 and achieved 50% of the set targets. The programmes is also mandated to fund Labour Activation schemes. The transfers made to entities responsible for implementation of Labour Activation Programmes were 13% of the allocated budget						
Explanation on material variances						R'000
Revenue						Variances
Revenue collected is 2.33% less than the budgeted amount. The budget for revenue is based on a revenue indicator developed for the Fund, which utilises a combination of projected CPI and GDP to determine the likely rate of growth in the revenue of the Fund. Based on this revenue indicator, revenue projected was slightly more than the actual amount collected during the 2018/19 financial year.						
Benefit Payment						466 312
The benefit payments is due to enhanced benefits on the new Amendment Act and improvement of turnaround in processing claims. During the year under review there were increases in salaries, claims from Ex-mineworkers and maximum payment amount increased by 46% on average over the financial year.						
						4 024 905

Unemployment alleviations schemes		
<p>The unemployment alleviation schemes budgeted amount took into consideration projects in the implementation phase and projects that were on hold but due for implementation in the 2018/2019 financial year. The above estimation included the budget for anticipated projects to be acquired through Request for Partnership Proposals 1,2 and 3. A total amount of R945 million was budgeted for the year under review. R745 million was budgeted towards the Training of the Unemployed because of the anticipated increase in the funding of new training projects that fall under Proposals 1,2 and 3. However the delays on the implementation of Request for Partnership Proposals led to 87.30% under-expenditure of the budgeted amount. R200 million was budgeted for expenditure on the Training Layoff Scheme and the Social Fund (Turnaround Solution).The Fund reviewed the Labour Activation Programme (LAP) validation processes and implemented additional controls during financial year under review. The changes effected stricter measures on the approval of applications relating to the Training Lay-off Schemes (TLS) and Turnaround Solutions (TAS) funding. This led to only 13% being spent under this scheme based on validated applications that adhere to the control measures put in place.</p>	825 285	
Other Income		
<p>Recovery of overpayments written off was not budgeted for because it formed part of normal overpayments recoveries. A split which separates normal recoveries from those received from debts written off is done. The Cash surplus account contains untraceable deposits which are under investigation. There was also a sale of investment property, in Midrand, Gauteng province.</p>	21 165	
Auditors remuneration		
37% less than budget		
<p>As at the end of financial year , the Fund had paid invoices relating to the finalisation of 2017/18 audit. During the conclusion of the financial year 2018/19 the audit was still in process and not concluded due to timelines set by the PFMA to submit annual financial statements.</p>	5 125	
Administrative Costs		
	236 058	
31% saved against the following main budget items:		
<p>Stationery and Printing:Cost containment measures implemented to comply with the circular issued by National Treasury.</p>	11 490	
<p>Venues and Facilities: The Fund continues to consider the cost-effective options when hosting events and meetings to comply with cost containment measures .</p>		
<p>Entertainment/Catering: The Fund continues to consider the cost-effective options when hosting events and meetings to comply with cost containment measures .</p>		
<p>Advertising: Cost containment measures to comply with the circular issued by National Treasury.</p>	15 182	
<p>External IT services: The appointment of SAP Roadmap implementation service provider was done late towards the end of the financial year. The project of installing switches in labour centres was partially completed and will continue in the new financial year. End user devices and computer nodes are still in the process of appointment.</p>	66 205	

<p>SARS Commission: The budget for SARS contribution commission is based on 1.5% of contributions collected by SARS. The estimate for contributions collected is based on a revenue indicator developed for the Fund, which utilises a combination of projected CPI and GDP to determine the likely rate of growth in the revenue of the Fund. Based on this revenue indicator, revenue projected was slightly more than the actual amount collected during the 2018/19 financial year, which resulted in commission paid being less than the projected amount.</p>	54 754
Depreciation	
74% saved against the following main budget items:	
Depreciation is 74% less than the budget amount due to the capital ICT projects which were not finalised during the financial year under review, with specific reference to the infrastructure upgrade in labour centres. The Fund re-assesses the useful life of assets on an annual basis in line with GRAP 17.	118 320
Employee Cost	
The Fund is reflecting the 12% saving against employees cost in comparison to the budget. The Fund continues to align the compensation budget limits as directed by National Treasury and DPSA to curb the expenditure. The Unemployment Insurance Fund reflected a 13.3% vacancy rate at the end of the financial year	188 411
Operating Expenses	
	315 493
36% saving against the following main budgeted items:	
Management and investment fees: Investment management fees are levied by the asset manager, Public Investment Corporation, on a monthly basis in arrears per asset class and based on the daily market value of the Investment Portfolio. As the portfolio grows so will the management fee. Trading activity in the Portfolio and market value also fluctuates on a daily basis depending on market conditions. Therefore there will always be a difference between the budgeted amount for management fees and the actual amount paid.	131 207
Consumables: Cost containment measures to comply with the circular issued by National Treasury.	3 003
Communications: cell phones, telephone ,postage. Cost containment measures to comply with the circular issued by National Treasury.	7 261
Travel and Subsistence: The Fund has aligned expenditure with the National Treasury instructions and cost containment circulars to reduce travelling expenditure.	25 163
Investment Revenue	
2% more investment income received than budgeted.	

The South African economy remained in turmoil during the 2017/18 and first quarter of the 2018/19 financial years which resulted in the Fund implementing a conservative budget approach. However, the investment portfolio return outperformed the benchmark by 0.63% for 12 months and therefore the actual investment return exceeded the initial budgeted amount.	331 013
Fair value adjustments	
The Fund does not budget for Fair value adjustments as it reflects market movement on investment instruments.	9 574 096
Finance Cost	
Finance cost is budgeted for overnight debit bank balances.	3
Unearned Premium Reserve	
"Unearned Premium Reserve" is budgeted for but disclosed in the "Statement of Changes in Net Assets" and not in the "Statement of Financial Performance".	4 404 618



Teboho Maruping
 Unemployment Commissioner
 Date: 31 July 2019



T Lamati
 Director General of Labour
 Date: 31 July 2019

Governance

03



1. Introduction

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, and the Companies Act, corporate governance with regard to public entities is applied through the precepts of the Public Finance Management Act (PFMA) and run in tandem with the principles contained in the King's Report on Corporate Governance.

Parliament, the Executive and the Accounting Authority of the public entity are responsible for corporate governance.

2. Portfolio Committees

During the 2018/19 financial year, the UIF was requested to appear before the Portfolio and Select Committees according to the following table:

TYPE OF COMMITTEE	APPEARANCE	PURPOSE
SELECT COMMITTEE	1	Ciskei Transport Corporation (CTC) and Transnet matter,
PORTFOLIO COMMITTEE	6	Briefing on QPR1,2,3 and 4 of the Department of Labour and entities
PORTFOLIO COMMITTEE	2	Briefing by the UIF on the Labour Activation Programme on the Plan and Progress
PORTFOLIO COMMITTEE	1	Budget Review 2018 (incl. Strategic Plan and Annual Performance Plan):

3. Executive Authority

The Minister of Labour, through NEDLAC (social partners) nominations, appointed eight new members and reappointed three members for continuity in the new term of the advisory Board ("the Board") with effect from 1st November 2017 for a three year period, ending on 31st October 2020. The Board Chairperson was reappointed in 2019 for three year term which ends on 31st October 2021. During the year one new State member was appointed from 1 March 2019 for three year term which ends on 31st October 2022. The Board's role is to advise the Minister of Labour on issues related to administration of the UIF as a social security instrument. The Board held several meetings with the Minister during the 2018/19 financial year to discuss the functioning of the UIF. The main theme of the meetings was around the UIF's contribution to job creation (Labour Activation Programmes) and job preservation through the High Social Impact Portfolio.

The UIF Board recommended the following to the Minister of Labour during the financial year:

- The 2018/19 MTEF Revised Budget submitted on 17 October 2017; and
- The 2018/19 Annual Performance Plan submitted on 05 February 2018.
- Revision of the Social Responsibility Investment (SRI) mandate to ensure positive impact on distressed companies and preserving jobs;
- Development of the High Social Impact Portfolio (HSIP)
- Launched Project Development Partnership (PDP)

4. The Accounting Authority

In terms of section 11(1) of the Unemployment Insurance Act, 2001(as amended) the Director General of the Department of Labour is the Accounting Authority of the UIF.

5. The Advisory Board

In terms of section 47 of the Unemployment Insurance Act, the Minister of Labour must establish the Unemployment Insurance Board. The UI Board has participated in the Minister's job fairs, and Imbizos to fully understand unemployment issues and to advise the Minister accordingly. During 2018/19 all members were appointed in terms of section 49 (2) of the UIAct, 2001 which outlines that each constituency must be represented by 3 members on the Board. Currently the Board is constituted with 12 members and a Chairperson.

5.1 The role of the Board is as follows

In terms of section 48 of the Unemployment Insurance Act, the role of the Board is to advise the Minister on—

- Unemployment insurance policy;
- Policies arising out of the application of this Act;
- Policies for minimising unemployment;
- The creation of schemes to alleviate the effects of unemployment;
- Make recommendations to the Minister on changes to legislation in so far as it impacts on policy on unemployment or policy on unemployment insurance;
- Perform any other function which may be requested by the Minister for purposes of giving effect to this Act.

The powers and duties of the Board must be exercised and performed subject to—

- The provisions of the Unemployment Insurance Act and its constitution contemplated in section 50;
- Any directions issued by the Minister of Labour; and
- Any guidelines determined by the Director-General of Labour.

5.2 Board Charter

The Board Charter outlines the main corporate governance practices that are in place for the Unemployment Insurance Board and to which the Board, committees and management

collectively are committed. The conduct of the Board is also governed by the Constitution. The Charter sets out the role, responsibilities, structures and processes of the Board of the Unemployment Insurance Fund.

Governance processes are continuously improving, with the Board Charters and the Board Constitution setting out responsibilities implemented and adhered to in order to achieve the highest standards of corporate governance. The Board has met more than four (4) times during the financial year, four (4) scheduled Board meetings, and two (2) special meetings and one (1) workshop in an effort to deliver on their mandate.

The Board and Committee Charters have ensured that the Committees are compliant with the Unemployment Insurance Act and Board Constitution. The main objective of the Board Governance and Compliance functions was to assist the Board and its Committees in adopting the most appropriate governance standards for the Fund.

Board members (01.11.2017 – 31.10.2020/2)
Board Chairperson (01.11.2018 – 31.10.2021)
Meetings attended April 2018 to March 2019

Title	Surname	Name (s)	Date appointed	Date term ended	Qualifications	Competencies/area of expertise	BOARD	IC	FAC	LAPC	AC	Total meetings attended
Dr	Nzimande	Welcome	24-Feb-16	31-Oct-20	B Admin	Management and Leadership	10	1	-	-	-	11
Ms	Botha	Deirdre	01-Nov-17	31-Oct-20 (Resigned)	Certified Internal Auditor Certification in Risk Management Assurance Executive MBA Executive Development Programme Certified Information System Auditor Higher Diploma in Computer Auditing Bachelor of Theology (Hons)	ICT and Auditing	4	0	-	-	4	8
Mr	Mchunu	Mondli	01-Nov-17	31-Oct-20	Admitted Attorney of the High Court of South Africa; Bachelors in Law (LLB LAW UKZN) , Certificate of Proficiency in Translation - University of Kwazulu Natal (Howard College)	Retail Administration; Employee Relations; Labour Law	8	5	5	5	-	23

Mr	Matshani	Msuthu	01-Nov-17	31-Oct-20	Baccalaureus Luris (B. Luris); Bachelor of Laws; Certificate Programme in Industrial Relations; Master of Laws (LLM. Labour Law)	Law	9	-	5	1	-	15
Adv	Nwedo	Eric	01-Nov-17	31-Oct-20	Bcom (Hon), CFPR, Post Graduate Certificate in Social Security and Pension	Social security and pension	10	7	-	-	6	23
Mr	Maphoto	David	01-Nov-17	31-Oct-20	Primary teacher's Diploma (Junior); Certificate in Project Management for the Public Sector; Certificate in Business Writing Skills; Certificate in Project Management; Emerging Management Development Programme; Public Financial Management for Non-Financial Managers; Certificate in	Grant Management; Development Support; Financial Management; Negotiation Skills; Project management and M&E management	9	7	-	4	-	20

Mr	Mahlangu	Jan	01-Nov-17	31-Oct-20	Monitoring and Evaluation	Financial Management; Law, Accounting	8	8	4	4	4	-	24
Mr	Franks	Tony	01-Nov-17	31-Oct-20	Legal Labour Law Certificate IMMSA, Arbitration, Certificate CCMA, Certificate HRM, Certificate Project, Management and Training	Labour Law; Project Management and Human Resources Management	6	-	4	-	-	-	10
Ms	Kganyago	Laura	01-Nov-17	31-Oct-20	Project Management	Community Dev. Programmes & Training	10	-	6	3	6	-	25
Mr	Tshefuta	Thulani	01-Nov-17	31-Oct-20	B.A. (Public Administration and Politics)	Public Administration, Political Science, Economics, Industrial & Organizational Psychology, Business Management, Sociology.	8	7	4	4	-	-	19

Mr	Mthalande	Dumisani	01-Nov-17	31-Oct-20	N/A	Experience in management, evaluation and knowledge management, monitoring and evaluation, and Good analytical skills and knowledge in planning; strong financial accounting and management.	10	7	5	5	-	22
Mr	Macikama	Mvuyisi	01-Nov-17	31-Oct-20	Higher Diploma in Tax Law (H. Dip. Tax) B. Comm: Accounting	Financial and Tax Management; Payroll Management; Social Development; Strategic Management of National Skills Fund	7	5	2	3	-	17
Dr	Dala	Prittish	24-Feb-17	31-Jan-20	PhD (Information Technology), Masters (Information Technology) and BSc Hons (Computer Science), Bachelor of Information Technology, Certified Information Systems Auditor (CISA), Certified Information Security	ICT and Auditing; Information Technology, Information Security, Privacy, Information Technology Audit, Internal Auditing, Risk Management, Governance, Compliance, Forensics and Research.	3	-	-	-	6	9

Mr	Musekwa	Takalani	08-Nov-18	31-Oct-20	BA Honours in Psychology ; Master of Business Leadership (University of Kwazulu Natal and South Africa respectively); Completed Management of Change (Organisation Development) Programme - Low Du Toit and Associates in association with Pepperrine University, USA.	Business Leadership, General Business Management Compensation Management Human Resources Management Customer Services.	3	3	0	1	-	7
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Mr	Maruping	Teboho	01-Nov-17	31-Oct-20	Masters in Information and Knowledge Management, University of Stellenbosch, 2012.	Business Analysis, Operational Analysis, Metrics design, Operations and Programme Management, Business Process Innovation and Improvement, Research and Knowledge Management, Innovation Value Creation, Business Intelligence, Organizational Excellence, Lean Six Sigma and Lean Manufacturing, Business Scorecard development, Mentoring and Coaching, Job Interview preparation	10	4	4	3	1	22
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Mr	Morajane	Cameron	01-Mar-19	29 Feb 2022	Bachelor Juris, LLB degree, LLM (masters in law) degree, Diploma in Alternative Dispute Resolution (cum laude) from the Arbitration Foundation of Southern Africa (AFSA), Postgraduate Diploma in Corporate Law. Admitted as Attorney of the High Court in 2003. Admitted as an Advocate of the High Court in May 2018.	Business Leadership Labour Law Labour Relations Conciliation, Mediation and Arbitration Dispute resolution						
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BOARD AND COMMITTEE MEETING DETAILS

NAME OF COMMITTEE	NO. OF MEMBERS	WORKSHOP/ SPECIAL MEETINGS	NORMAL	TOTAL OF ALL MEETINGS
Board	13	1	10	11
Investment Committee	8	2	6	8
Financial Advisory Committee	8	2	4	6
Labour Activation Committee	8	1	4	5
Audit Committee	4	2	4	6
TOTALS		5	21	36

5.3 Board Committees

The Board continued to demonstrate its support and commitment to the Enterprise Risk Management (ERM); Investments, audit and financials and recognised the importance of a strong control environment in managing risks, compliance, improving performance, enhancing governance, and strengthening the institutional capacity.

The Board and management's persistent and concerted effort to have a strong control environment have provided growing evidence that the culture of control is taking root as evidenced by the sustained improvement in the internal control environment, particularly financial controls.

The Unemployment Insurance Fund Board has established 4 committees that will advise the Board on specific matters related to the work of that committee. The committees established by the Board are:

Financial Advisory Committee (FAC)

The committee provides oversight on financial management of the UIF and considers all financial reports to be presented to the Board and makes recommendations to both the Board and management.

Investment Committee (IC)

The committee provides oversight on investment management of the UIF and considers all investment performance and management reports to be presented to the Board and makes recommendations to both the Board and management.

Labour Activation Programme Committee (LAPC)

This is a new Committee established during 2017 with its mandate being to provide guidance and oversight over Labour Activation Programme and projects. It considers programme performance, all projects and activities and makes recommendations to the Board and management.

National Appeals Committee (NAC)

The committee considers appeals of aggrieved beneficiaries with regards to the rejection of their claims applications. One NAC meeting was held. They are supported by Regional Appeals Committees (RAC) set up in the provincial offices. 24 RAC meetings were held. In addition to these committees, the UIF Board also has members representing the Board in the Audit and Risk Committee of the UIF.

5.4 Remuneration of Board, Audit Committee and RAC members

A member of the Board or its committees who is not in the full-time employment of the State shall be paid remuneration and allowances determined by the Minister in terms of the Treasury Instructions issued by the National Treasury. Remuneration of Board members is determined in terms of Section 52 of the Unemployment Insurance Act (No 63 of 2001) and the Minister of Labour has determined the category classification.

5.4.1 Non-Executive Members for UIF Board and Board Committees (past and present) fees

Number	Board Members	2019			2018		
		Fees for services	Expenditure allowances	Total	Fees for services	Expenditure allowances	Total
1	Crawford A	-	-	-	R 24 064.74	R 2 301.97	R 26 366.71
2	Franks A	-	-	-	-	-	-
3	Kganyago L	R 153 695.30	R 514.78	R 154 210.08	R 56 289.00	R 30.00	R 56 319.00
4	Mahlangu J	R 67 183.38	R 9 614.14	R 76 797.52	R 21 312.78	R 3 067.46	R 24 380.24
5	Mthlaleane D	R 76 708.30	R 59 594.40	R 136 302.70	R 34 007.58	R 30 187.70	R 64 195.28
6	Nwendo NR	R 175 830.46	R 11 118.96	R 186 949.42	R 66 832.50	R 6 834.76	R 73 667.26
7	Nzimande WM	R 57 965.00	R 0.00	R 57 965.00	R 58 069.50	-	R 58 069.50
8	Strauss GH	-	-	-	R 133 693.80	R 59 926.20	R 193 620.00
9	Tshefuta T	R 54 463.38	R 88 714.06	R 143 177.44	R 66 941.00	R 91 046.15	R 157 987.15
10	Maphotho D	R 70 904.50	R 6 934.13	R 77 838.63	R 15 549.00	R 1 052.92	R 16 601.92
11	Matshani M	R 20 272.00	R 2 932.41	R 23 204.41	R 13 632.00	R 1 601.75	R 15 233.75
12	Mchunu M	R 53 789.50	R 23 471.44	R 77 260.94	R 15 123.00	R 684.02	R 15 807.02
13	Vermeulen NMW	-	-	-	R 90 893.58	R 3 792.74	R 94 686.32
TOTAL		R 730 811.82	R 202 894.32	R 933 706.14	R 596 408.48	R 200 525.67	R 796 934.15
Audit Committee							
	Botha D	R 140 848.00	R 733.96	R 141 581.96	R 214 985.85	R 1 492.18	R 216 478.03
	Hlatshwayo D	-	-	-	R 200 851.40	R 4 667.71	R 205 519.11
	Dala P	R 93 526.38	R 1 054.12	R 94 580.50	R 167 888.88	R 3 177.94	R 171 066.82
TOTAL		R 234 374.38	R 1 788.08	R 236 162.46	R 583 726.13	R 9 337.83	R 593 063.96

5.4.2 Non-Executive Members for UIF Regional Committees (past and present) fees

#	Board Members	Region	2019			2018		
			Fees for services	Expe nce allowances	Total	Fees for services	Expe nce allowances	Total
1	Barichiev y BA	Regional	R 2 023.50	R 294.56	R 2 318.06	-	-	-
2	Boboko A	Regional	R 3 408.00	R 4 095.98	R 7 503.98	-	-	-
3	Bokaba E	Regional	R 11 389.36	R 531.39	R 11 920.75	-	-	-
4	Booi M	Regional	R 3 408.00	R 992.02	R 4 400.02	-	-	-
5	Brandmuller AP	Regional	R 2 843.10	R 423.09	R 3 266.19	-	-	-
6	Diraditsile MV	Regional	R 3 195.00	R 132.84	R 3 327.84	-	-	-
7	Gxoyiya AB	Regional	-	-	-	R 639.00	R 28.75	R 667.75
8	Mabuza T	Regional	-	-	-	R 27 562.00	R 6 277.04	R 33 839.04
9	Makapela MNC	Regional	R 4 848.20	R 54.15	R 4 902.35	-	-	-
10	Maleki MK	Regional	R 9 677.50	R 548.35	R 10 225.85	-	-	-
11	Mapena M	Regional	R 8 548.55	R 411.90	R 8 960.45	-	-	-
12	Maribe BM	Regional	R 4 361.40	R 146.90	R 4 508.30	-	-	-
13	Maseko CP	Regional	-	-	-	R 5 112.00	R151.85	R 5 263.85
14	Mleve S	Regional	R 12 327.46	R 9 415.73	R 21 743.19	-	-	-
15	Mofolo TM	Regional	R 8 768.16	R 427.78	R 9 195.94	-	-	-
16	Mokhobo M	Regional	R 11 513.19	R 276.88	R 11 790.07	-	-	-
17	Mokoena T	Regional	R 5 964.00	R 1 594.00	R 7 558.00	-	-	-
18	Moleme M	Regional	-	-	-	-	-	-
19	Mpulu	Regional	R 5 112.00	-	R 5 112.00	-	-	-
20	Ndaba PGF	Regional	-	-	-	R 14 058.00	R16 227.46	R 30 285.46
21	Ngqaneka	Regional	R 5 199.00	-	R 5 199.00	-	-	-
22	Nzanzeka JD	Regional	-	-	-	R 13 206.00	R 704.46	R 13 910.46
23	Oelofse E	Regional	R 12 441.00	R 8 610.56	R 21 051.56	-	-	-
24	Olivier J	Regional	R 3 408.00	R 144.00	R 3 552.00	-	-	-
25	Ott A	Regional	-	-	-	R 1 921.26	R 217.79	R 2 139.05
26	Palweni LW	Regional	-	-	-	R 639.00	R 24.14	R 663.14
27	Seabi SM	Regional	R 3 532.00	R 2 289.46	R 5 821.46	-	-	-
28	Tibane M	Regional	R 5 748.00	R 1 350.49	R 7 098.49	-	-	-
29	Van Graan JG	Regional	-	-	-	R 860.00	R 44.73	R 904.73
30	Williams T	Regional	R 3 408.00	R 392.76	R 3 800.76	-	-	-
31	Zitha BS	Regional	-	-	-	R 5 112.00	-	R 5 112.00
			R 131 123.42	R 32 132.84	R 163 256.26	R 69 109.26	R 23 676.22	R 92 785.48
			R 1 390 841.62	R 241 609.23	R 1 632 450.85	R 1 249 243.97	R 233 539.76	R 1 482 783.73

Risk Management

1. Introduction

The purpose of this report is to provide the Audit and Risk Committee and the Unemployment Insurance Commissioner with the performance of the risk management directorate for the financial year 2017/18.

2. Risk Governance

The purpose of Risk Governance is to provide the Minister, Deputy Minister, the Director General and the executive Committee (DEXCOM) of the Department of Labour (DoL) with the progress of the work performed by the Risk Management Committee of the Department for the year 2017/18.

The UIF Board has promoted the risk culture and has set the tone at the top. The Board in discharging its risk management responsibilities, it is supported by the Financial Advisory Committee and Audit and Risk Committee, to ensure that the Fund has implemented an effective Risk Management Policy and the Risk Management Strategy.

The Board has furthermore, demonstrated its governance oversight role by ensuring full implementation of the risk management strategy in relation to the strategic risk profile of the Unemployment Insurance Fund.

3. Risk Committee

The Risk Management of the department consist of both internal and external members and are chaired by an independent chairperson. The Chairperson of the Risk Management Committee from both the Unemployment Insurance Fund (UIF) and the Compensation Fund (CF) directly report progress on the risk management to the National Risk Committee. This is done in creating synergy across all departmental risk committees.

4. Key Objectives of Risk Management

Risk Management aims to ensure that the risks of the fund are identified and managed effectively, operational and financial objectives are met in compliance with applicable laws and regulations at the reasonable assurance.

Section 51(1)(a)(l) of the Public Finance Management Act (Act 1 of 1999 amended by Act 29 of 1999), requires that “ An Accounting Authority for the public entity must ensure that the public entity has and maintains effective , efficient and transparent systems of financial and risk management and internal controls” .

5. Risk Management Strategies

Risk management involves the identification of the key risks facing the Fund and the implementation of controls to mitigate them. The Fund regularly identifies emerging risks and prioritises high-risk areas, according to the risk rating guidelines based on the impact and likelihood. High- risk areas are further analysed to identify potential root causes. This allows the Fund to better understand the context in which risks occur and identify probable areas for risk mitigation and organisational control.

Risk treatments used to mitigate the identified risks are enhanced on an on-going basis. The top management of the Fund considers the strategic risks when formulating strategic objectives. The Fund's approach towards effective risk management is underpinned by three key principles:

(a) Culture

We seek to build a strong risk management culture by setting the appropriate tone at the top, promoting awareness, ownership and proactive management of key risks and promoting accountability.

(b) Structure

We seek to put in place an appropriate organisational structure that promotes good corporate governance, provides for proper segregation of duties, defines clearly risk taking responsibility promotes ownership and accountability for risk taking.

(c) Process

We seek to implement robust processes and systems for effective identification, rating, mitigation, monitoring and management of risks.

Table illustrates the key risks impacting the Fund

Key Strategic Objectives	Risk Description	Mitigation controls
Improved Governance	Fraud and Corruption.	The Fund has co-sourced a forensic audit partner to assist in curbing the scourge of fraud.
Improved service delivery	Non- compliance with the UI Act and UI Contributions Act.	Enforcement of compliance by the DOL inspectorate and SARS. Communication strategy is implemented to encourage compliance by employers and employees.
Improved financial management	Inadequate collection of revenue.	SARS collection on behalf of the contributions. The Fund has a debt collection unit. The Fund has an approved compliance strategy.
Fund poverty alleviation schemes	Inadequate utilisation of Training Layoff Scheme (TLS) funding.	The Fund in collaboration with CCMA assesses companies in distress and refers them to available schemes. The Fund is continuously holding advocacy sessions in increasing utilisation of Training and Layoff schemes.

a. Risk Assessment and Monitoring

The Unemployment Insurance Fund risk assessment process is performed annually. The risk assessment was conducted during the first quarter (01 April 2018 – 30 June 2018) according to the UIF's strategic and operational plan, sustainable monitoring process conducted during the year (July to March 2019).

A number of project risks were identified and the risk registers were compiled and monitored on a quarterly basis.

b. Effectiveness of risk management

The Internal Audit directorate via the Audit and Risk Committees is responsible for providing the Accounting Officer with the independent and objective assurance on the effectiveness of risk management processes and systems. Internal Audit has audited the risk management processes during the financial year. Short comings identified are addressed and will be implemented in the 2019/2020 financial year.

c. Fraud Prevention, Detection and Investigation

Fraud Investigation unit assists the Fund by investigating potential fraud and possible criminal activities. The Fund has a Fraud Prevention Strategy/Plan. The purpose of the strategy is to:

- ✓ Create a culture which is intolerable to fraud and corruption
- ✓ Detect Fraud and Corruption
- ✓ Conduct Investigations
- ✓ Provide Resolution

The Fund has conducted a Fraud Risk Assessment under the current financial year. Areas of improvement were identified as a result risk projects were undertaken to curb the scourge of fraud. The Fund has also conducted fraud and risk awareness campaigns internally and in provincial offices including labour centres.

The table below illustrates a consolidated summary of cases reported during this financial year.

CATEGORY	CASES RECEIVED	CASES FINALISED	OUTSTANDING	PERCENTAGE
Carried Over	1	1	0	100 %
Work & Draw	1	1	0	100 %
Disputed Declaration	7	7	0	100 %
Fraud Related	17	16	1	96 %
Duplicate Banking Details	0	0	0	0%
TOTAL	26	25	1	96 %

During the 2018/19 financial year, the unit received 25 cases, 1 case was carried over from the previous financial year and in total 26 cases were received. A total number of 25 cases were finalised and 1 is outstanding. Overall finalisation rate of 96%.

6. Risk Governance

The Director General appointed two independent members to serve on the Risk Management Committee. Risk Committee Charter was developed and approved by the Risk Management Committee.

The UIF Board is an advisory board and the responsibilities of promoting the risk culture and monitoring the risk management has been delegated to the Risk Management Committee. The Risk Management Committee presents a report to Audit committee and the National Risk Management Committee. The Audit Committee report including the risk management report is also presented to the UIF Board, and Financial Advisory Committee for the inputs to ensure that the Fund has covered all the risks. The Chairperson of the Risk Management Committee presents her report to the National Risk Committee of the Department of the Labour. The National Risk Committee is chaired by an independent person and the accounting officer is the member to the committee.

Name	Role	Representative attended meeting	Meetings attended
Dr Natalie Skeepers	Independent Chairperson	N/A	3 out of 3
Mr Charl de Kock	Independent member	N/A	2 out of 3
Mr Teboho Maruping	Unemployment Insurance Commissioner	1 out of 1	2 out of 3
Ms Judith Kumbi	Chief Director: Operations	0 out of 0	3 out of 3
Ms Fezeka Puzi	Chief Financial Officer	1 out of 1	2 out of 3
Ms Hilda Mhlongo (Resigned from UIF)	Chief Deputy Director: Corporate Services	1 out of 1	0 out of 1

Ms Mpumi Mnconywa	Chief Director: Labour Activation Programmes	1 out of 3	1 out of 3
Mr Xola Monakali	Director: Information Communication Technology	0 out of 0	1 out of 1
Mr Viwe Gqoli	Acting Director: Information Communication Technology	0 out of 1	1 out of 2
Mr Tshepiso Maphatane	Director: Risk Management	1 out of 3	2 out of 3
Adv Mazwiogwani Phathela	Director: Legal Services	1 out of 1	1 out of 2
Mr Makhosonke Buthelezi	Director: Communication and Marketing	0 out of 1	1 out of 2

Audit Committee Report

The Unemployment Insurance Fund (UIF) Audit Committee (AC) is pleased to present its report for the financial year ended 31 March 2019.

Background

The AC reports that it has complied with its responsibilities arising from Sections 51(1) (a) (ii), 76 (4) (d) and 77 of the Public Finance Management Act (PFMA) as well as Treasury Regulation 27.1. Furthermore, the AC has adopted an AC Charter and has regulated its affairs in compliance with this Charter as well as discharged all its responsibilities as contained therein.

Membership and Attendance

In terms of membership, the AC is currently comprised of three external independent members (including the Chairperson of the Risk Management Committee) and two additional members from the UIF Board. For the financial year, the AC convened six times. A list of the members and their respective qualifications as well as a record of their attendance is provided below:

Name of Member	Qualifications	Date Appointment	Date Resigned	No. of Meetings Attended
Dr. P. Dala (Acting Chairperson - External Independent Member from Dec 2018)	PhD (IT), M.IT, BSc Hons in Computer Science, B.IT, CISA, CISM, CISSP, CRISC, CGEIT, CEH, CHFI and LA27001.	Feb 2017	N/A	6 of 6
Ms. D. Botha (Acting Chairperson - External Independent Member from Nov 2017 to Oct 2018)	Executive MBA, HDip (Computer Audit) CD (SA), CIA, CRMA and CISA.	Jan 2016	Oct 2018	4 of 4

Name of Member	Qualifications	Date Appointment	Date Resigned	No. of Meetings Attended
Adv. E. Nwedo (Member - Nominated by the UIF Board)	M.Phil, BA (Hons), LLB and B.Proc.	Nov 2017	N/A	6 of 6
Ms. L. Kganyago (Member - Nominated by the UIF Board)	Project Management.	Nov 2017	N/A	6 of 6
Dr. N. Skeepers (Member - Risk Management Committee Chairperson)	PhD (Engineering Management), M.Phil HIV/AIDS Management, MSc in Health Safety and Environment, and BTech Environmental Health.	Mar 2018	N/A	5 of 6
Mr. C. Terhoeven (External Independent)	M.Com (Taxation), CA(SA) and RA.	Mar 2019	N/A	0 of 0

Effectiveness of Internal Control

An assessment of the findings identified by the internal and external auditors presented to the AC, reveals that the control environment requires improvement. In particular, the AC has identified the following key areas of concern that should be addressed to improve the overall adequacy and effectiveness of the control environment:

- Quality of the annual financial statements;
- Capacity and skills within the Finance department;
- Investments (due diligence, disclosure, service level agreement and compliance);
- Supply chain and contract management;
- Irregular expenditure;
- Consequence management;
- Record keeping;

- ICT and cyber security;
- Implementation of the SAP system;
- Business continuity management; and
- Compliance.

The AC is satisfied that internal audit provided assurance in terms of control, governance and risk management as per the approved risk-based audit plan. At the end of the financial year, the approved risk-based audit plan which consisted of 46 planned audit engagements were reported as complete.

In-Year Management and Quarterly Reports

UIF has reported quarterly to the National Treasury as is required by the PFMA. The AC as well as assurance providers provided management with recommendations to improve the quality of performance information and financial management reporting, which was successfully implemented during the year under review.

Evaluation of Financial Statements

The AC has:

- Reviewed the unaudited financial statements, with due consideration of the management assurance provided (supported by a Generally Recognised Accounting Practice (GRAP) review performed by a service provider engaged by management) as well as the scope limitation faced by internal audit preventing any independent assurance;
- Reviewed changes in accounting policies and practices;
- Reviewed the Auditor-General South Africa (AGSA) audit and management reports;
- Reviewed and discussed the audited financial statements to be included in the annual report, with management and reported to the Accounting Authority;
- Reviewed the information on predetermined objectives to be included in the annual report;
- Reviewed compliance with legal and regulatory provisions; and

- Reviewed the audited financial statements for any significant adjustments resulting from the audit report.

Auditor-General's Report

The AC notes the qualified audit opinion by the AGSA on the annual financial statements. The audited annual financial statements may be read in conjunction with the AGSA audit report.

We would like to express our appreciation to the Accounting Authority, Commissioner and management as well as all the assurance providers for their continued support. In addition, the AC urges the team led by the Commissioner to focus diligently on improving the audit outcome by implementing the recommendations and continually striving towards enhancing governance, risk management and internal controls in pursuit of realising the UIF vision.

P Dala

Dr. P. Dala
Acting AC Chairperson

INTERNAL CONTROL UNIT

Key Activities and Objectives of Internal Audit

Internal Audit (IA) is an independent, objective assurance and consulting activity designed to add value and improve UIF's operations. The objective of the IA function is to assist UIF to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of **1.1 internal controls**, **1.2 risk management**, and **1.3 governance processes**. The function renders an independent appraisal function as a service to UIF by examining and reviewing the effectiveness of internal controls for the purpose of assisting management in effectively discharging its responsibilities.

The Internal Audit (IA) function reviews the following:

- The reliability and integrity of financial and operational information;
- Compliance with laws, regulations, policies and contracts;
- Safeguarding of assets;
- The economical and efficient use of resources;
- Establishment of operational goals and objectives; and
- Appropriateness of processes for the achievement of objectives.

According to the approved annual plan, internal audit was expected to complete 47 audits by 31 March 2019.

Summary of work done:

TYPE OF AUDITS	REPORTS ISSUED	NUMBER
Regulatory Audits	Yes	26
Cyclical Audits	Yes	6
Follow up Audits	Yes	8
Consulting Services	Yes	1
IT Audits	Yes	5
TOTAL		46

98% (46/47) of the Internal Audit reports presented to management and signed off by head of Internal Audit by end March 2019. Internal audit has completed 1 ad-hoc project.

Assessment of Internal Control, Risk Management and Governance Processes

Internal audit overall assessment on the 1.1 internal controls, 1.2 Risk Management and 1.3 Governance Processes are as follows:

1.1 Internal Controls

The opinion is an accumulative view of audits performed as allocated during the 2018/19 financial year. In our opinion, the overall control environment of UIF is adequate and partly effective as we noted a significant improvement in the implementation of recommendations and management action plans.

However there were controls deficiencies on the following areas audited and, which were reported to management for their attention:

1.1.1 Provincial Operations:

- Approval & payments of claims without proper verification and mandatory supporting documents.
- Incorrect capturing of claims
- Enquiry management processes
- Queue management processes
- Visiting points processes

1.1.2 Supply Chain Management:

- Poor Contract management
- Ineffective rotation of suppliers
- Inadequate controls around the asset register
- Recurring and increasing irregular expenditure

1.1.3 Investment Management:

- Monitoring of investments in line with the Investment Mandate
- Proper controls and evaluation of reports by management at UIF
- Evaluation on the effectiveness of the Investment Committee

1.1.4 Information and Communication Technology

- Vendor management and service improvement
- Cyber security
- Effective management of IT projects

1.2 Risk Management

The opinion is an accumulative view of audits performed as allocated during the 2018/19 financial year. In our opinion, the overall risk management within the UIF is partly inadequate.

However there were controls deficiencies on the following areas audited and, which were reported to management for their attention:

- Integration of risk management to the strategic planning process and other organisational activities
- Timeous assessment of strategic risks
- Integration of risk management to quarterly performance reviews
- Inadequate strategic risk register
- Effectiveness of the risk committee.

1.3 Governance Processes

In our opinion, the overall governance processes within the UIF is adequate. However the efficiency of oversight structures requires improvement. Various oversight structures (DEXCOM, UIF EXCO, Board, and Audit and Risk Committee) exists to provide oversight on activities and operations of the fund.

Despite these, there were control deficiencies on the following areas audited and, which were reported to management for their attention:

Governance Structures

- Effectiveness of oversight structures

Risk Governance

- Development of the compliance universe
- Implementation of the Combined Assurance Framework
- Role of the UIF Risk Management at provincial, regional and labour centres

ICT Governance

- ICT project governance
- Cyber Security governance
- Ineffective ICT steering Committee.

7. Minimising conflict of interest

All officials of the UIF are required to declare any business interests and remunerative work outside the public service annually. Approval to carry out remunerative work outside the public service is approved by the Executive Authority of the Fund. Senior managers are also obliged to declare their business interest, additional remunerative work, receipts of gifts and sponsorship.

Members of management who serve on procurement committees are required to declare their interests in every meeting. Members who declare a conflict of interest are excused from the proceedings when decisions are to be taken.

Supply Chain Management officials are vetted and are required to declare their interests as well as gifts obtained from service providers during the conduct of their business. The Conduct of officials is guided by the Code of Conduct in the Public Service.

8. Code of conduct

The UIF adheres to the public service Code of Conduct as issued by the Department of Public Service and Administration. The code is shared with officials of the UIF and they are educated on its content.

The Department of Labour develops human resources management policies for the department and its Schedule 3A public entities, included in these are policies on discipline and grievances. When the code is breached, the relevant policy directives are followed.

9. Health safety and environmental issues

The Unemployment Insurance Fund as an employer considers its employees to be its most valuable asset and undertakes to safeguard them through providing and maintaining, as far as reasonable, a working environment that is safe and without risk to their health.

A Health and Safety Operational Risk Assessment is conducted regularly to identify risk exposures applicable to the Fund, and to assist management to identifying risk factors that have an impact on the achievement of the strategic objectives and to give a realistic perspective of material risks facing the Fund. Management commitments to address the findings have ensured a successful system of health and safety. Health and safety inspections are conducted regularly and monthly reports are consolidated and presented to management and to the Health and Safety Committee of the Fund.

10. Company /board secretary

In terms of the Unemployment Insurance Act (Act 63 of 2001) section 51, the Commissioner is responsible for administering the affairs of the Board. In order to enable the Board to perform its functions effectively the Director-General must provide the Board with the necessary financial and administrative resources.

11. Scopa resolutions

There were no SCOPA resolutions adopted in financial year 2018/19.

**Human Resources
Management**

04

1. Introduction

The primary objective of the Human Resources Management and Organisational Effectiveness Directorates is to provide strategic support to the Unemployment Insurance Fund for the fulfillment of its overall strategic goals, through implementing initiatives that are aiming at continuously developing the organisation, managing change, providing relevant human capital, optimising employee well-being, managing performance, managing harmonious employer employee relations as well as the enhancement of employees skills.

2. The key strategic human resource priorities

2.1 The key focus areas for the Directorates were:

- Maintaining the staff establishment;
- Employment of people from designated groups;
- Workplace exposure through the implementation of an Internship programme;
- Promoting sound Labour Relations;
- Implementation of Learning and Development initiatives;
- Promoting employee health and wellness;
- Promoting diversity management through gender, disability and youth programmes;
- Implementing change management and employee engagement initiatives;
- Management of business processes;
- Implementing organisational development interventions; and
- Management of performance.

2.2 Staff establishment

At the end of March 2019, the establishment of the Fund comprised of 602 posts. The percentage of posts filled was 86.7% and 13.3% was vacant. There was an increase of 28 posts from the previous financial year.

2.3 Employment Equity

The Fund placed a high priority on employment equity in support of government transformation initiatives. 54% employees on the UIF establishment were women, whilst 46% were men. 50% of senior management posts were filled by women. People with disability represented 2.9% of the total number of employees.

2.4 Organisational Effectiveness and Organisational Design

The Directorate Organisational Effectiveness implemented the employee engagement strategy which included the on-boarding of newly appointed employees. Furthermore, exit interviews were conducted with employees leaving the UIF for the purpose of finding the reasons behind staff turnover, so that relevant interventions can be implemented and to position the Fund as the employer of choice. The objective is to ensure that the employees of the Fund remain engaged and committed so that the Fund does not lose on its human capital investment as well as not losing the institutional memory. The Directorate also facilitated the implementation of the performance management system aimed at aligning the key deliverables of employees to the strategic objectives of the Unemployment Insurance Fund. Through the performance management system, above-average performing employees are recognised and rewarded, whilst underperforming employees are identified and provided with support. Lastly the Directorate supported other directorates with the development and streamlining of business processes, development of standard operating procedures and the provision of organisational development interventions.

2.5 Labour Relations

The Fund continued to harmonise labour relations through the enforcement of collective agreements and implementation of the Public Service disciplinary code and grievance procedures. 75% of the grievances received during the financial year were resolved. 100% of misconduct cases were investigated and finalised.

2.6 Skills Development

The Unemployment Insurance Fund implemented learning and development opportunities for all employees as part of the Human Resources Development strategy for the 2018/19 financial year. As part of this process a total number of 150 employees were trained in skills programmes through the implementation of the Workplace Skills Plan. Furthermore, the UIF appointed 106 Interns through the UIF Internship Programme.

2.7 Performance Management

The performance of employees is monitored on regular basis, with assessments conducted twice per year. 29% of deserving or qualifying officials were paid their performance bonuses in the 2017/18 financial year, the percentage includes 23% that was paid for the 2017/18 assessments and 6% percent that was paid for previous years assessments that were outstanding.

2.8 Employee health and wellness programmes

The Fund is a caring employer and considers its employees as the most valuable asset. Programmes aimed at promoting individual and organisational wellness, health and productivity, as well as managing diversity were implemented in association with health and other professional institutions.

3. Key challenges

The vacancy rate of 13.3% at the end of the financial year was a result of an increase in the staff establishment. Reducing the vacancy rate to an acceptable level will be a key priority of the Directorate for the financial year 2019/20.

4. Key strategic focus for 2019/20

- Reducing and maintaining a low vacancy rate;
- Employment of people from designated groups;
- Workplace exposure through the provision of an Internship programme;
- Implementing learning and development initiatives for staff;
- Promoting sound labour relations;
- Promoting employee health and wellness and implementing diversity management programmes;
- Implementing change management and employee engagement initiatives;
- Reviewing the head office as well as the provinces organisational structures;
- Development of business processes and standard operating procedures and
- Management of performance

5. Human Resource oversight statistics

The personnel cost reflected in the following tables, is an oversight of the total cost for the employees on the Unemployment Insurance Fund's head office establishment, including staff members in provincial offices and officials paid a split percentage.

Personnel Cost by programme

Programme	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
UIF	21 151 563	1 338 029	8.83%	3 212	409

Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	1 455	0.11	1	1 455
Senior Management	37 500	2.80	31	1 188
Professional qualified	261 339	19.53	330	777
Skilled	446 924	33.40	937	468
Semi-skilled	582 198	43.52	1 856	308
Unskilled	8612	0.64	57	148
TOTAL	1 338 029	100.00	3 212	409

Explanation: The personnel cost reflected in the following tables, is an oversight of the total cost for the employees on the Unemployment Insurance Fund's head office establishment, excluding staff members in provincial offices and officials paid a split percentage.

Personnel cost by salary band for Head Office staff

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	1 455	0.11	1	1 455
Senior Management	29 829	2.80	22	1 356
Professional qualified	74 090	19.53	146	508
Skilled	80 691	33.40	178	453
Semi-skilled	55 147	43.52	166	332
Unskilled	1 558	0.64	9	173
TOTAL	242 770	100	522	465

Performance Rewards

Programme/activity/objective	No of employees	Performance rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	0	0	1 455	0
Senior Management	1	15 883	29 829	0.01
Professional qualified	24	895 784	74 090	0.37
Skilled	49	1 225 754	80 691	0.50
Semi-skilled	56	1 045 725	55 147	0.43
Unskilled	4	45 727	1 558	0.02
TOTAL	134	3 228 873	242 770	1.3

Training Costs

Programme/activity/objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Avg training cost per employee
UIF	242 770	5 343	2.2%	150	35 620 pp

Employment and vacancies

Programme/activity/objective	2017/18 No. of Employees	2018/19 Approved Posts	2018/19 No. of Employees	2018/19 Vacancies	% of vacancies
UIF	500	602	522	80	13.3

Programme/activity/objective	2017/18 No. of Employees	2018/19 Approved Posts	2018/19 No. of Employees	2018/19 Vacancies	% of vacancies
Top Management	1	1	1	0	0
Senior Management	23	24	22	2	0.3
Professional qualified	137	158	146	12	2.0
Skilled	179	200	178	22	3.7
Semi-skilled	151	210	166	44	7.3
Unskilled	9	9	9	0	0
TOTAL	500	602	522	80	13.3

Efforts were made to ensure that posts were filled within 90 days of being vacant. There was an increase of 28 posts in the staff establishment from the previous financial year. The reduction and maintenance of a low vacancy rate is a key objective of the Fund for 2019/20.

Employment changes

Provide information on changes in employment over the financial year. Turnover rates provide an indication of trends in employment profile of the public entity.

Salary Band	Employment at beginning of period	Appointments	Promotions	Terminations	Employment at end of the period
Top Management (SR15)	1	0	0	0	1
Senior Management (SR13-14)	23	0	0	1	22
Professional qualified (SR9-12)	137	16	3	9	146
Skilled (SR7-8)	179	13	4	7	178
Semi-skilled (SR4-6)	151	19	4	7	165
Unskilled (SR1-3)	9	3	0	3	9
Total	500	51	11	27	522

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	1	0.2
Resignation	6	1.1
Dismissal	0	0
Retirement	4	0.8
Ill health	0	0
Promotion / Transfer	16	3.1
Total	27	5.2

Explanations: The turnaround rate was 5.2% at the end of the financial year. The majority of officials (3%) left the Fund, due to promotions and or transfer to other government departments.

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	0
Written Warning	0
Final Written warning	3
Dismissal	0

Equity Target and Employment Equity Status

Levels	MALE											
	African		Coloured		Indian		White					
	Current	Target	Current	Target	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	100	81.5	0	0.7	0	0.6	0	0.6	0	0	0	2.4
Senior Management	40.9	38.2	0	0.7	4.5	3.9	0	3.9	0	0	0	2.4
Professional qualified	45.1	44.3	1.2	1.5	2.4	3.2	3.7	3.2	3.7	3.7	3.7	3.2
Skilled	38.2	39.1	0.3	0.9	0.6	1.0	1.5	1.0	1.5	1.5	1.5	3.9
Semi-skilled	60.8	58.1	0	0.7	1.4	0.6	1.4	0.6	1.4	1.4	1.4	3.3
Unskilled	14.9	0	0	0.7	0	0.6	0	0.6	0	0	0	2.4
TOTAL	50.0	43.5	0.3	0.9	1.5	1.7	1.1	1.7	1.1	1.1	1.1	2.9

Levels	FEMALE									
	AFRICAN		COLOURED		INDIAN		WHITE			
	Current	Target	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	12.1	0	0.5	0	0.4	0	0.4	0	1.9
Senior Management	40.9	42.1	0	0.5	0	0.4	13.6	0.4	13.6	11.9
Professional qualified	35.4	36.3	2.4	2.2	1.2	1.3	8.5	1.3	8.5	7.9
Skilled	41.7	39.1	2.3	2.2	1.5	1.0	14.0	1.0	14.0	12.7
Semi-skilled	33.8	31.8	1.4	1.4	0	1.3	1.4	1.3	1.4	2.8
Unskilled	0	12.1	0	0.5	0	0.4	0	0.4	0	1.9
TOTAL	25.3	28.9	1.0	1.2	0.5	0.8	6.3	0.8	6.3	6.5

Levels	Male		Female		Disabled Staff	
	Current		Current		Target	
	Current	Target	Current	Target	Current	Target
Top Management	0		0		0	2.8
Senior Management	0		0.19		0.19	2.8
Professional qualified	0.19		0		0	2.8
Skilled	0.57		0.96		0.96	2.8
Semi-skilled	0.57		0.38		0.38	2.8
Unskilled	0		0		0	2.8
TOTAL	1.33		1.53		1.53	

The Fund regards the filling of posts in line with employment equity targets as a high priority. Employment equity targets are always taken into account during the recruitment and selection process.

**Business Operations
and Support Services**

05

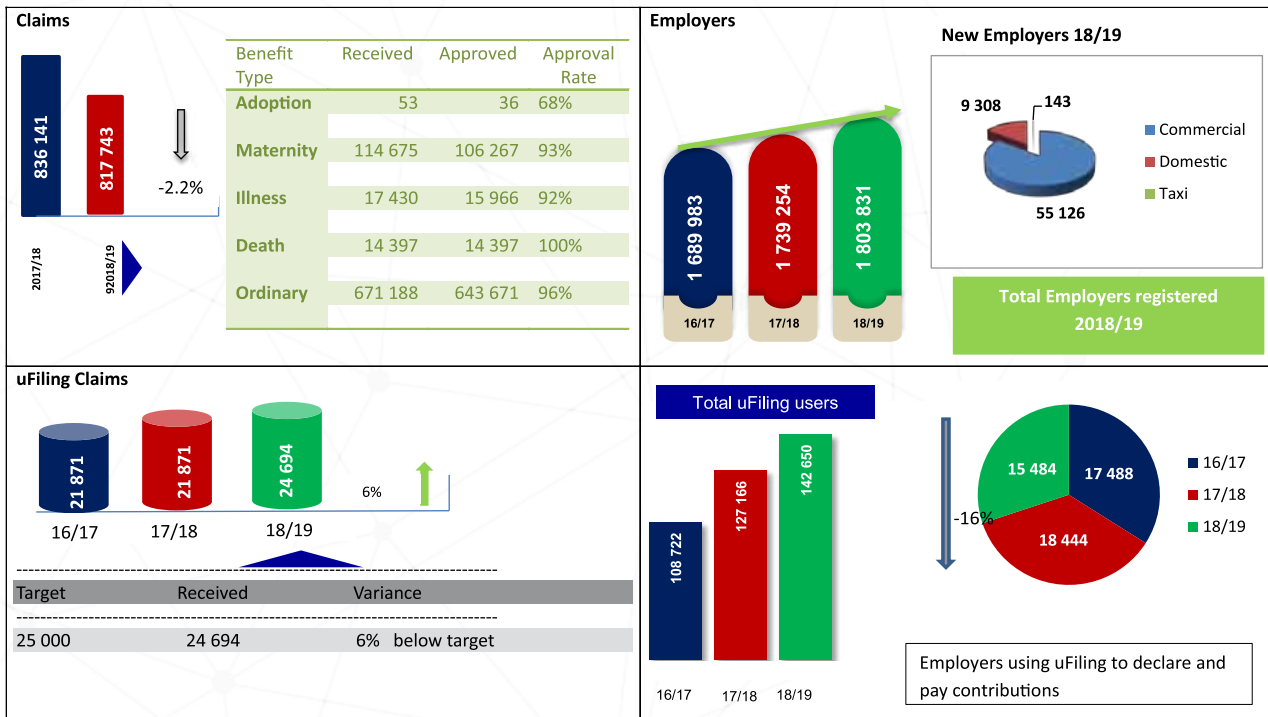


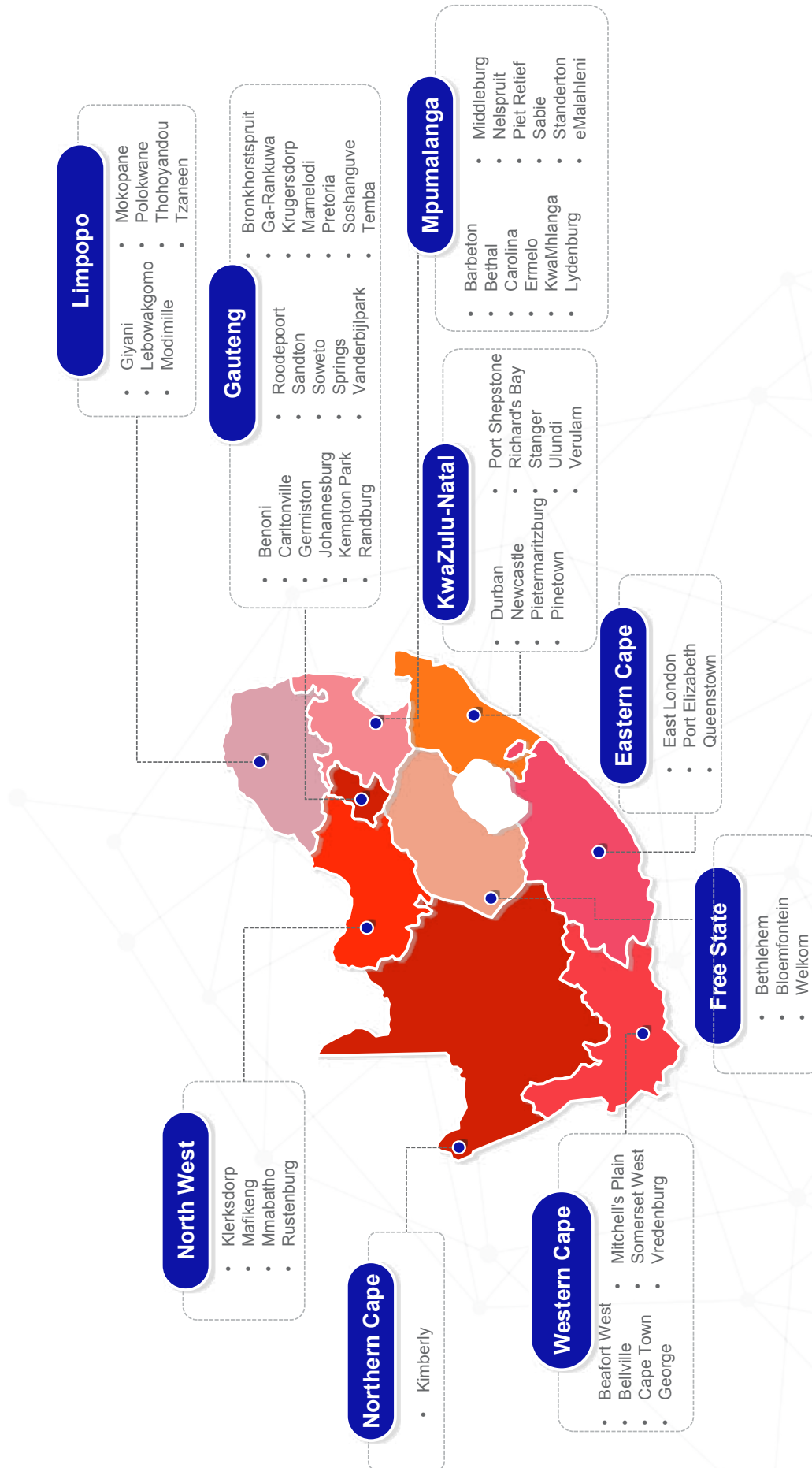
Business Operations

The Operations Directorate of the Fund continues to enable the Fund to fulfil its mandate through the provision of the following functions:

- Management and administration of the UIF database
- Management and administration of claims assessments and benefits payments
- Rendering assistance on UIF matters to Provincial offices, Labour Centre and service points
- Provision of Call Centre services
- Provision of operational system support for the business system, Siyaya.
- User Functional Training
- Issuing, monitoring and maintaining of standard operating procedures
- Monitoring performance
- Making inputs on policy and related matters
- Systems administration (Operational systems administration) and role allocation.

The operations of the Fund are delivered through the various Labour Centres, Satellite offices (visiting points) and Mobile units. There are currently 125 labour centres that members of the public can access for UIF services. These labour centres further service almost 823 visiting points within their geographical location. The table below reflects the centres which have processing of claims capacity within the various provinces.

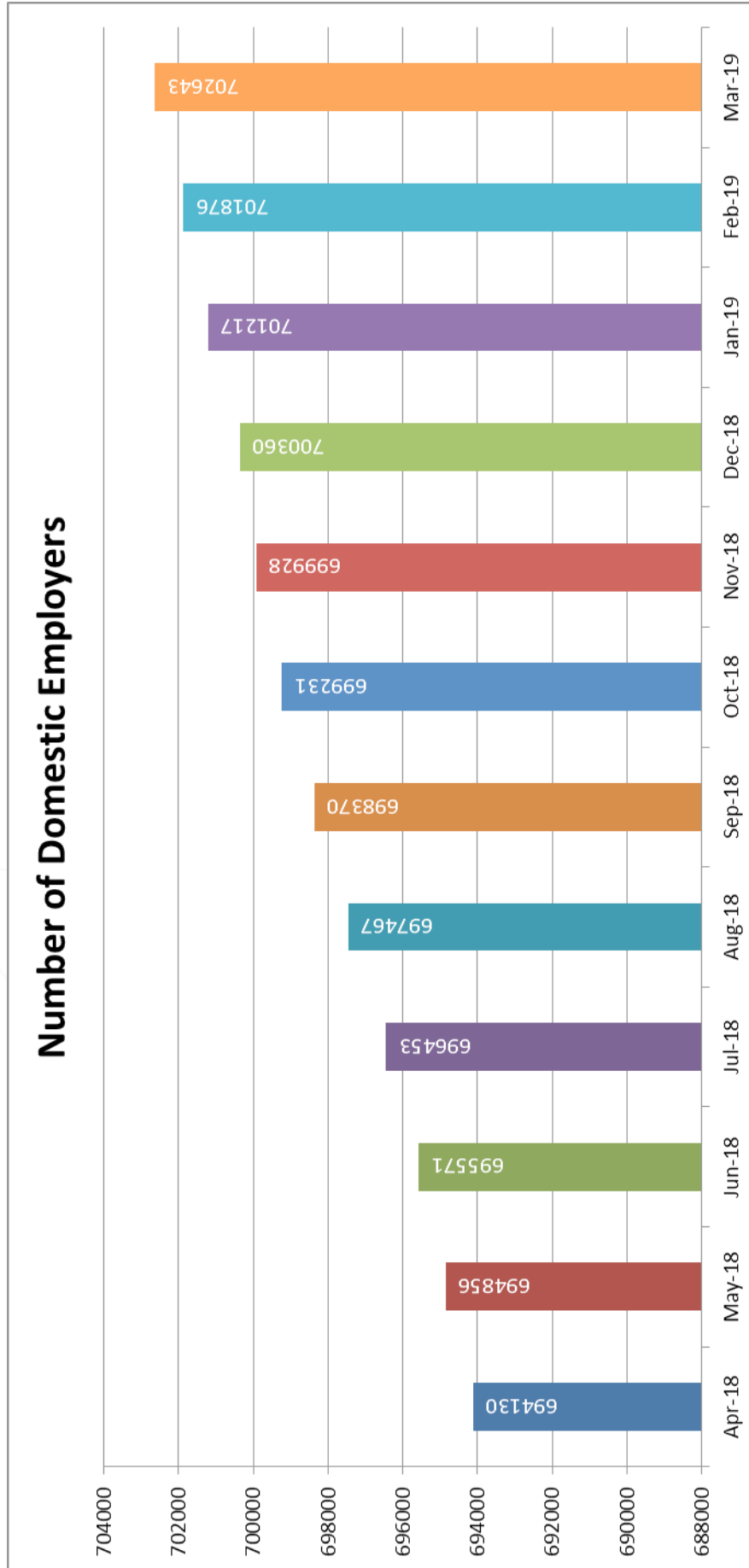




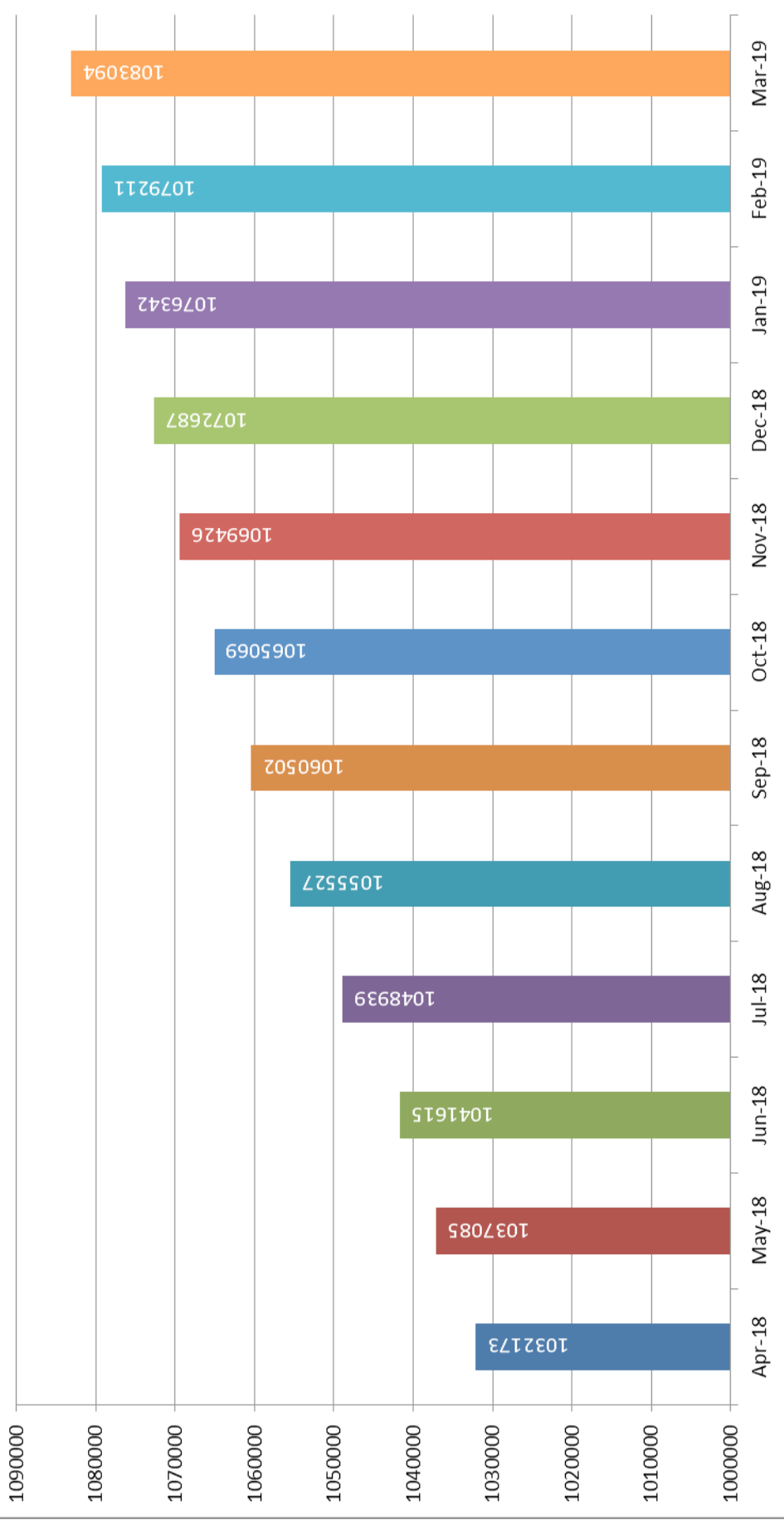
Registration of Employers:

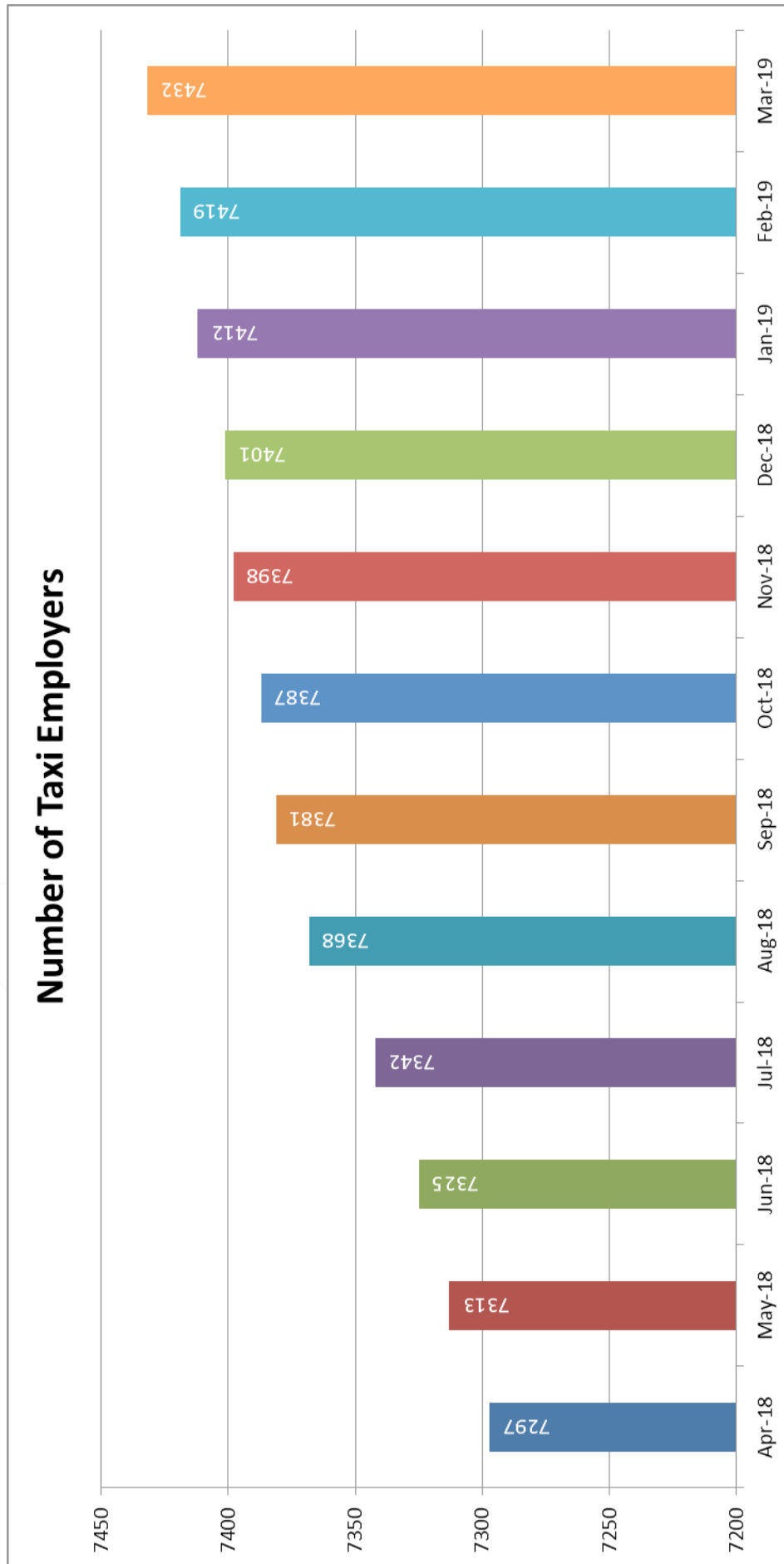
A total of 1 803 831 employers are currently registered with the Fund. These are categorised mainly as commercial employers, domestic employers and taxi employers. The bulk of the employers registered are in the commercial sector. Since 2003, domestic households have continued to register themselves and the number of registered employers on the database has grown steadily. Unfortunately, the taxi sector has been slow in complying with the Fund's requirements and continues to resist attempts by the Fund to register as can be seen in the negligible increase in registrations during the past year.

Employer Registrations with Graphs (Cumulative figures)

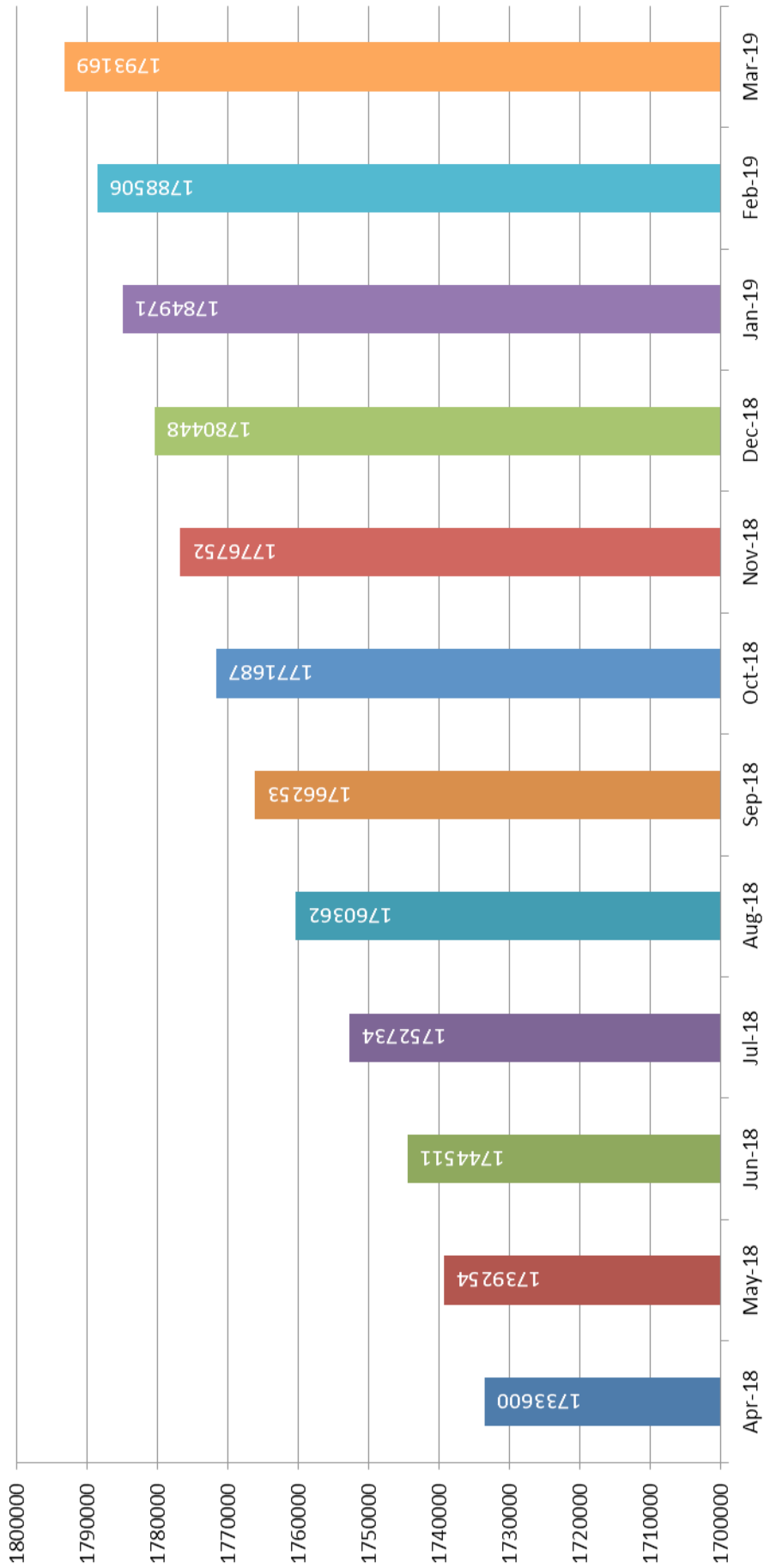


Number of Commercial Employers





Total Number of Employers Registered



Assessment of Claims and payment of benefits

The Fund provides benefits to workers who lost their jobs as a result of unemployment, illness, maternity, adoption leave or when the spouse, or life partner or children in the event of the death of a contributor. 817 73 claims were received compared to the 836 141 received in the previous financial year. This reflects a decrease of 18 398 claims (2%). A total of 780 337 claims were approved, which translates to 95% approval rate and 37 406 were rejected.

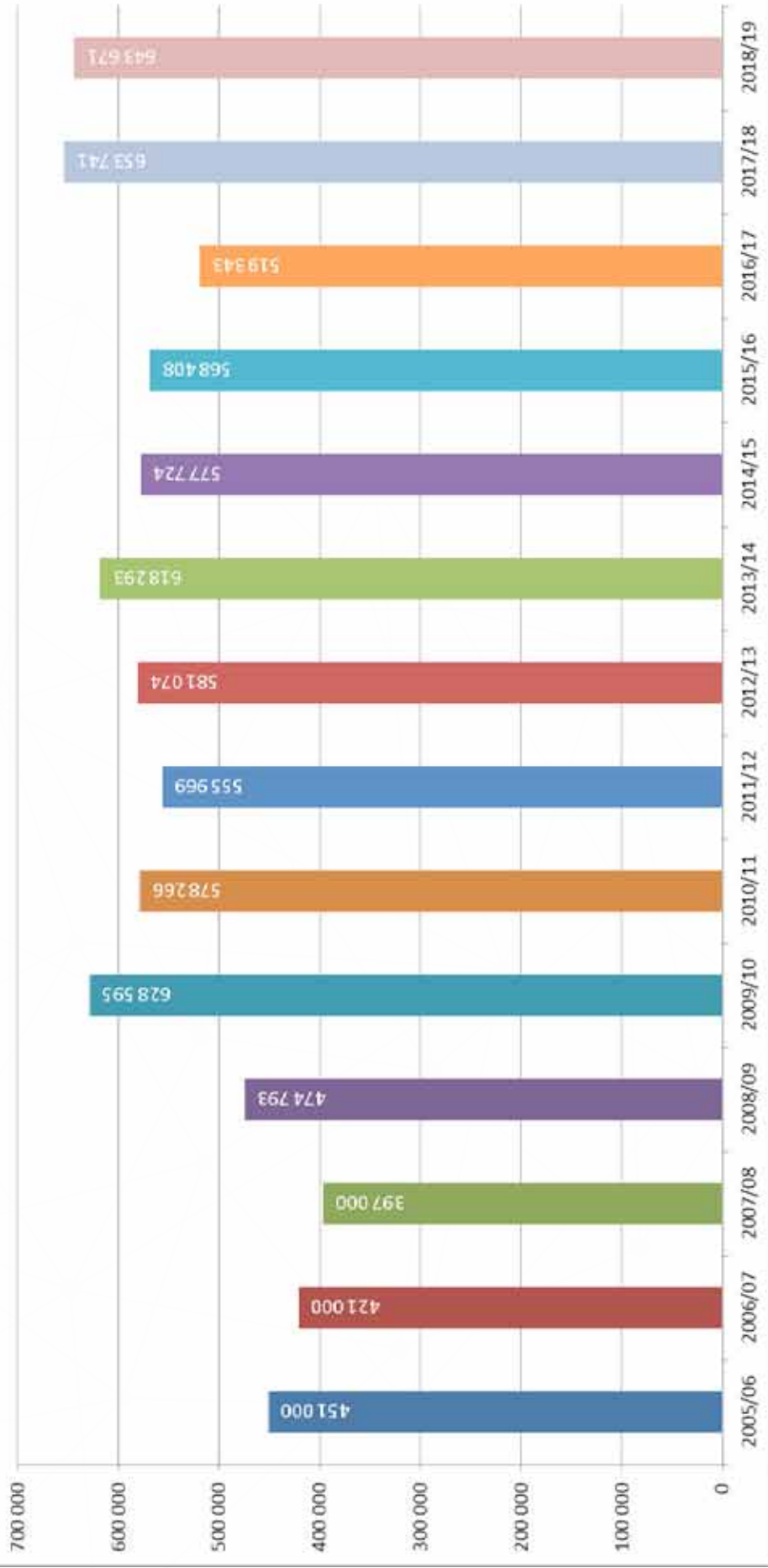




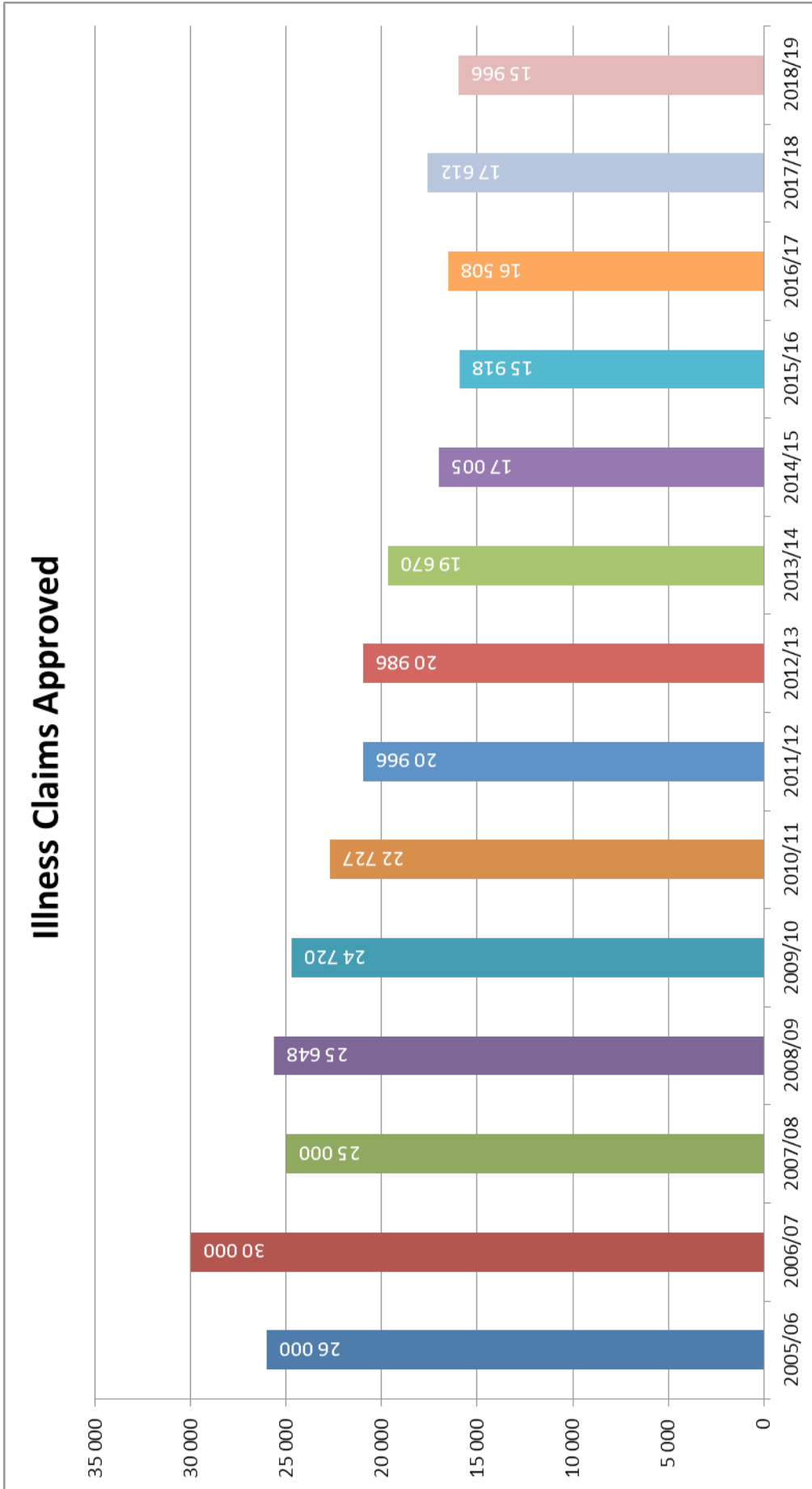
Total number of People who Claimed during the Year

Year	Unemployment	Illness	Maternity / Adoption	Dependents	Total
2005/06	451 000	26 000	81 000	31 000	589 000
2006/07	421 000	30 000	96 000	25 000	572 000
2007/08	397 000	25 000	89 000	16 000	527 000
2008/09	474 793	25 648	94 336	15 959	610 736
2009/10	628 595	24 720	104 529	21 760	779 604
2010/11	578 266	22 727	104 042	27 123	732 158
2011/12	555 969	20 966	104 407	24 513	705 855
2012/13	581 074	20 986	106 339	22 732	731 131
2013/14	618 293	19 670	105 021	19 670	762 654
2014/15	577 724	17 005	97 232	16 506	708 467
2015/16	568 408	15 918	90 562	16 468	691 356
2016/17	519 343	16 508	98 538	16 708	651 097
2017/18	653 741	17 612	110 745	16 500	798 598
2018/19	634 283	15 979	106 446	13 836	770 544

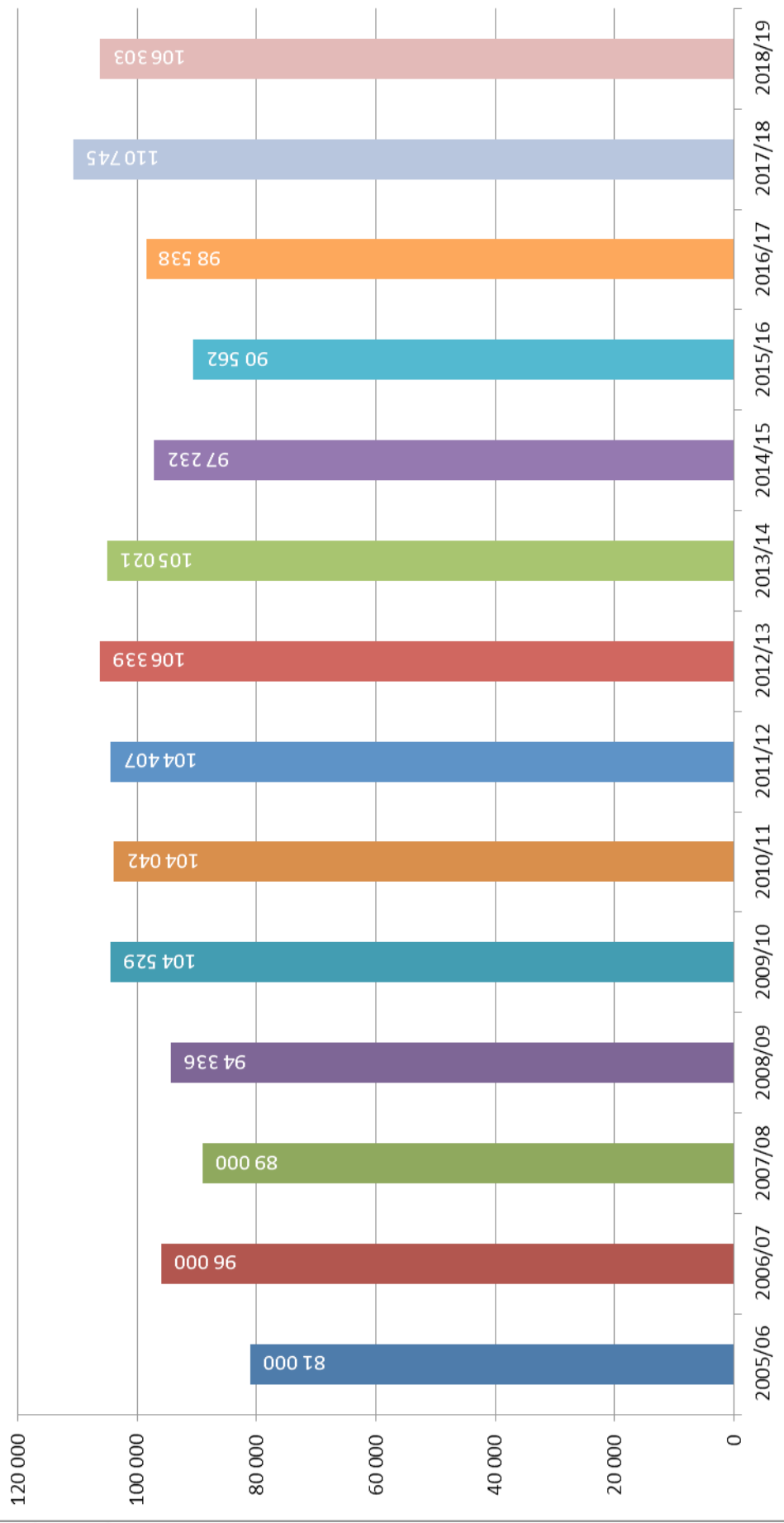
Unemployment Claims Approved



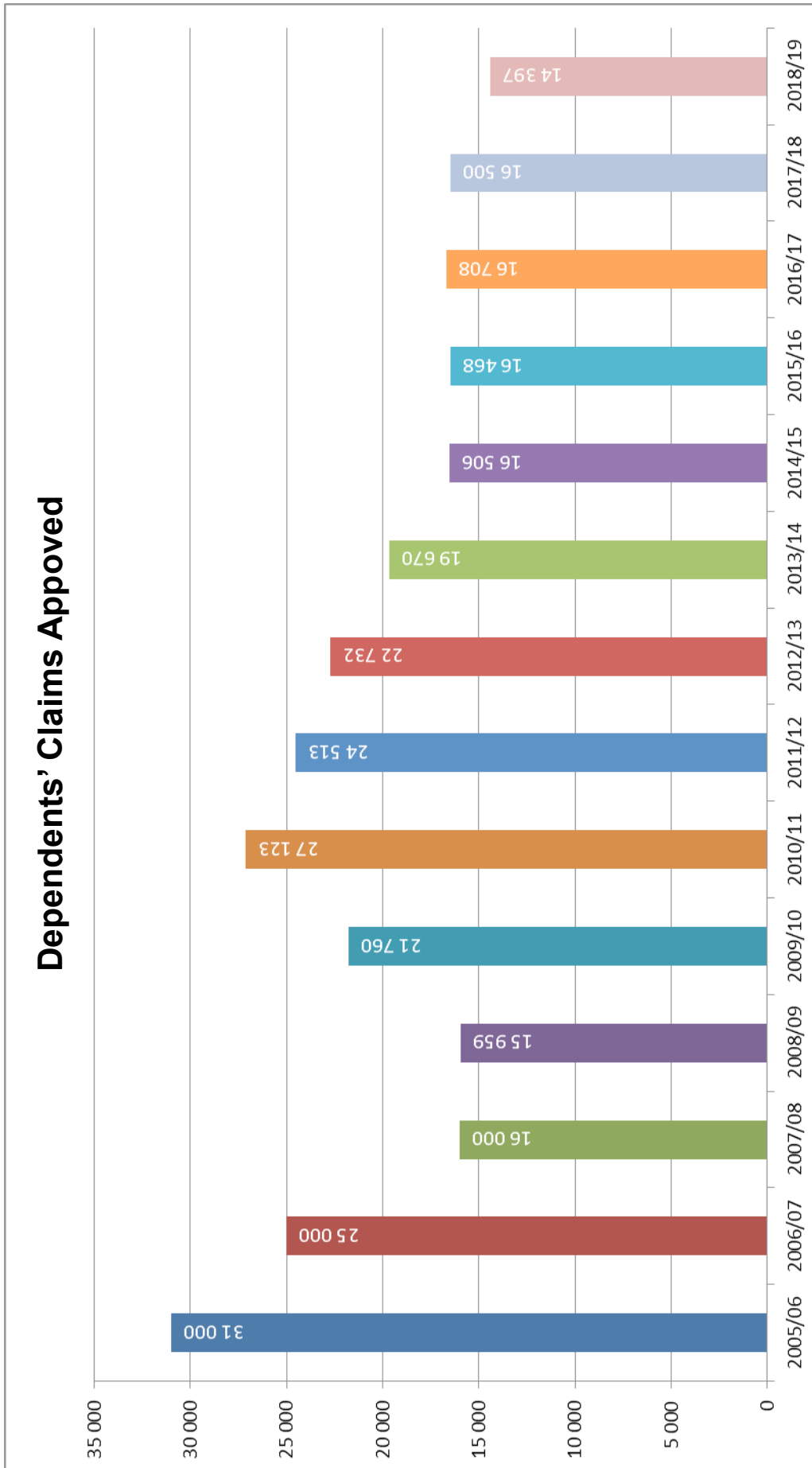
Illness Claims Approved



Maternity / Adoption Claims Approved



Dependents' Claims Approved

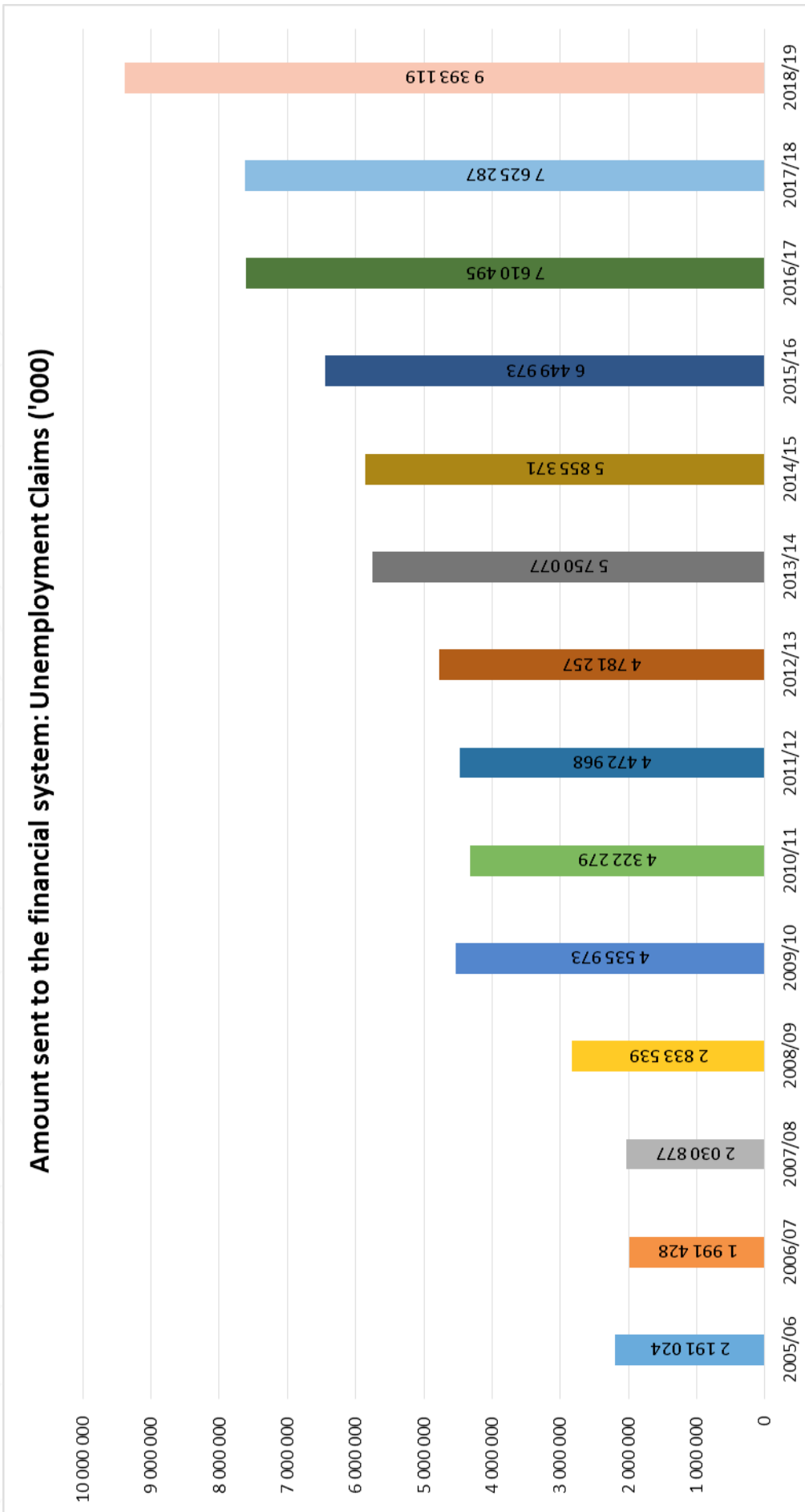


Total Monetary value of Benefits sent to Financial System ('000)

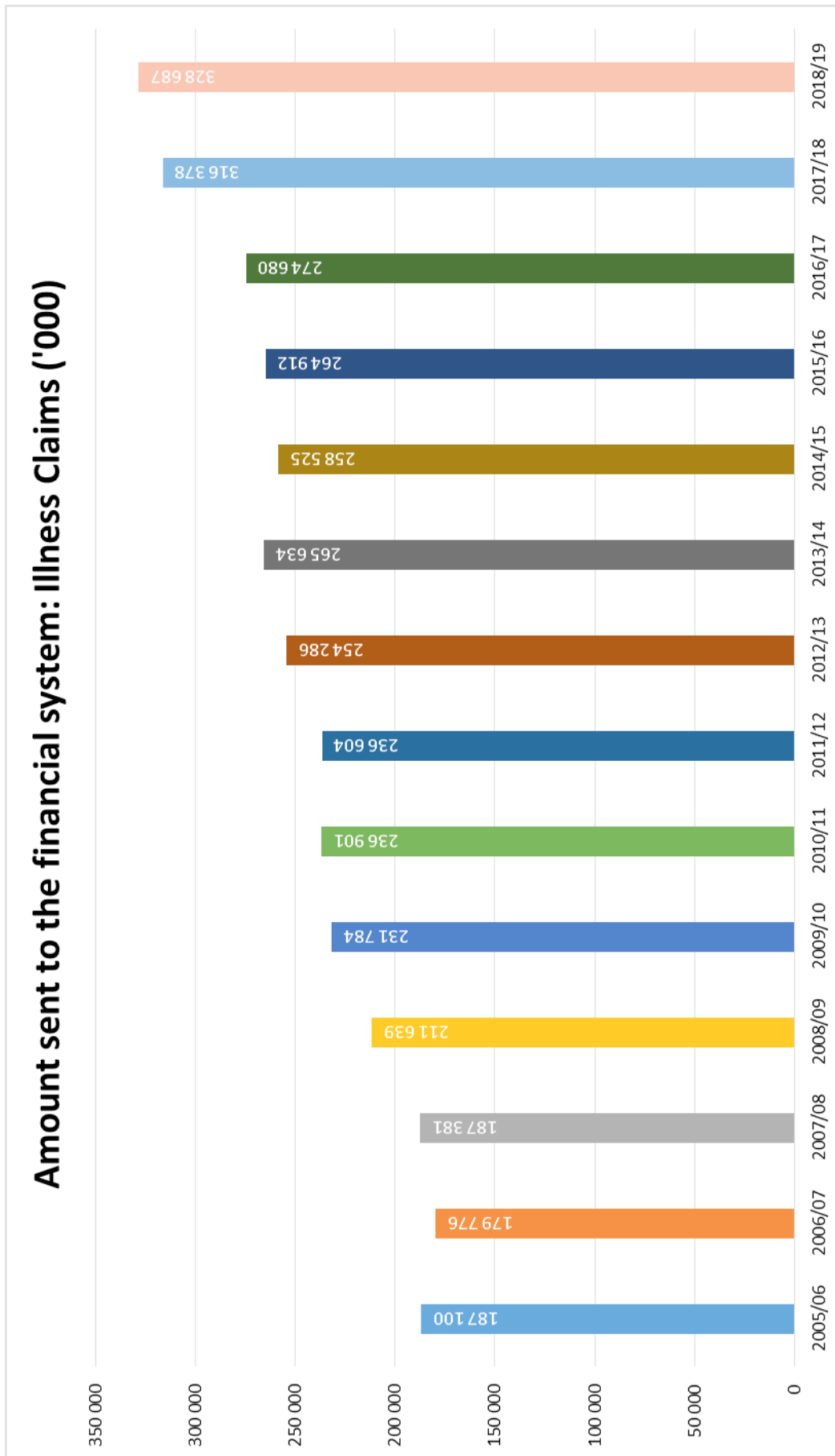
Year	Unemployment	Illness	Maternity / Adoption	Dependents	Total
2005/06	2 191 024	187 100	355 823	199 478	2 933 425
2006/07	1 991 428	179 776	419 185	247 462	2 837 851
2007/08	2 030 877	187 381	460 907	242 295	2 921 460
2008/09	2 833 539	211 639	537 574	263 866	3 846 618
2009/10	4 535 973	231 784	624 373	317 263	5 709 393
2010/11	4 322 279	236 901	668 472	321 327	5 548 979
2011/12	4 472 968	236 604	712 245	316 184	5 738 001
2012/13	4 781 257	254 286	765 978	320 691	6 122 212
2013/14	5 750 077	265 634	840 891	328 989	7 185 591
2014/15	5 855 371	258 525	819 701	276 773	7 210 370
2015/16	6 449 973	264 912	818 107	288 145	7 821 136
2016/17	7 610 495	274 680	952 238	310 692	9 148 106
2017/18	7 625 287	316 378	1 059 153	346 232	9 347 052
2018/19	9 203 115	331 359	1 218 974	365 698	11 351 995

Total monetary value of benefits sent to financial system 2018/19

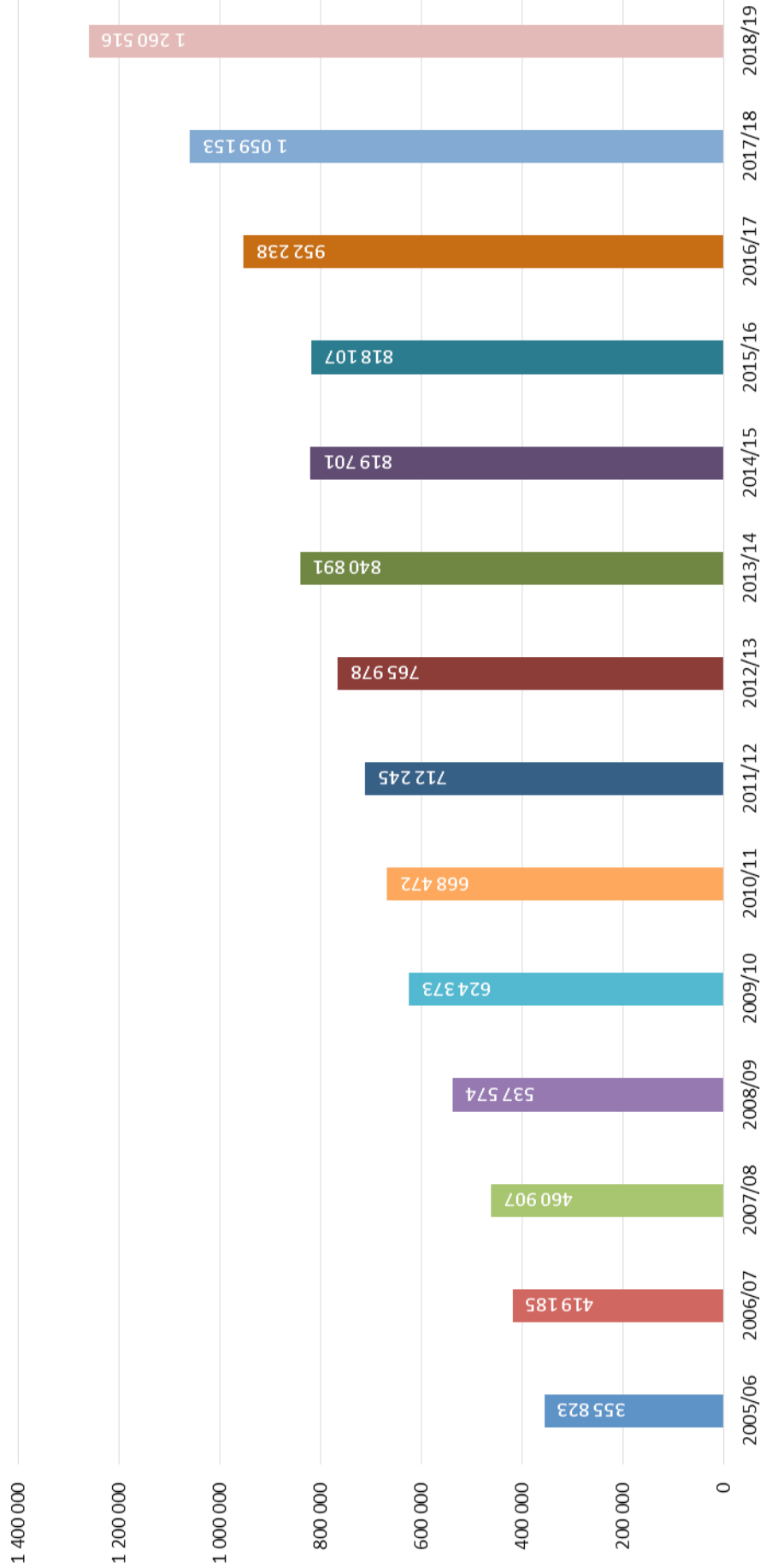
Benefit type	Totals
Death/ dependents	R 369,672,261.68
Illness	R 328,687,594.45
Maternity	R 1,260,516,008.62
Unemployment	R 9,393,119,400.42
Total	R 11,351,995,265.17



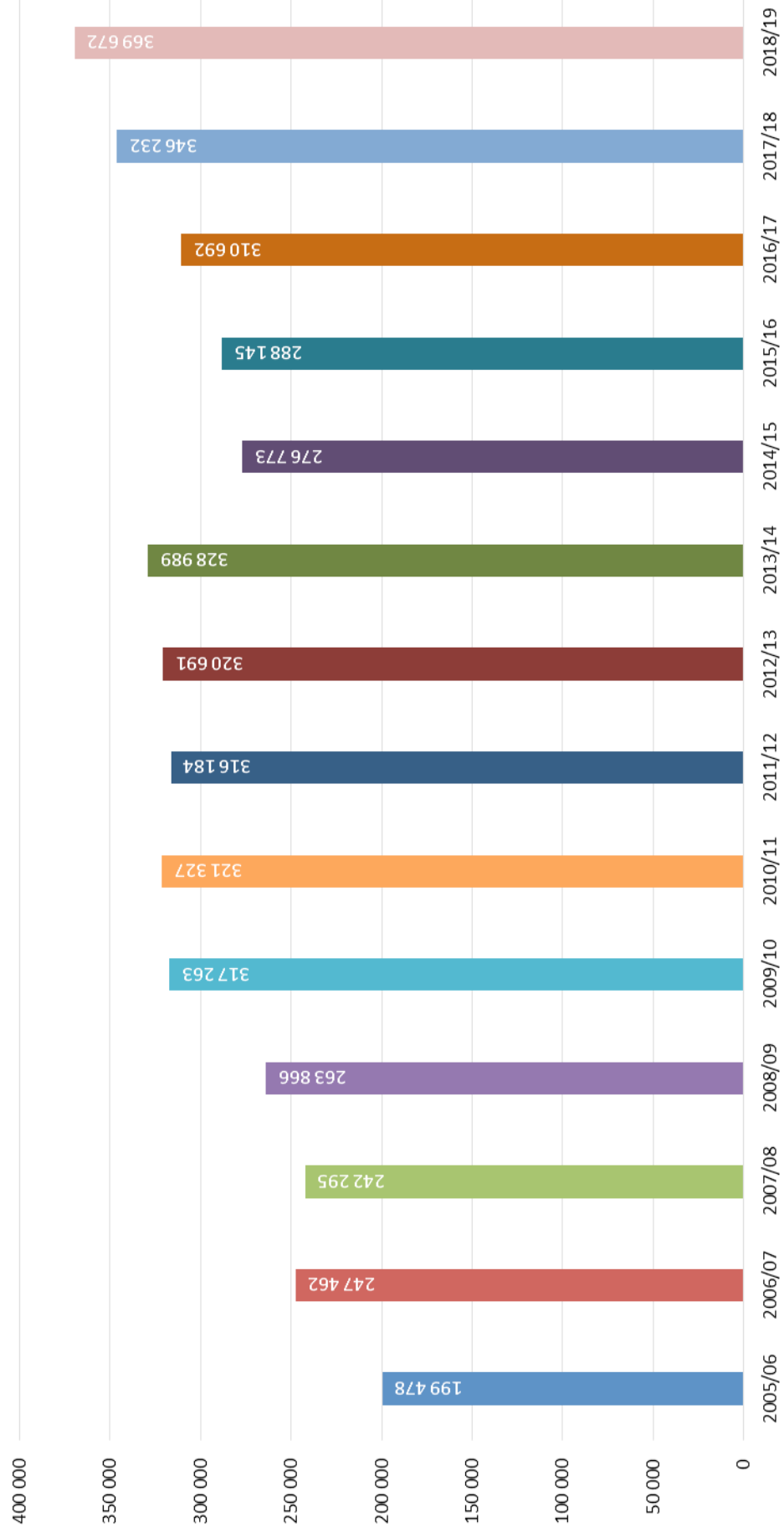
Amount sent to the financial system: Illness Claims ('000)



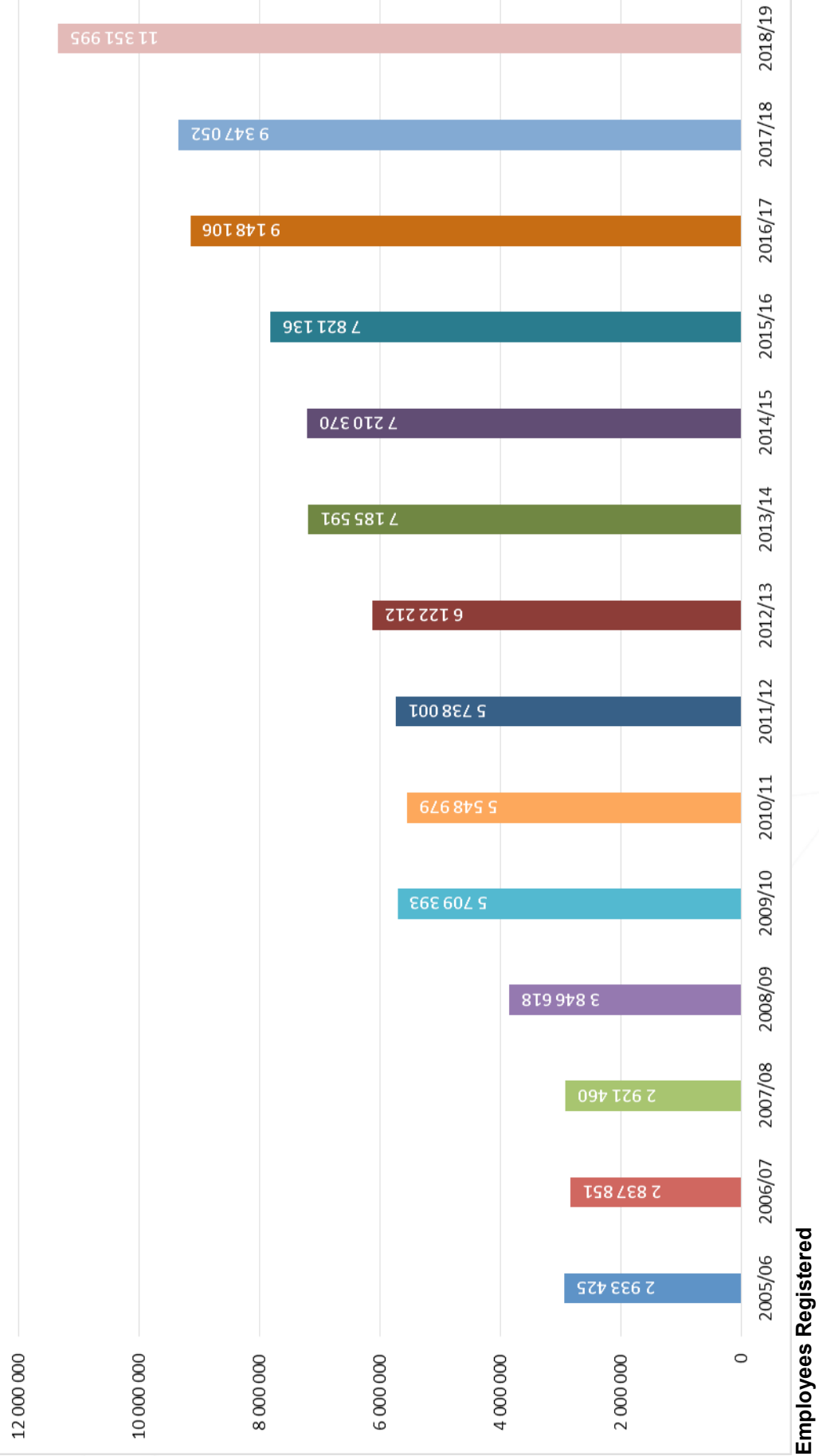
Amount sent to the financial system: Maternity & Adoption Claims ('000)



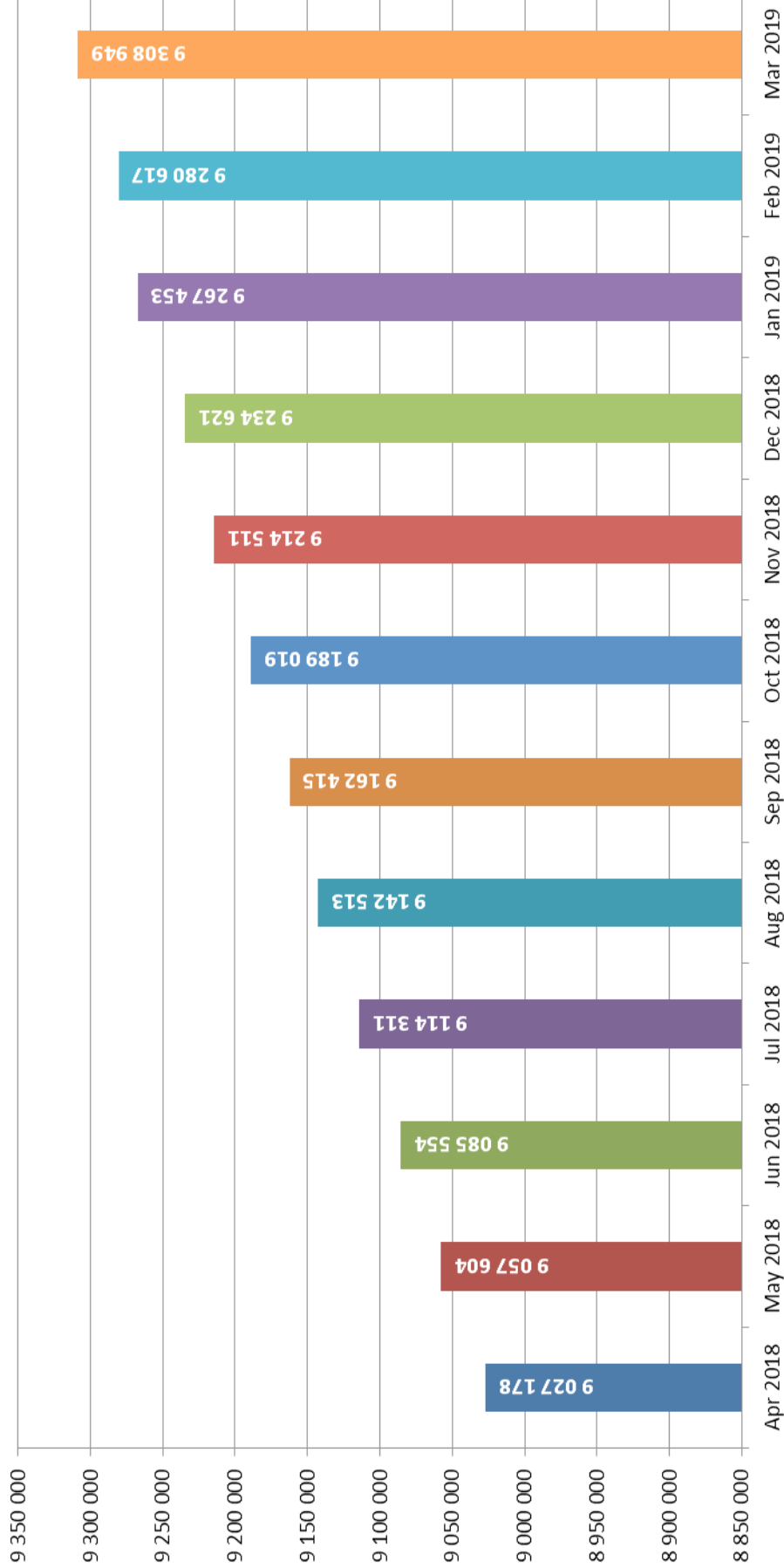
Amount sent to the financial system: Dependents' Claims ('000)



Total Monetary value of Benefits sent to Financial System ('000)

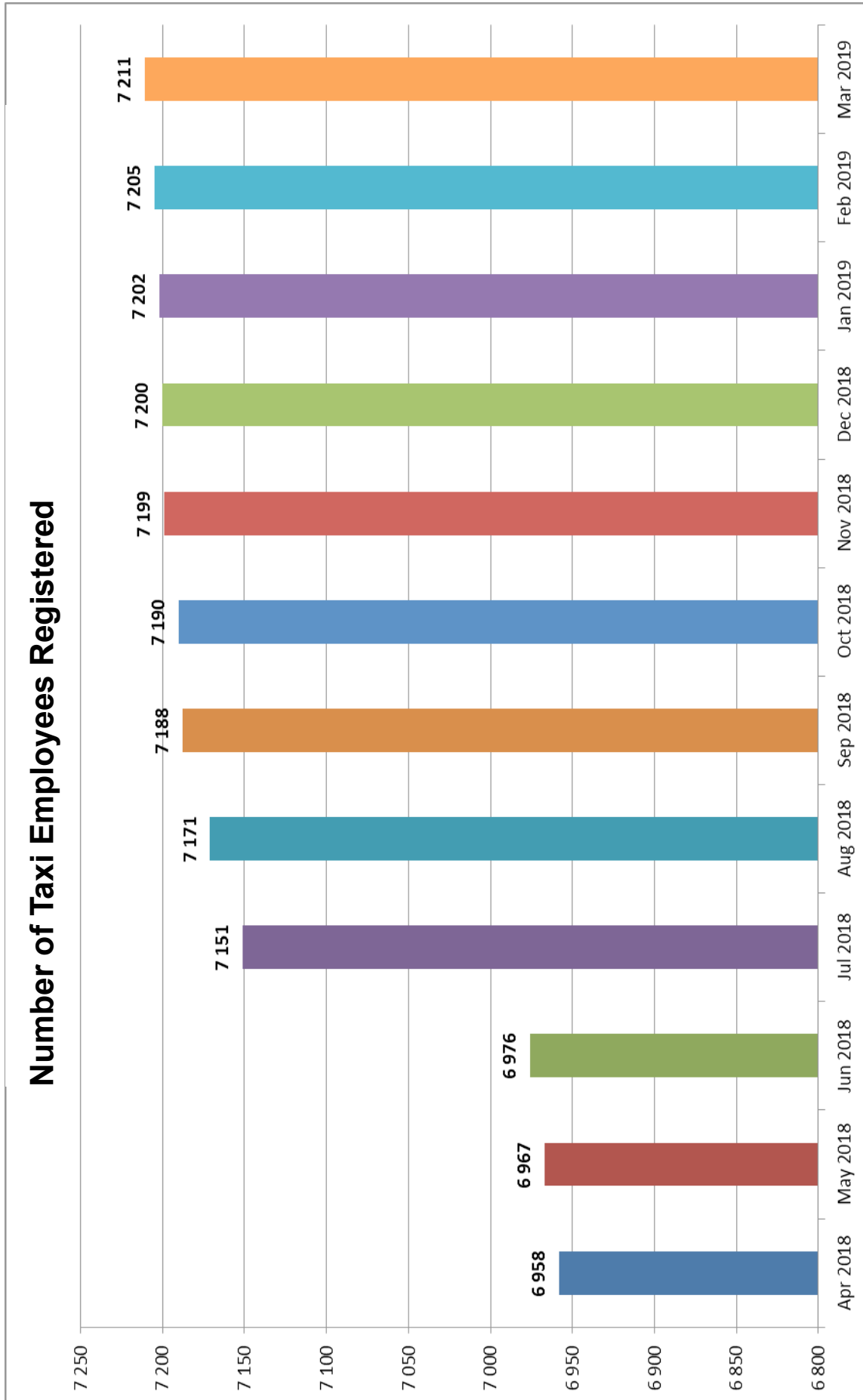


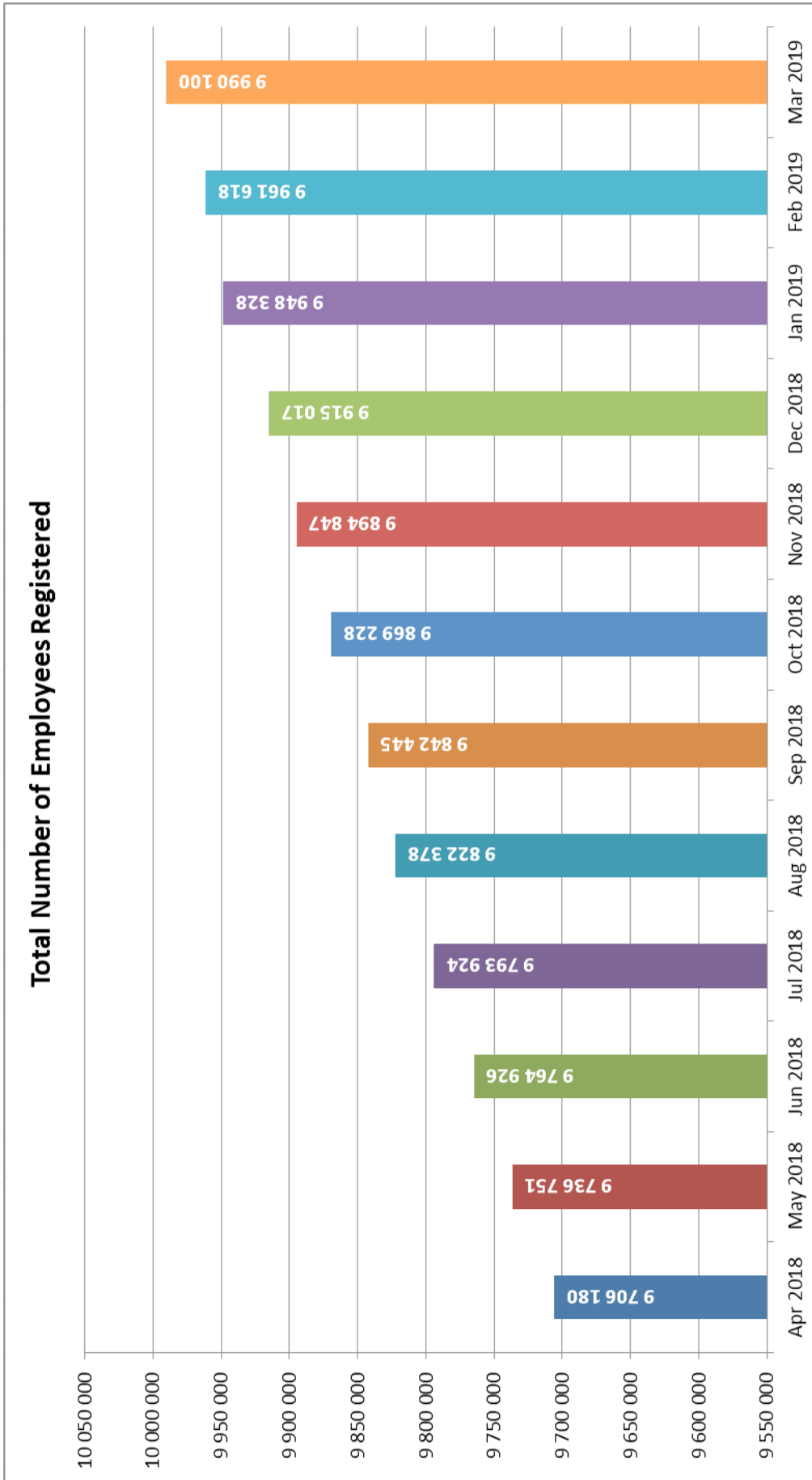
Number of Commercial Employees Registered



Number of Domestic Employees Registered



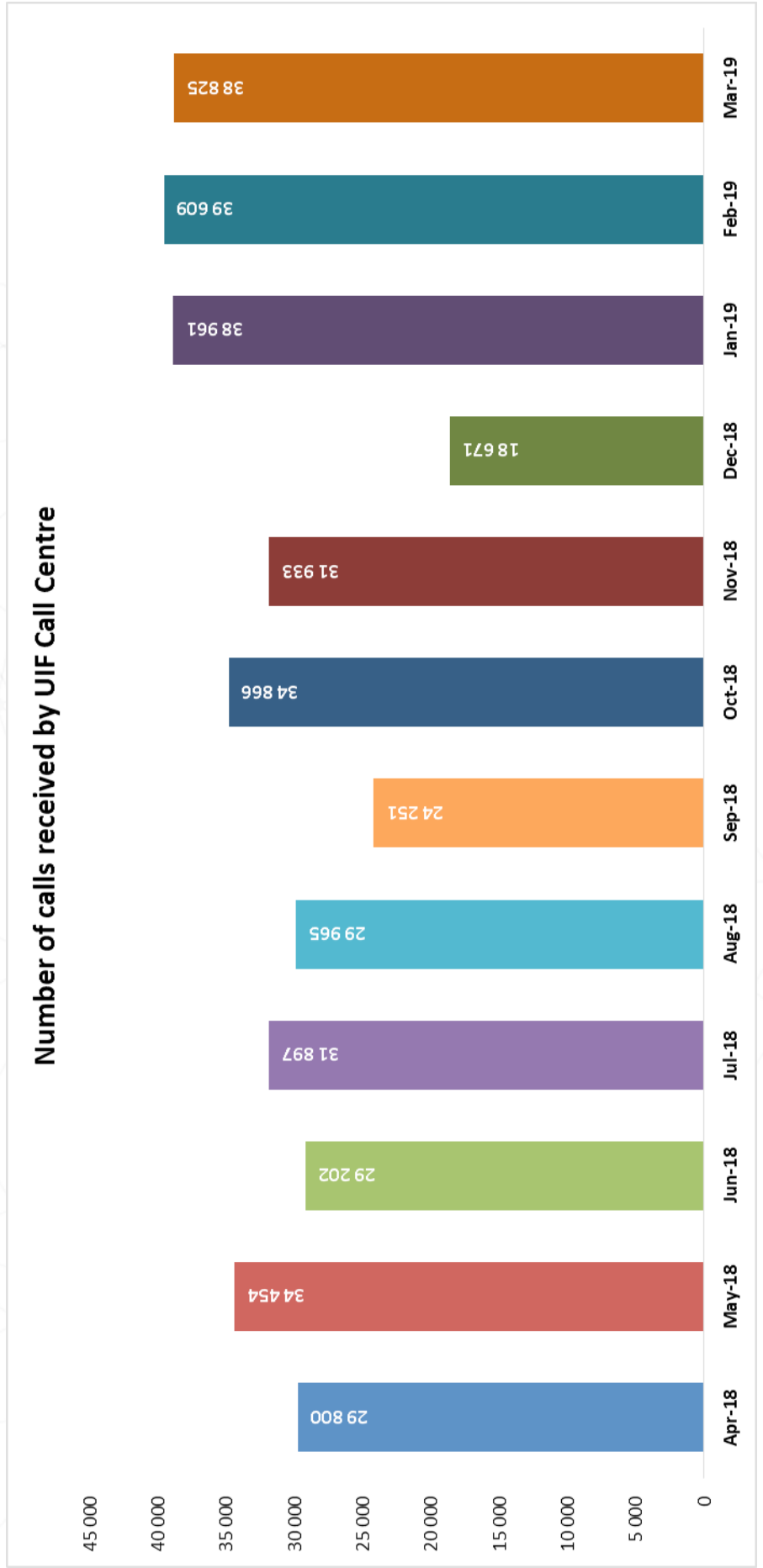




UIF Call Centre

The Fund’s Call Centre is one of the cornerstones of its operational success. It has a total staff complement of 18 inbound agents, who are always willing to serve the UIF clients. The Call Centre also handles letters, faxes and e-mails. Call Centre Agents are well trained and exposed to continuous assessment, mentoring and coaching which translates to customer satisfaction, reduced queuing time and higher first time call resolution. During the year under review the UIF call centre handled more than 382 434 calls from UIF clients requesting information regarding UIF and related matters. A breakdown of the calls received per month is highlighted in the graph below.





COMMUNICATIONS AND MARKETING

The Communication and Marketing section is tasked to market UIF products and services, increase UIF brand awareness, and enhance UIF image amongst the clients, and stakeholders.

The section utilises various communication and marketing tactics such as advertising campaigns, exhibitions, media publicity, business briefing sessions and seminars to promote and educate stakeholders and clients about UIF's offerings.

The section embarks on provincial communication campaigns to promote UIF services within a targeted province, and the campaigns include mall activations, advocacy sessions, seminars, community outreach events, and door-to-door visits to businesses. During the 2018/19 financial year the section conducted 48 provincial communication campaigns, surpassing the annual target of 36 outlined in the workplan. Through these campaigns, the provincial offices of the Department of Labour were able to assist clients on the spot, thus saving them time to visit labour centres.

During the year under the spotlight UIF continued to reach out to affiliates of SAGE Payroll, Pay Day Software System, South African Institute of Chartered Accountants, South African Institute of Professional Accountants, Business Chambers and other related professional bodies. These stakeholders enabled the Fund to conduct 42 briefing sessions with their members, which include Accountants, Payroll administrators, and Human Resources practitioners who were educated about new requirements under the Unemployment Insurance Amendment Act and the uFiling system.

The Fund, through various exhibitions was able to assist 6 388 clients with queries varying from claims applications, new registrations, declarations, and compliance certificates. The Fund also conducted advertising campaigns to create awareness about the uFiling system, UIF Benefits, Compliance with the UI Act, and educate the public about the role of UIF in job creation through Labour Activation Programmes and Socially Responsible Investments.

The section continues to strengthen relations with community media through targeted media networking sessions, and has conducted radio interviews with various prominent radio stations which include SA FM, Power FM and 702.

Within UIF, the section has continued to produce the internal newsletter to inform staff about key developments within the organisation, and has enabled management to interact with staff through staff Lekgotlas (meetings) that were held during the first and second semester of the 2018/19 financial year.

LABOUR ACTIVATION PROGRAMMES

South Africa has been experiencing high rate of unemployment which averaged 27% during the financial year especially amongst the youth. There is lack of opportunities in the labour market. Unemployed UIF beneficiaries and youth lack the skills required in the labour market and in some instances lack work experience.

Therefore UIF has effected Section 48(1)(a)(iv) of the Unemployment Insurance Act, 2001, as amended), to implement interventions towards job preservation, creation, retention and skills development through the Labour Activation Programmes (LAP). LAP is an intervention through which UIF supports social security and National Development Plan. Section 5(d) of the Act also provides that the UIF funds must be used for the financing of the retention of contributors in employment and the re-entry of contributors into the labour market and any other scheme aimed at vulnerable workers. The UIF intervenes through LAP schemes to bring about radical socioeconomic transformation amongst the unemployed UIF beneficiaries and the youth. It is estimated that at least ten individuals are dependent on one worker which means every UIF beneficiary who participate in the LAP programmes is potentially changing lives of ten people.

1. LAP PURPOSE

The purpose of LAP is to ensure that unemployed UIF beneficiaries are re-integrated/ integrated into the Labour Market in threefold as follows:

- Enhance employability;
- Preserve jobs; and
- Enable entrepreneurship.

The output for all these is that participants in LAP projects must be either employees or employers who are able to contribute meaningfully in the economy and earn a living. The LAP Strategy was reviewed in the 2017/18 financial year in a deliberate attempt to align LAP interventions with the needs of the economy. The fact that UIF pays an average of 60 000 (sixty thousands) beneficiaries per month calls for a better alignment between benefit payment and LAP interventions.

2. LAP OBJECTIVES

The objectives of LAP are as follows:

- Align with other government job creation initiatives and build relationships with employer organisations;
- Link UIF beneficiaries to job opportunities;
- Integrate, UIF beneficiaries into the labour market;
- Improve and implement employment enhancement schemes;
- Reduce duration of unemployment of UIF beneficiaries;

- Increase employment rate through SMME's;
- Participate in Enterprise Development; and
- Intervene speedily in job saving initiatives.



2. LAP ACHIEVEMENT 2018/2019

During the 2018/19 the Chief Directorate: Labour Activation Programme budget was R 88, 5 million. The budget was utilised on the above objectives through partnerships with different stakeholders, e.g. Technical and Vocational Education and Training (TVET) Colleges, Sector Education and Training Authorities (SETAs).

2.1 Number of UI beneficiaries benefited from LAP schemes and commitments

SCHEMES	PROGRAMME(S)	NUMBER OF BENEFICIARIES		EXPENDITURE	
		2017/2018	2018/2019	2017/2018	2018/2019
Training of the Unemployed	Skill Programmes, Apprenticeships and Learnerships.	4 702	2 131	R 25 873 732.02	R 90 828 761.59
Training Layoff Scheme	Social Plan Funding.	358	1 692	R31 054 58.00	R13 193 933.37
Turnaround Solutions	Jobs Saved.	6 684	0	R19 693 768.70	R16 050 000.00
TOTAL		11 744	3 823	R 48 672 958.72	R120 072 694.96

The number of jobs saved through the turnaround solutions is zero (0). The expenditure related to work done in the previous financial year.

2.2. Training of the Unemployed (TOU)

The focus of the UIF on the training of the unemployed to facilitate employment resulted in establishing partnerships with other entities with common interest. Some of the training interventions started in the previous financial years continued in 2018/19. A total of 2 131 learners were trained. The total amount spent on the Programme is R90 828 761.59 in the 2018/19 financial year. The big challenge remains the lack of workplaces for practical component of learnerships which results in learners waiting for a long period of time to complete training. The UIF further established new partnerships with state owned entities which will be implemented in the 2019/20 financial year. The third quarter of 2018/19 saw contracting with many entities being completed and in some cases learners being recruited as well. Skills Development is central to the reduction of unemployment and poverty alleviation.

The UIF improved the stipend amount payable to learners in learnership programmes from R 1 500 per month to R 2 000 per month. The amount for travelling allowance paid to learners in skills programmes was also determined at R 50 per day which translates into R 1 050 per month, i.e. 21 days in a month. The UIF also pays for tools of trade and medical examinations required for specific programme.

2.3. Turnaround Solution (TAS)

Productivity South Africa (Productivity SA) in partnership with the UIF implements the Social Plan Programme as an intervention to save jobs. The Programme is aimed at providing turnaround solutions to companies in distress. An amount of R 16 million was transferred to Productivity SA during the 2018/19 financial year for turnaround solutions related work. No new jobs were saved as the expenditure related to work performed in the 2018/19 financial year.

2.4. Training Lay-off Scheme (TLS)

The Training Layoff Scheme is a temporary suspension of work for a worker or a group of workers that are enrolled into training. The scheme is aimed at companies that face a potential risk of retrenching workers due to economic conditions. It is meant for companies which will retain employees thus preserving jobs. During the training the UIF pays 75% of the employee wages and the relevant SETA pays for the training. The TLS programme was able to impact positively through paying 75% for training of 1 692 employees. The TLS process was streamlined and efficiencies were created which resulted in quicker adjudication on applications, hence the much improved number of employees who participated in the TLS programme.

2.5. Enterprise Development (ED)

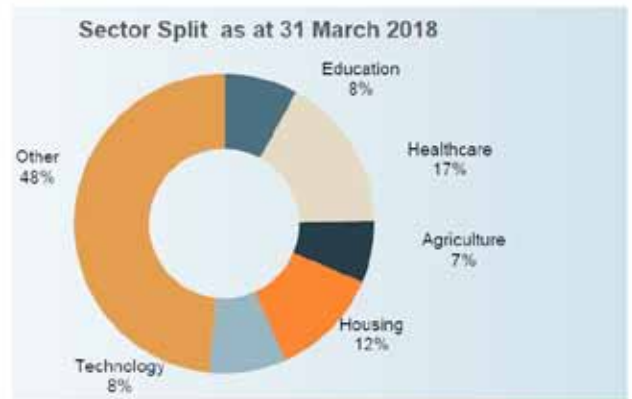
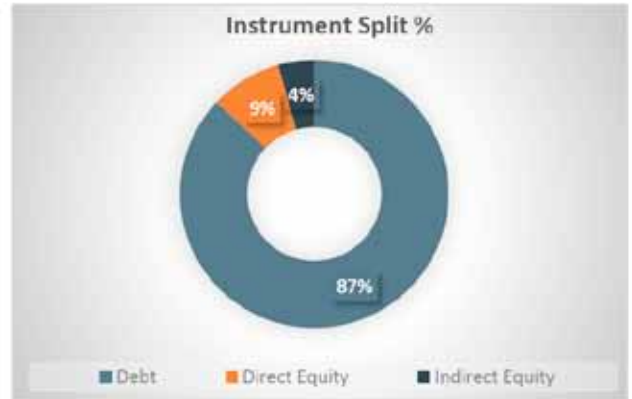
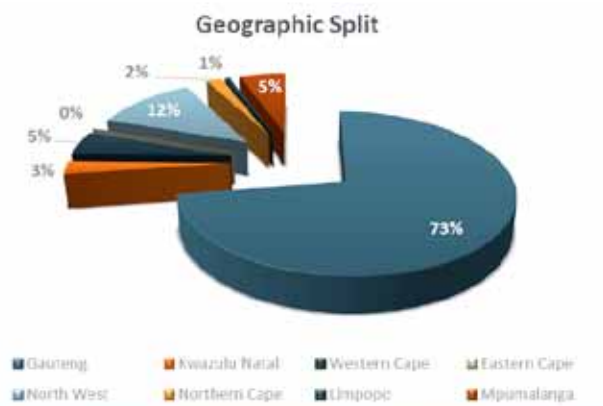
The Enterprise Development pillar of LAP is still in an infancy stage. The UIF is in the process of establishing Enterprise Development to enable entrepreneurship. The main objective of this pillar is to create enterprises and create opportunities for more employment. The UIF started engagements with the partners that are funded through UIF funds to assist with the process so

that the UIF does not reinvent the wheel. A very good progress is being made as a model for LAP incorporating Enterprise Development was proposed for further consultation.

2.6. Challenges

The LAP programme remains a key programme for the UIF in its effort to make a meaningful impact on the vulnerable in society. The major challenge coming from the 2018/19 financial year has been the establishment of partnerships. The process followed has to be fair and transparent. The UIF grappled with the internal processes to ensure that a fair and transparent process is followed within the grant system. To this end Standard Operating Procedures were put in place. The one distinctive character of the Labour Activation Programmes is that they do not follow the supply chain processes. There is no competition amongst potential partners. The available funding can be granted to more than one partner at any given time according to the needs of the UIF.

UIF Developmental Investments Portfolio Summary



OFFICIAL SIGN-OFF

It is hereby certified that this ANNUAL PERFORMANCE REPORT 2018/2019:

Was developed by the management of the Unemployment Insurance Fund under the guidance of Mr. T Maruping.

Was prepared in line with the current Strategic Plan and Annual Performance Plan (APP) of the Unemployment Insurance Fund (UIF).

Was prepared in line with the current annual performance targets as reflected in the APP of the Unemployment Insurance Fund.

Accurately reflects the performance of the UIF during the 2018-2019 financial year


Signature.....

Mr. T MARUPING
COMMISSIONER: UNEMPLOYMENT INSURANCE FUND

Date: 31 July 2019


Signature.....

Mr. T LAMATI
DIRECTOR-GENERAL: LABOUR

Date: 31 July 2019

**Financial
Information**

06



labour

Department:
Labour
REPUBLIC OF SOUTH AFRICA

Unemployment Insurance Fund

Audited Annual Financial Statements
for the year ended 31 March 2019

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	The Unemployment Insurance Fund collects and receives under the Unemployment Insurance Fund Act (Act no. 63 of 2002). In accordance with the Unemployment Insurance Act (Act no.63 of 2001) contributions received are managed and unemployment insurance claims are managed.
Registered office	ABSA Towers 230 Lilian Ngoyi Street Pretoria 0001
Business address	ABSA Towers 230 Lilian Ngoyi Street Pretoria 0001
Postal address	ABSA Towers 230 Lilian Ngoyi Street Pretoria 0001
Accounting Authority	Director- General Department of Labour: Mr T Lamati
Auditors	The Auditor-General of South Africa

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Accounting Authority's Responsibilities and Approval

The Accounting Authority is required by the Public Finance Management Act (PFMA), (Act no. 1 of 1999) (as amended by Act no. 29 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 Fund as at the end of the financial year and the results of its operations and cash flows for the year ended. The Auditor-General was engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act of 1999).

The Accounting Authority acknowledges that the ultimate responsibility for the system of internal financial control established by the Fund resides with her and places considerable importance on maintaining a strong control environment. To enable the Accounting Authority to meet these responsibilities, the Unemployment Insurance Board sets standards for internal control aimed at reducing the risk of error or loss 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 Fund and all employees are required to maintain the highest ethical standards in ensuring the Fund's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Fund is on identifying, assessing, managing and monitoring all known forms of risk across the Fund. Some operating risks cannot be fully eliminated. The Fund endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures.

The Accounting Authority 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. Any system of internal financial control can however only provide reasonable, and not absolute, assurance against material misstatement or loss.

As Accounting Authority I reviewed the Fund's cash flow forecast for the year to 31 March 2020 and, in the light of this review and the current financial position, I am satisfied that the Fund has access to adequate resources to continue in operational existence for the foreseeable future.

The audited annual financial statements set out on page 4 to 94 which have been prepared on the going concern basis were reviewed by the Unemployment Insurance Fund Audit Committee on 28 August 2019 and was signed by me the Accounting Authority on recommendation of the Unemployment Insurance Fund Audit Committee.



A. Moiloa
Acting Director-General
Department of Labour

Date:

30/08/19

Report of the auditor-general to Parliament on the Unemployment Insurance Fund (UIF)

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Unemployment Insurance Fund set out on pages ... to ... which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget with 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, except for the effects of the matters described in the basis for qualified opinion section of this report, the financial statements present fairly, in all material respects, the financial position of the Unemployment Insurance Fund as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management, 1999(Act 1 of 1999) (PFMA).

Basis for qualified opinion

Investments in associates , joint ventures and other financial assets

3. I was unable to obtain sufficient appropriate audit evidence to substantiate the amount recognised as investments in associates, joint ventures and unlisted financial instruments. Management did not implement effective systems of internal control to verify the data that was used to determine the fair value of the investments in associates, joint ventures and unlisted financial instruments and the resultant impairment loss. The entity's records did not permit the application of adequate alternative audit procedures. Consequently, I was unable to determine whether any adjustments were necessary to the investments in associates stated at R 3 696 318 000 (2018: R 2 886 118 000), joint ventures stated at R 153 931 000 (2018: R 259 869 000) and unlisted financial instruments stated at R 5 979 618 000 (2018: R 5 792 812 000) in the annual financial statements.
4. I could also not confirm, by any alternative means, whether any adjustments were necessary to the impairment of investments in note 16 and 17 stated in the financial statements as follows:
 - Impairment on investments in associates stated at R 568 995 000 (2018: R 722 393 000).
 - Impairment on investments in joint ventures stated at R 0 (2018: R 11 813 000).

Surplus/(deficit) from equity accounted investments

- I was unable to obtain sufficient appropriate audit evidence to substantiate the amount recognised as the surplus/(deficit) from equity accounted investments. Management did not implement effective systems of internal control to maintain reliable accounting records and information to support the amount of the surplus/(deficit) from equity accounted investments. The entity's records did not permit the application of adequate alternative audit procedures. Consequently, I was unable to determine whether any adjustment was necessary to surplus/(deficit) from equity accounted investments, stated at R497 195 000 (2018: R 91 707 000).

Fair value adjustments

- The entity incorrectly accounted for loans and receivables at fair value in contradiction with the accounting policy as well as the requirements of GRAP 104, *Financial Instruments*. Therefore the movements on these instruments were incorrectly accounted for as fair value adjustments. As a result, other financial assets were overstated, however I could not quantify the full extent of the misstatement as it was impractical to do so.

Context for the opinion

- 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.
- I am independent of the public entity in accordance with 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 code.
- I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matters

- I draw attention to the matters below. My opinion is not modified in respect of these matters.

Irregular expenditure

- As disclosed in note 36 to the financial statements, irregular expenditure of R 13 342 000 that was incurred in the previous years was still under investigation.

Material losses

- As disclosed in note 42 to the financial statements, material losses amounting to R 42 961 000 (2018: R 50 907 000) were incurred as a result of a write-off of irrecoverable debtors.

Responsibilities of accounting authority for the financial statements

13. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of 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.
14. In preparing the financial statements, the accounting authority is responsible for assessing the Unemployment Insurance Fund'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

15. 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.
16. 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

17. 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 material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
18. My procedures address 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/ measures included in the planning documents. 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.
19. 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 programmes presented in the annual performance report of the public entity for the year ended 31 March 2019:

Programmes	Pages in the annual performance report
Programme 1 – Administration	x – x
Programme 2 – Business operations	x – x
Programme 3 – Labour activation programme	x – x

20. 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.
21. I did not raise any material findings on the usefulness and reliability of the reported performance information for these programmes:
- Programme 1: Administration
 - Programme 2: Business operations
 - Programme 3: Labour activation programme

Report on the audit of compliance with legislation

Introduction and scope

22. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
23. The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements

24. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1) (a) and (b) of the PFMA.
25. Material misstatements on surplus/(deficit) from equity accounted investments, investments in associates and disclosures for unlisted financial instruments (loans and receivables), employee costs and cash flow statement identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in a modified audit opinion.

Consequence management

26. Disciplinary steps were not taken against some officials who had incurred and/or permitted irregular expenditure amounting to R 86 870 456 as required by section 51(1)(e)(iii) of the PFMA. The irregular expenditure relates to prior years.

Other information

27. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
28. 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.
29. 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 financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
30. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

31. 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. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on compliance with legislation included in this report.
32. Management did not ensure that financial statements are adequately reviewed and supported by complete and accurate supporting documents, resulting in material misstatements identified during the audit.
33. Management developed an audit action plan to address the internal control deficiencies; however, the plan has not been adequately monitored to ensure that there is effective implementation of corrective measure to address the internal control deficiencies. As a result, there were recurring findings and not all prior year findings were addressed.

34. Management did not implement adequate controls relating to daily and monthly processing and reconciliation of transactions. The controls that management put in place to ensure regular, accurate and complete financial reports did not always detect prevent and/or detect material misstatements in annual financial statements.

Auditor - General

Pretoria

31 August 2019



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Statement of Financial Performance

(Illustrating the classification of expenses by nature)

	Note(s)	2019 R '000	2018 R '000
Revenue	4	19 565 214	18 740 065
Benefit payments	5	(5 709 970)	(5 080 096)
Changes in benefits payable	5	(12 823 361)	(11 304 516)
Unemployment alleviation schemes	6	(120 073)	(48 673)
Gross surplus		911 810	2 306 780
Other income	7	22 843	22 169
Auditors remuneration	8	(8 875)	(8 143)
Depreciation, amortisation and impairments	9	(75 138)	(48 551)
Employee costs	43	(1 338 029)	(1 168 993)
Administrative costs	42	(511 640)	(468 065)
Other operating expenses	42	(564 480)	(430 646)
Operating (deficit) surplus		(1 563 509)	204 551
Investment revenue	10	10 571 813	9 354 313
Fair value adjustments	11	(9 574 096)	3 859 251
Surplus/(deficit) from equity accounted investments	12	(453 264)	43 334
Impairment on investments in associates and joint ventures	16&17	(568 995)	(734 205)
Net (deficit) surplus for the year		(1 588 048)	12 727 245

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Statement of Financial Position as at 31 March 2019

	Note(s)	2019 R '000	2018 R '000
Assets			
Non-Current Assets			
Investment property	13	104 809	9 181
Property, plant and equipment	14	180 266	117 542
Intangible assets	15	123 365	143 573
Investments in joint ventures	16	153 931	259 869
Investments in associates	17	3 696 318	2 886 118
Other financial assets	18	94 772 825	93 709 415
		99 031 514	97 125 698
Current Assets			
Other financial assets	18	60 396 811	57 278 069
Trade and other receivables - financial assets	19	3 276	2 668
Receivables - non-financial assets	20	121 286	9 434
Statutory receivables	21	1 696 711	1 657 480
Cash and cash equivalents	22	4 216 859	3 216 156
		66 434 943	62 163 807
Total Assets		165 466 457	159 289 505
Net Assets and Liabilities			
Net Assets			
Technical reserves		42 760 088	40 928 889
Accumulated surplus		101 505 203	104 924 450
Total Net Assets		144 265 291	145 853 339
Liabilities			
Non-Current Liabilities			
Provisions	25	26 870	26 434
Current Liabilities			
Payables from exchange transactions	26	518 260	291 444
Benefits payable	28	14 499	17 448
Benefits payable - Outstanding Claims Reserve	28	20 641 524	13 100 817
Bank overdraft	22	13	23
		21 174 296	13 409 732
Total Liabilities		21 201 166	13 436 166
Total Net Assets and Liabilities		165 466 457	159 289 505

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Statement of Changes in Net Assets

	Technical reserve	Accumulated surplus/ (deficit)	Total net assets
	R '000	R '000	R '000
Balance at 01 April 2017	38 303 769	94 822 325	133 126 094
Surplus for the year - restated	-	12 727 245	12 727 245
Transfer to technical reserve	2 625 120	(2 625 120)	-
Total changes	2 625 120	10 102 125	12 727 245
Balance at 31 March 2018	40 928 889	104 924 450	145 853 339
Changes in net assets			
Deficit for the year	-	(1 588 048)	(1 588 048)
Transfer to technical reserve	1 831 199	(1 831 199)	-
Total changes	1 831 199	(3 419 247)	(1 588 048)
Balance at 31 March 2019	42 760 088	101 505 203	144 265 291

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Cash Flow Statement

	Note(s)	2019 R '000	2018 R '000
Cash flows from operating activities			
Cash receipts from contributors, tenants and other		18 858 056	18 698 612
Benefit payments		(10 995 571)	(9 216 175)
Unemployment alleviation schemes		(120 073)	(48 673)
Employee cost		(1 337 593)	(1 170 298)
Cash paid to suppliers		(858 181)	(1 000 498)
Cash generated from operations	30	5 546 638	7 262 968
Interest received from banks		44 543	46 031
Net cash flows from operating activities		5 591 181	7 308 999
Cash flows from investing activities			
Purchase of property, plant and equipment		(83 264)	(31 114)
Purchase of investment property		(123 209)	(7 191)
Purchase of other intangible assets		(15 909)	(26 741)
Proceeds from sale of property, plant and equipment		8 027	30 674
Purchase of financial assets		(45 847 826)	(38 888 775)
Proceeds from sale of financial assets		33 095 403	25 850 355
Dividends		1 583 955	1 217 851
Interest received on investment		6 792 355	5 467 515
Net cash flows from investing activities		(4 590 468)	(6 387 426)
Net increase/(decrease) in cash and cash equivalents		1 000 713	921 573
Cash and cash equivalents at the beginning of the year		3 216 133	2 294 560
Cash and cash equivalents at the end of the year	22	4 216 846	3 216 133

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Statement of Comparison of Budget and Actual Amounts

The budget is prepared on a zero basis	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note
	R '000	R '000	R '000	R '000	R '000	
Revenue	21 544 819	(1 513 293)	20 031 526	19 565 214	466 312	41.2
Expenditure						
Benefit payments	(12 853 721)	3 118 846	(9 734 875)	(5 709 970)	(4 024 904)	41.3
Changes in benefits payable	(1 174 634)	182 276	(992 358)	(12 823 361)	(11 831 003)	41.4
Unemployment alleviation schemes	(945 358)	-	(945 358)	(120 073)	(825 285)	41.5
Gross surplus	6 571 106	1 787 829	8 358 935	911 811	7 447 125	
Other income	2 032	(354)	1 678	22 843	(21 165)	41.6
Audit fees	(14 000)	-	(14 000)	(8 875)	(5 125)	41.7
Administration costs	(768 220)	20 522	(747 698)	(511 640)	(236 058)	41.8
Depreciation, amortisation and impairments	(193 458)	-	(193 458)	(75 138)	(118 320)	41.9
Employee costs	(1 589 392)	62 952	(1 526 440)	(1 338 029)	(188 411)	41.10
Other operating costs	(1 104 958)	224 985	(879 973)	(564 480)	(315 493)	41.11
Impairment on investment in associates	-	-	-	(568 995)	568 995	
Operating surplus	2 903 110	2 095 934	4 999 044	(2 132 503)	7 131 547	
Surplus/deficit from equity accounted investments	-	-	-	(453 264)	453 264	
Investment revenue	11 140 954	(900 154)	10 240 800	10 571 813	(331 013)	41.12
Fair value adjustment	-	-	-	(9 574 096)	9 574 096	41.13
Finance cost	(3)	-	(3)	-	(3)	
Technical Reserve	(1 857 165)	(4 378 652)	(6 235 817)	-	(6 235 817)	41.14
Net surplus for the year after reserving	12 186 896	3 182 872	9 004 024	(1 588 048)	10 592 071	
Capital						
Capital expenditure	(212 450)	(501 454)	(713 904)	(222 382)	(491 522)	

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Accounting Policies

1. Basis of preparation

In terms of section 55(1) of the Public Finance Management Act, the Unemployment Insurance Fund is required to comply with South African Statements of Generally Recognised Accounting Practice.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act.

These accounting policies are consistent with the previous period, except for the changes set out in Note 2.

The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value less point of sale costs, and incorporate the principal accounting policies set out below.

The annual financial statements have been prepared on the going concern basis and the Fund will continue in operation and meet its statutory obligations for the foreseeable future.

The Unemployment Insurance Fund concluded that the audited annual financial statements present fairly the Fund's financial position, financial performance and cash flow.

The audited annual financial statements are prepared in conformity with Standards of Generally Recognised Accounting Practice, appropriate to the business of the corporation. The audited annual financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment, marketable securities and investment properties where appropriate, and incorporate the principal accounting policies set out below.

These audited annual financial statements have been prepared on the accrual basis of accounting and are in accordance with the historical cost convention, except where otherwise stated.

1.1 Investment property

Investment property includes property held to earn rentals/capital appreciation. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria is met and excludes the cost of day to day servicing of an investment property.

Investment properties are derecognised when either they have been disposed of or when the investment property is no longer held for capital appreciation and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in surplus or deficit in the year of retirement or disposal.

Transfers are made to or from investment property when there is a change in use.

Cost model

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation less any accumulated impairment losses. Annual valuations are obtained for the purpose of testing impairments of investment properties.

Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property, which is as follows:

Item	Useful life
Investment property - land	Indefinite
Investment property - buildings	50 years

Land has an unlimited useful life and therefore is not depreciated.

The residual value of assets are reviewed at each reporting date. If the residual value of an asset increases to an amount equal to or greater than the asset's carrying amount, the asset's depreciation charge is zero until its residual value subsequently decreases to an amount below the asset's carrying amount.

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Accounting Policies

1.2 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 other 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 Fund and
- the cost or fair value of the item can be measured reliably.

Cost include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to or replace part of 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.

Subsequent to initial recognition, property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses..

Depreciation is provided on all property, plant and equipment other than land, to write down the cost, less residual value, on a straight line basis over their useful lives.

Land has an unlimited useful life and therefore is not depreciated.

Item	Years
Land	Indefinite
Buildings	50 years
Leasehold improvements	3 - 6 years
Furniture and fixtures	6 - 13 years
Motor vehicles	5 - 10 years
Office equipment	6 - 10 years
IT equipment	3 - 5 years
Other property, plant and equipment	
• Telecom equipment	5 - 9 years

The depreciation charge for each period is recognised in surplus or deficit. Useful lives of individual assets in a category are reviewed and adjusted if appropriate at each reporting date.

The residual value of assets are reviewed at each reporting date. If the residual value of an asset increases to an amount equal to or greater than the asset's carrying amount, the asset's depreciation charge is zero until its residual value subsequently decreases to an amount below the asset's carrying amount.

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.

1.3 Intangible assets

GRAP 31 states the following:

An asset is identified as an intangible asset when it:

- 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, asset or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the economic entity or from other rights and obligations.

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 economic entity; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost. For an intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

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

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Accounting Policies

1.3 Intangible assets (continued)

An intangible asset arising from development 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.

Subsequent to initial recognition, 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.

Amortisation is provided to write down intangible assets, other than intellectual property, on a straight line basis, to their residual values as follow:

Item	Useful life
Intellectual property	Indefinite
Computer software	1 - 5 years

Intellectual property is not amortised as it is considered to have an indefinite useful life.

The Fund developed and implemented the U-Filing declaration and payment portal as a total online service that is aimed at enabling claims capability. The U-Filing system is an automated contributions and claims handling system that seeks to improve compliance to UIF legislation and service delivery to clients.

U-Filing was specifically developed for the Fund, in line with all the applicable legislation and rules that relate to contribution income and benefit payments - based on all relevant factors, there is no foreseeable limit to the period over which U-Filing is expected to generate net cash inflows or service potential.

Intangible assets are derecognised:

- on disposal or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.4 Impairment of non-cash generating assets

The entity assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

If there is any indication that assets may be impaired, the recoverable service amount is estimated for the individual asset.

The recoverable service amount of an asset is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

The Fund assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Accounting Policies

1.4 Impairment of non-cash generating assets (continued)

The increased carrying amount of assets attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

With regards to intangible assets with indefinite useful lives, the Fund tests annually for impairment.

1.5 Financial assets and liabilities

The Fund has the following financial assets and liabilities: investments in equities, capital market instruments, money market instruments and derivatives which are classified as financial assets at fair value through surplus or deficit. Cash and cash equivalents, trade and other receivables are classified as financial assets at amortised cost and trade and other payables as financial liabilities at amortised cost.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or residual interest of another entity. It is evident from this definition that three elements need to be present before a financial instrument can exist, namely a contract, a financial asset and a financial liability or an residual interest.

In terms of the statement, a contract is an agreement between two or more parties that has clear economic consequences that the parties have little, if any, discretion to avoid, because the agreement is enforceable by law.

The Unemployment Insurance Fund receives contribution revenue in accordance with the Unemployment Insurance Contributions Act (Act no. 4 of 2002) and pays Unemployment Insurance benefits including the recovery of benefits paid in error in accordance with the Unemployment Insurance Act (Act no. 63 of 2001).

The relationship is accordingly not established by contract but by legislation. Management decided to enhance certain related disclosures by applying some of the principles of GRAP 104. The following items are accordingly presented in Note 15 and Note 22 to the annual financial statements:

- Disallowances (Benefits paid in error)
- Transactions under investigation
- Benefit payments
- Legal claims - contributions

1.5.1 Classification of financial assets and liabilities

Financial assets and financial liabilities at fair value through surplus or deficit:

Financial instruments held-for-trading

These include equities, capital market instruments, money market instruments, options and all derivatives in a net receivable position (positive fair value). All derivatives in a net payable position (negative fair value) are reported as financial liabilities. Derivatives are designed to facilitate the transfer and isolation of risk and are used by the Fund for both risk transfer and investment purposes. The Fund does not use derivatives for speculative or gearing purposes. Fair value adjustments and gains and losses are recognised in the statement of financial performance.

Assets in this category are classified as current assets if they are expected to be realised within 12 months from the statement of financial position date.

If an instrument is a non-derivative instrument with fixed or determinable payments an entity may designate non-derivative instruments with fixed or determinable payments at fair value at initial recognition when the following criteria is met:

- The designation is made at initial recognition, on an instrument by instrument basis
- A narrative description of the criteria used to designate financial assets at fair value should be provided.

Bills and promissory notes have been designated at fair value due to the money market curve valuation method that is used to value these financial assets. This is consistent with prior years.

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Accounting Policies

1.5 Financial assets and liabilities (continued)

Financial instruments at amortised cost

Investments

Investments at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. Investments at amortised cost are subsequently measured using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with central banks and amounts due from banks and National Treasury on demand. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investments or other purposes.

Bank overdrafts are shown as current liabilities on the statement of financial position. Bank overdrafts are due to bank accounts on which after trading hours transactions were processed and only cleared on the following banking date, which is after the reporting date.

Trade and other receivables

Trade receivables are initially measured at fair value (transaction price), and are subsequently measured using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired.

Trade and other payables

Trade payables are initially measured at fair value (transaction price) and are subsequently measured using the effective interest rate method. Trade and other payables are presented at their respective outstanding balances at year-end. These are subject to normal trade credit terms and relatively short payment cycles.

1.5.2 Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument, i.e. trade-date accounting.

Financial liabilities are not recognised unless one of the parties has performed or the contract is a derivative contract not exempted from the scope of GRAP 104.

1.5.3 Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in the case of a financial asset or financial liability subsequently measured at amortised cost, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs are excluded from financial instruments which are subsequently measured at fair value at initial recognition- these transaction costs are expensed in the statement of financial performance, while on other financial instruments they are capitalised.

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Accounting Policies

1.5.4 Fair value measurement principles

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at reporting date. For instruments where there are no active markets the fair value of the instrument is determined using valuation techniques, including use of recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow techniques or any other valuation technique making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Certain financial instruments, including derivative financial instruments, are valued using pricing models that consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve, volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values. Inputs are based on market data at the statement of financial position date where other pricing models are used.

The fair value of derivatives that are not exchange-traded is estimated as the amount that the Fund would receive or pay to terminate the contract at the statement of financial position date, taking into account current market conditions (volatility, appropriate yield curve) and the current creditworthiness of the counterparties.

Investments in other unlisted open-ended investment funds are recorded at the net asset value per share as reported by the managers of such funds.

The fair value of floating rate and overnight deposits with credit institutions are their carrying value. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the statement of financial position date. If the fair value can not be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

Short-term receivables are not discounted. In the case of financial assets at fair value through surplus or deficit, gains and losses arising from changes in fair value are included in surplus or deficit of the statement of financial performance.

1.5.5 Gains and losses on subsequent measurement

Gains or losses arising from changes in the fair value of the "Financial assets at fair value through surplus or deficit" category are presented in the statement of financial performance within "Fair value adjustment" losses/gains – net in the period in which they arise.

1.5.6 Impairment of financial assets

The Fund assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets that are stated at amortised cost are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the statement of financial performance as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent year the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the statement of financial performance. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been previously recognised.

A provision for trade receivables impairment is made when there is objective evidence (the probability of insolvency or significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired and that the Fund will not be able to collect all the amounts due under the original term of the invoice.

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Accounting Policies

1.5 Financial assets and liabilities (continued)

The amount of the provision is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. 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 statement of financial performance within "administrative costs". An uncollectable trade receivable is written off against the allowance account for trade receivables. Changes in the carrying amount of the allowance account are recognised in the statement of financial performance. Subsequent recoveries of amounts previously written off are credited against "other income" in the statement of financial performance.

1.5.7 De-recognition

Financial Assets

Financial assets or a portion of a financial asset are derecognised where:

- The rights to receive cash flows from the asset have expired;
- The Fund retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without any material delay to a third party under a "pass-through" arrangement; or
- The Fund has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Financial Liabilities

The financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the statement of financial performance.

1.5.8 Interest income and expense

Interest income and expenses of financial instruments measured at amortised cost and interest bearing financial instruments classified as designated at fair value through surplus or deficit are recognised in the statement of financial performance as it accrues, using the original effective interest rate of the instrument calculated at the acquisition at origination date. Interest income includes amortisation of any discount or premium or any other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis. Interest income and expenses are recognised as part of "Investment Revenue".

1.5.9 Dividend income

Dividend income relating to exchange-traded equity investments is recognised in the statement of financial performance on the ex-dividend date (when the Fund's right to receive payment is established). In some cases, the Fund may receive or choose to receive dividends in the form of additional shares rather than cash. In such cases the Fund recognises the dividend income for the amount of the cash dividend alternative with the corresponding debit treated as an additional investment. Dividend income is recognised as part of "Investment Revenue".

1.5.10 Expenses

All expenses, including management fees, custodian fees and other transaction costs, are recognised in the statement of financial performance on an accrual basis.

1.5.11 Non-financial assets - statutory receivables

Statutory receivables

Statutory receivables arises from the operation of legal statute. These arise from both exchange and non-exchange transactions and are recognised at their transaction amount according to the cost method at amortised cost.

Measurement

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished and directly gives approximately equal value to another entity in exchanges.

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Accounting Policies

1.5 Financial assets and liabilities (continued)

Statutory receivables from non-exchange transactions

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant changes in the contribution debtor indicates that the specific company has been under liquidation, an insolvent individual has been sequestered or an estate of a deceased contributor has been lodged with the master of the Supreme Court. These changes are considered to be indicators that the legal claims debtor is impaired.

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 statement of financial performance within "administrative costs". When Legal claims debt is uncollectable, it is written off against the debtors account. Subsequent recoveries of amounts previously written off are credited against "other income" in the statement of financial performance.

Intercepted Payments / Transactions (Transactions under Investigation)

Transactions under investigation are measured at initial recognition at cost

Classification of transactions under investigations:

- Identification number of debtor is known
- Identification number of debtor is unknown

ID number of the debtor is known

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. (Significant changes in the disallowances and intercepted debtors, becoming unemployed, above or under the age of 60 default or delinquency in payments (more than 150 days overdue) are considered indicators that disallowances and intercepted debtor is impaired

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 statement of financial performance within 'administrative costs'. When a disallowances and intercepted debtors are uncollectable, it is written off against the debtors account. Subsequent recoveries of amounts previously written off are credited against 'other income' in the statement of financial performance.

ID number of the debtor is unknown

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant changes in the debtors indicating that the specific transaction has been identified for Risk Management Investigation are considered indicators that the transaction under investigation is impaired.

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 statement of financial performance within 'administrative costs'. When a transaction under investigation debtors is uncollectable, it is written off against the debtors account. Subsequent recoveries of amounts previously written off are credited against 'other income' in the statement of financial performance.

1.5.12 Investments in associates

Associates are all entities over which the Fund has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. In circumstances where shareholding is less than 20% but significant influence is present, entities are also classified as associated. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The entity's share of its associates' post-acquisition surpluses or deficits is recognised in the statement of financial performance, and its share of post-acquisition movements in reserves is recognised in reserves.

The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the entity's share of deficits in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the entity does not recognise further deficits, unless it has incurred obligations or made payments on behalf of the associate. The total carrying value of associates is evaluated when there is an indication/indicators for impairment.

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Accounting Policies

1.5 Financial assets and liabilities (continued)

Unrealised surpluses on transactions between the entity and its associates are eliminated to the extent of the group's interest in the associates. Unrealised deficits are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the entity.

The most recent available annual financial statements of the associate are used by the Fund in applying the equity method. When the reporting dates of the Fund and the associate are different, the associate prepares, for the use of the Fund, annual financial statements as of the same date as the annual financial statements of the Fund, unless it is impractical to do so. In such a case management accounts of investees are utilised in applying the equity method and may be subject to estimations in the calculation of the annual figures to be used.

1.6 Non-financial assets - trade and other receivables

Disallowances (Benefits paid in error/Overpayments)

Disallowances (benefits paid in error) are measured at initial recognition at cost. Benefits paid in error in current and prior years, noted/detected by the Fund, are continuously corrected by raising over- and underpayments against individual beneficiaries in the financial year the error is noted/detected. Recovery of the "Benefits paid in error" is collected in terms of Section 35 of the Unemployment Insurance Act.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. (Significant changes in the disallowance debtors are when they become unemployed, and/or default or delinquent in payments more than 150 days are considered indicators that the disallowances debtor is impaired).

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 statement of financial performance within "administrative costs". An uncollectable disallowance debt is written off against the debtors account. Changes in the carrying amount of the allowance account are recognised in the statement of financial performance. Subsequent recoveries of amounts previously written off are credited against "other income" in the statement of financial performance.

Legal Claims Debtors – Contributions

Legal claims debtors are initially measured at cost when employer information becomes available that the contribution debtor registered as a company has been liquidated, an insolvent individual has been sequestered or an estate of a deceased contributor has been lodged with the master of the Supreme Court. Recovery of the legal claims debtors is in terms of the Unemployment Insurance Act.

Legal claim debt is written off against the debtors account when informed that the distribution account has been finalized and that no dividend will be paid. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit based on the recoverability/non-recoverability experience of legal claims.

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 statement of financial performance within "administrative costs". Subsequent recoveries of amounts previously written off are credited against "other income" in the statement of financial performance.

Transactions under Investigation

Transactions under investigation are initially recognised at cost when there is objective evidence requiring investigation by Risk Management.

Risk Management Transactions are categorised in:

- Transactions under investigation
- Actual Fraud Detected

Impairment is based on:

- Known debtors
- Unknown debtors

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Accounting Policies

1.6 Non-financial assets - trade and other receivables (continued)

Known Debtors

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant changes in the known debtors are specific characteristics of the known debtor, the age of the debt and default on any payment arrangements should be considered as indicators that the known debtor is impaired.

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 statement of financial performance within "administrative cost". An uncollectable transactions under investigation debt is written off against the debtors account. Subsequent recoveries of amounts previously written off are credited against "other income" in the statement of financial performance.

Unknown Debtors

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when the Risk Management Transaction relates to an unknown debtor.

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 statement of financial performance within "administrative costs". An uncollectable transaction under investigation debt is written off against the debtors account. Subsequent recoveries of amounts previously written off are credited against "other income" in the statement of financial performance.

Statutory receivables

Statutory receivables arises from the operation of legal statute. These arise from both exchange and non-exchange transactions and are recognised at their transaction amount according to the cost method at amortised cost.

Funds at National Treasury are Contribution Revenue collected by SARS, declared as owing to the UIF on reporting date through the National Revenue Account. The funds do not earn interest and the amount is payable to UIF as per the Unemployment Insurance Contributions Act, section 11(3). The Director-General must, within 14 days after receipt of the notice from the Commissioner in terms of section 8(4), authorise the transfer of the amount of the contributions, interest and penalties paid into the National Revenue Fund to the Unemployment Insurance Fund.

The carrying amount of the statutory receivable asset is recognised in the statement of financial position under "statutory receivables", whereas the contributions collected on behalf of the Fund, which are classified as exchange transactions are recognised and included in the statement of financial performance within "revenue".

The adoption of the policy on statutory receivables represents a change in accounting policy which lead to the reclassification of funds owed to the Fund by National Treasury from "cash and cash equivalents" to "statutory receivables"

1.7 Unemployment insurance and liabilities

Unemployment insurance is the providing of benefits under the Unemployment Insurance Act (Act no. 63 of 2001) as amended which includes unemployment benefits to qualifying employees, and the payment of illness-, maternity-, adoption- and dependants benefits related to the unemployment of such employees.

A contributor's entitlement to benefits in terms of the Unemployment Insurance Act accrues at a rate of one day's benefit for every completed six days of employment as a contributor, subject to a maximum accrual of 238 days benefits in the four year period immediately preceding the date of application for benefits, less any days of benefits received by the contributor during the period. The allocation of credit days within the maximum accrual of 238 days in a four year cycle is calculated in accordance with "Regulation no. 98 Government Notice no. 29594" on an equal basis of 59.5 days per year. To calculate the benefit payable to a contributor, the daily rate of remuneration of the contributor, subject to the prescribed maximum, must be determined. A graduated income replacement rate, ranging from 60% for the low-income earners to 38% for the middle and high income earners is then applied.

For maternity claims, the maximum period of maternity leave is 17.29 weeks and 6 weeks for a miscarriage or stillbirth. The contributor may not earn more than their standard remuneration when illness-, maternity- and adoption benefits are included.

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Accounting Policies

1.7 Unemployment insurance and liabilities (continued)

Applications must be submitted within six months of the termination of the contract of employment for unemployment benefits, for illness within six months from the date the contributor ceases to work as a result of the illness, for maternity benefits eight weeks before childbirth, and dependants benefits within six months of the death of the contributor. The Commissioner may accept an application submitted after the prescribed time limit has expired on just cause shown.

Benefit payments are recognised on the approval of the benefit claim.

Benefits paid in error in current and prior years, noted/detected by the Fund, based on updated employee information and control processes are continuously corrected by raising over- and underpayments against individual beneficiaries in the financial year the error is noted/detected.

The over- or underpayment is accordingly accounted for against "benefit payments" in the statement of financial performance and "trade and other receivables - disallowances"/"benefits payable" in the statement of financial position.

Recovery of benefits paid in error is done in accordance with Section 35 of the Unemployment Insurance Act and accounted for against "trade and other receivables - disallowances" on receipt of the recovery.

Unemployment insurance liabilities are recognised when employees are registered with the Unemployment Insurance Fund as contributors. The liability for unemployment insurance comprises of:

- Technical reserve - an unexpired risk reserve for contribution revenue
- Benefits payable - provision for outstanding benefits
 - Incurred but not reported (IBNR) benefits
 - Incurred but not enough reported (IBNER) benefits

Technical reserve

The Technical Reserve is set aside to cover the cost of future benefit payments in respect of contributions collected as at the valuation date. The need for this reserve arises from the four year contribution period. Based on actuarial valuation, a portion of the net surplus is allocated to the Technical Reserve on an annual basis.

The provision is not discounted.

Outstanding benefits provision

Provision is made on a best-estimate basis for the future amounts payable on all claims incurred as at the valuation date. This provision provides for:

- future payments on benefits already in payment at the valuation date – these benefits are classified as incurred but not enough reported ("IBNER"); and
- benefits incurred but not reported ("IBNR") by the valuation date.

The outstanding benefits provision is calculated at the reporting date using actuarial techniques. Adjustments to the provision are recorded in the statement of financial performance at each reporting date.

Claims handling expenses are taken into account and allowed for explicitly.

The provision is not discounted.

1.7.1 Liability adequacy test

The sufficiency of the outstanding benefits provision is determined by conducting an experience analysis over the period since the previous valuation.

The Fund's incurred PAYG rate is used to set the level of the Technical Reserve. Use of an incurred rate reflects the ultimate cost of benefits in relation to the contributions earned in the period.

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Accounting Policies

1.8 Leases

Finance leases - lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Finance leases – lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee.

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value on the minimum lease payments.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Any initial direct costs are added to the amount recognised as an asset.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability.

The finance charge is allocated to each period during the lease term in order to produce a constant periodic rate on the remaining balance of the liability.

Operating leases - lessor

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

Operating lease income is recognised as income on a straight-line basis over the lease term, except where it is immaterial in relation to the total lease income.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under "other income" in the statement of financial performance.

Operating leases – lessee

The lease of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease, except where it is immaterial in relation to the total lease payments and where variable escalation forms part of the payments.

1.9 Provisions

Provisions are recognised when:

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

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

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Accounting Policies

1.10 Contribution revenue - revenue from exchange transactions

Contributions are collected under the Unemployment Insurance Contributions Act (Act no. 4 of 2002). Every employer and employee to whom this Act applies must, on a monthly basis contribute to the Unemployment Insurance Fund. The amount of the contribution payable in terms of this Act by an **employee**, must be one percent (1%) of the remuneration paid or payable to that employee by his or her employer during any month and by an employer in respect of any one of its employees, must be equal to one percent (1%) of the remuneration paid or payable by that **employer** to that employee during any month.

Recognition and measurement

Unemployment Insurance Fund's revenue is recognised when it is measurable and probable that economic benefits will flow to the Fund. In certain circumstances measurability and probability cannot be determined until the consideration has actually been received.

Contribution revenue is measured at the fair value of the consideration received/receivable in the period in which measurability and probability can be determined with certainty and/or the consideration has actually been received and banked in the Unemployment Insurance Fund's bank accounts and/or the National Revenue Fund.

The Commissioner for the South African Revenue Service (SARS) collects contributions from employers (registered in terms of the Fourth Schedule to the Income Tax Act) according to the Unemployment Insurance Contributions Act. All contributions collected are paid into the National Revenue Fund before it is transferred to the Unemployment Insurance Fund. Currently this constitutes 98% of the total annual revenue recognised by the Fund. Contribution collection information from SARS and the transfer of the funds from National Treasury to the Unemployment Insurance Fund is based on when the consideration is actually received by SARS.

The Unemployment Insurance Fund collects contributions in accordance with Section 9 of the Unemployment Insurance Contributions Act from all employers who are not required to register in terms of the Fourth Schedule to the Income Tax Act.

Revenue consists of Unemployment Insurance contributions, interest and penalties received from all registered employers in terms of the Unemployment Insurance Contributions Act. Interest is accrued on a time basis recognising the effective rate applicable on the underlying assets. As per Section 13(1) of the Unemployment Insurance Contributions Act a penalty of 10% is raised on the unpaid amounts.

This policy is consistent with prior years.

Employee remuneration information gap

In accordance with the Unemployment Insurance Act (Act no. 63 of 2001):

Section 56(2)(c) - Every employer must furnish the names, identification numbers and monthly remuneration of each of its employees.

Section 56(3) - Every employer must, before the seventh of each month, inform the Commissioner of any changes during the previous months in any information furnished in terms of 2(c).

The lack of employees information received in terms of the above mentioned legislation versus the payments received and banked by the Unemployment Insurance Fund is referred to as the **employee remuneration information gap**.

Contribution electronic fund transfers (payments) compound the information gap. Employers deposit contributions electronically directly into the Fund's bank accounts but fail to comply with supplying the necessary employee information to the Fund as required by the above mentioned sections of the Unemployment Insurance Act. The monthly remuneration information of employees are required to determine measurability and probability to facilitate the invoicing of contributions payable.

The **employee remuneration information gap** is significant to the extent that if revenue is recognised on available information the financial position of the Fund will not be fairly represented.

In terms of revenue recognition the accrual basis has not been achieved. Revenue contributions received from SARS and the UIF is recognised when measurability and probability can be determined with certainty and/or the consideration has actually been received and banked in the Unemployment Insurance Fund's bank accounts and/or the National Revenue Fund.

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Accounting Policies

1.10 Contribution revenue - revenue from exchange transactions (continued)

Mitigation of the "employee remuneration information gap"

The U-Filing declaration and payment system was implemented to assist in the collection of declaration data (employee's information) to enable improve determination of measurability and probability to invoice contributions payable.

The Fund implemented the U-Filing declaration and payment portal as a total online service and is in the process of enhancing the U-Filing through the implementation of Virtual Office that will further enable online claims. This automation of processes seeks to improve compliance and improve service to registered employers and employees. The enhancement will assist with enforcement of non-compliant employers.

The automated processes will simplify the receiving of employee remuneration information from employers directly into the Funds systems and streamline the payment of contributions in line with the declaration information. Unemployment insurance claims will simultaneously be simplified through an online claims process for accredited employers and employees, aligned with the declaration information submitted.

The Fund is developing a debt collection- and financial system based on the revenue streams to invoice contributions payable.

The following revenue streams have been classified:

- SARS - Declaration and collection information
- U-Filing - Declaration and collection information
- Contribution - Legal Claims
- EFT Bank Deposits
- Cash and Cheques (UI 7)

Employee remuneration information is inaccurate and incomplete and measurability and probability cannot be determined until the consideration has actually been received.

To mitigate the "employee remuneration information gap" on the various revenue streams the Fund plans to migrate the various employer groups systematically to the enhanced U-Filing system working procedure.

Contributions receivable is accordingly not measurable and the probability cannot be determined.

1.11 Benefit payments

Benefit payments consist of unemployment insurance benefits approved for payment to claimants in accordance with the conditions of the Unemployment Insurance Act including correction of benefits paid in error in current and prior years, noted by the Fund in the year under review.

1.12 Significant judgments, estimates and assumptions

In the process of applying the Unemployment Insurance Fund's accounting policies, management made the following judgments, estimates and assumptions which have the most significant effect on the amounts recognised in the audited annual financial statements.

Outstanding benefits provision

The ultimate cost of incurred benefits is estimated using actuarial techniques, namely the Chain-Ladder and Generalised Cape Cod techniques. The principle assumption of these techniques is that the Fund's past claims experience in terms of average claims, reporting delays and settlement delays provides a reasonable guide to future such experience. The provision was increased to allow for the enhanced benefits in the Amendment Act, 2016. Allowance is made for future rates of claims inflation, but since this is the same assumption used for discounting, the combined impact on the provision is zero

Technical Reserve

Contributions are assumed to be earned uniformly over a 4-year period assuming enhanced benefits as per the Amendment Act, 2016.

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Accounting Policies

1.12 Significant judgments, estimates and assumptions (continued)

Unexpired risk liabilities and assumptions used

The average claim amount paid in the 2019 financial year is currently approximately R3,880.00. The average salary used for benefit purposes (i.e. capped at a maximum value) of these claimants is R7,219.00 per month.

Claims handling expenses (CHE) are approximately 14.68% of the value of a claim.

The PAYG rate is set at 2.248% (2018: 2.248%) of which 1.947% (2018: 1.947%) allows for the cost of benefits and 0.301% (2018: 0.301%) for claims handling expenses.

Approximately 7.3% of the workforce will claim their credits, earned as at the reporting date in the next four years.

The run-off pattern of claims is assumed to remain stable. No explicit assumption about claims inflation was made. While the inclusion of an explicit inflation assumption has the potential to stabilise development patterns, the claims development experience of the Fund has been very stable over the period considered. The requirement for further stabilisation was therefore considered to be negligible.

The development of claims is considered on a quarterly basis from the financial year 2008.

Provisions - Capped leave

The provision encompasses capped leave based on employees that retained all audited leave credits accrued prior to 1 July 2000. The number of accrued leave days is converted in accordance with a prescribed formula by DPSA utilizing the net leave entitlement at reporting date multiplying it with the employee's remuneration (levels 1-10 and MMS the annual basic salary only). Pay-outs in respect of such leave credits are only made in the event of Death, Retirement or Medical boarding.

1.13 Investments in joint ventures

Jointly controlled entities are all entities over which the UIF has joint control. Jointly controlled entities are accounted for using equity accounting. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

The entity's share of its jointly controlled entity's post-acquisition surpluses or deficits is recognised in the statement of financial performance, and its share of post-acquisition movements in reserves is recognised in reserves.

The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the entity's share of deficits in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the entity does not recognise further deficits, unless it has incurred obligations or made payments on behalf of the jointly controlled entity. The total carrying value of jointly controlled entities is evaluated when there is an indication/indicators for impairment.

Unrealised surpluses on transactions between the entity and its jointly controlled entities are eliminated to the extent of the group's interest in the jointly controlled entities. Unrealised deficits are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the entity.

The most recent available annual financial statements of the joint venture are used by the Fund in applying the equity method. When the reporting dates of the Fund and the associate are different, the associate prepares, for the use of the Fund, annual financial statements as of the same date as the annual financial statements of the Fund, unless it is impractical to do so. In such a case management accounts of investees are utilised in applying the equity method and may be subject to estimations in the calculation of the annual figures to be used.

1.14 Unauthorised, irregular, fruitless and wasteful expenditure

Unauthorised, irregular, fruitless and wasteful expenditure is expenditure that is contrary to the Public Finance Management Act (Act No.1 of 1999). Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority it is treated as a current asset in the Statement of Financial Position until it is recovered or written off as irrecoverable in the Statement of Financial Performance.

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Accounting Policies

1.15 Investment Management

The investment assets of the Fund are managed by Public Investment Corporation. However, in terms of their mandate the PIC appointed the following external managers to manage part of the investment portfolio:

- Mazi Capital (PTY) LTD Portfolio-Assets under management R1.64 billion
- Mergence Investment Managers (PTY) LTD - Assets under management R1.71 billion
- Sentio Asset Managers (PTY) LTD - Assets under management R1.69 billion
- Robeco Asset Managers (Foreign Investors) - Assets under management R5.93 billion

1.16 Budget

The Fund aligns its budget priorities with that of National Government and the Department of Labour by ensuring the budget delivers on priorities such as efficient service delivery, poverty alleviation and building sound institutional arrangements. The approved budget covers the period 1 April 2018 to 31 March 2019.

The Unemployment Insurance Fund compiles its budget on a zero basis and the financial statements on the accrual basis. The budget is approved on a zero basis by classification of expenditure by nature. Since the annual financial statements and the budget are not on the same basis of accounting, a reconciliation between the statement of financial performance and the budget has been included in the annual financial statements. Refer to note 40.

The financial strategy of the Fund takes into account the requirements of the PFMA and National Treasury Regulations which requires an integrated approach between the strategic plans of the Fund when allocating resources.

The Fund is mandated to operate on the basis of a surplus i.e. that current revenue exceeds current expenditure. The medium term budget is based on an approach ensuring that revenue exceeds the planned expenditure and potential liabilities. The Unemployment Insurance Fund does not receive a budget allocation (Vote) from National Treasury and the surplus as at reporting date is due to contribution collected exceeding claims and expenditure paid for the period under review. The Unemployment Insurance Fund however carries the liability of future claims based on the contribution received.

Written approval is annually obtained from the National Treasury to retain surplus funds according to the PFMA Section 53 (2).

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
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2. New Standards and Interpretations of GRAP

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board on the basis of consistent with the prior year.

The following Standards of GRAP, Interpretations of the Standards of GRAP and Guidelines that entities may consider in formulating an accounting policy were approved by the Accounting Standards Board, but the Minister of Finance has not determined an effective date yet:

- **GRAP 32: Service Concession Arrangements (Grantor)**
It is expected that the requirements of the Standard will not be applicable to the Fund and therefore its effect on the financial statements is not determined since the Fund is not engaged in any service concession arrangements.
- **IGRAP 17: Service concession arrangements where the grantor controls a significant residual interest in an asset**
It is expected that the requirements of the Interpretation of the Standard will not be applicable to the Fund since the Fund is not engaged in any service concession arrangements and therefore its effect on the financial statements is not determined.
- **GRAP 108: Statutory Receivables**
It is expected that the requirements of the Standard will be applicable to the Fund. Based on industry comparison and inputs received from National Treasury, the Fund formulated an accounting policy around statutory receivables according to Directive 5 paragraph 30 issued by the Accounting Standards Board.
- **GRAP 109: Accounting by Principals and Agents**
It is expected that the requirements of the Standard will not be applicable to the Fund and therefore its effect on the financial statements is not determined since the Fund is not engaged in any principal-agent arrangements.
- **GRAP 20: Related Parties**
The requirements of the Standard are applicable to the Fund. Related party relationships and transactions are disclosed according to the Standard and is presented in note 39.
- **IGRAP 18: Recognition and Derecognition of Land**
It is expected that the requirements of the Interpretation of the Standard will not be applicable to the Fund and therefore its effect on the financial statements is not determined.
- **IGRAP 19: Liabilities to Pay Levies**
It is expected that the requirements of the Interpretation of the Standard will not be applicable to the Fund and therefore its effect on the financial statements is not determined.
- **Guideline: Accounting for arrangements undertaken in terms of the National Housing Programme**
It is expected that the requirements of the Guideline will not be applicable to the Fund and therefore its effect on the financial statements is not determined.

3. Prior period errors

UIF in the past correctly applied the identification, recognition and measurement requirements as per GRAP 104 for its unlisted debt instruments in the investment portfolio. During the current year it was however discovered that the disclosure requirements of GRAP 104 were not correctly applied in terms of the categorisation of the different classes of instruments. A corresponding restatement of the relevant disclosure notes were performed. This restatement impacts disclosure only and no corresponding amounts have been adjusted for prior years.

UIF in the past correctly applied the identification, recognition and measurement requirements as per GRAP 104 for its fixed deposits. During the current year it was however discovered that the disclosure requirements of GRAP 104 were not correctly applied for the fixed deposits based on their purpose. It was therefore decided that short term, highly liquid instruments utilised to convert to cash for cash flow management purposes should rather be disclosed as cash equivalents in stead of Loans and receivables since these deposits are not held for investment purposes. A corresponding restatement of the relevant disclosure notes were performed. This restatement impacts disclosure only and no corresponding amounts have been adjusted for prior years.

Comparative information was adjusted in accordance with GRAP3, Accounting Policies, Changes in Accounting Estimates and Errors. The effect on the disclosures are as follow:

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
3. Prior period errors (continued)		
Other financial assets - Note 18		
Fair value		
Unlisted financial instruments		
Previously stated	-	-
Adjustment - classification correction	-	5 792 812
Restated - Unlisted financial instruments	-	5 792 812
At amortised cost		
Loans and receivables		
Previously stated	-	5 792 812
Adjustment - classification correction	-	(5 792 812)
Loans and receivables - restated	-	-
Fixed deposits		
Previously stated	-	10 592 716
Adjustment of fixed deposits to cash and cash equivalents	-	(497 138)
Restated - Fixed deposits	-	10 095 578
Total investments		
Non-current assets		
At fair value		
Previously stated	-	87 916 603
Adjustment - unlisted financial instruments	-	5 792 812
Restated - Non-current assets at fair value	-	93 709 415
At amortised cost		
Previously stated	-	5 792 812
Adjustment - loans and receivables	-	(5 792 812)
Restated - Non-current assets at amortised cost		
Current assets		
At amortised cost		
Previously stated	-	10 837 189
Adjustment of fixed deposits to cash and cash equivalents	-	(497 138)
Restated - Current assets at amortised cost	-	10 340 051
Statement of Financial Position		
Current assets		
Other financial assets		
Previously stated	-	57 775 207
Adjustment - fixed deposits	-	(497 138)
Restated - Other financial assets	-	57 278 069
Cash and cash equivalents		
Previously stated	-	2 719 018
Adjustment - fixed deposits	-	497 138
Restated - Cash and cash equivalents	-	3 216 156

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
3. Prior period errors (continued)		
Cash Flow Statement		
Cash flow from investing activities		
Purchase of financial assets		
Previously stated	-	(46 586 744)
Reclassification of fixed deposits to cash and cash equivalents	-	10 850 000
Restated - Purchase of financial assets	-	(35 736 744)
Proceeds from sale of financial assets		
Previously stated	-	35 159 917
Reclassification of fixed deposits to cash and cash equivalents	-	(11 350 000)
Restated - Proceeds from sale of financial assets	-	23 809 917
Net increase/decrease in cash and cash equivalents		
Previously stated	-	1 421 574
Reclassification of fixed deposits	-	500 000
Restated - Net increase/(decrease) in cash and cash equivalents	-	921 573
Cash and cash equivalents at the beginning of the year		
Previously stated	-	1 297 421
Reclassification of fixed deposits	-	997 139
Restated - Cash and cash equivalents at the beginning of the year	-	2 294 560
Cash and cash equivalents at the end of the year		
Previously stated	-	2 718 995
Reclassification of fixed deposits	-	497 138
Restated - cash and cash equivalents at the end of the year	-	3 216 133
Investments in Associates and Joint Ventures		
<p>During the previous financial year ended 31 March 2018, the Fund used management accounts and draft annual financial statements to equity account for the Associates and Joint Ventures listed below. Audited annual financial statements were received from these associates and joint ventures during the financial year ended 31 March 2019 which differed from the financial information used as at 31 March 2018.</p> <p>Subsequently, the Fund had to process adjustments in order to restate the Fund's share of profit/(loss) in the statement of financial position and the statement of financial performance. In addition, the Fund had to re-assess each Associate and Joint Venture for impairment.</p>		
Prior period adjustments: Share of Profit/(Losses)		
Associate/Joint Venture	Statement of Financial Position	Statement of Financial Performance
Clinix Health Group (Pty) Ltd	(1 079)	1 079
Daybreak Farms (Pty) Ltd	15 595	(15 595)
Kefolile Health Investments (Pty) Ltd	(51 826)	51 826
Musa Group (Pty) Ltd	(32 810)	32 810
Trans African Concessions (Pty) Ltd	26 313	(26 313)
UIF Agri Fund 1 en Commandite Partnership	(1 206)	1 206
Kefolile Consumer Brands (Pty) Ltd	(3 578)	3 578
Matseke Medical Consultants CC	218	(218)
	(48 373)	48 373

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
3. Prior period errors (continued)		
Prior period adjustments: Impairments		
Associate/Joint Venture		
	Statement of Financial Position	Statement of Financial Performance
Clinix Health Group (Pty) Ltd	(498)	498
Daybreak Farms (Pty) Ltd	(432 898)	432 898
Kefolile Health Investments (Pty) Ltd	(56 223)	56 223
Musa Groupt (Pty) Ltd	(7 494)	7 494
Trans African Concessions (Pty) Ltd	(2 868)	2 868
UIF Agri Fund 1 en Commandite Partnership	(222 412)	222 412
Kefolile Consumer Brands (Pty) Ltd	(11 595)	11 595
Matseke Medical Consultants CC	(218)	218
	(734 206)	734 206
Statement of Financial Performance		
Surplus/(deficit) from equity accounted investments		
Previously stated	-	91 707
Adjustments made based on updated financial information	-	(48 373)
Surplus/(deficit) from equity accounted investments - restated	-	43 334
Impairment on investments in associates and joint ventures		
Previously stated	-	-
Adjustments made based on updated financial information	-	(734 205)
Impairment on investments in associates and joint ventures - restated	-	(734 205)
Statement of Financial Position		
Assets		
Non-current assets		
Investments in joint ventures		
Previously stated	-	275 041
Adjustments made based on updated financial information	-	(15 172)
Investments in joint ventures - restated	-	259 869
Investments in associates		
Previously stated	-	3 653 523
Adjustments made based on updated financial information	-	(767 405)
Investments in associates - restated	-	2 886 118
Statement of changes in equity		
Accumulated surplus		
Surplus for the year previously stated	-	13 509 822
Adjustments - impairments on investments in associates and joint ventures	-	(734 205)
Adjustments - surpluses/(deficits) on investments in associates and joint ventures	-	(48 373)
Surplus for the year ended 31 March 2018 - restated	-	12 727 245
Plus: Accumulated surplus as at 31 March 2017	-	94 822 325
Less: Transfers to technical reserves	-	(2 625 120)
Accumulated surplus as at 31 March 2018 - restated	-	104 924 450

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
3. Prior period errors (continued)		
Re-allocation of benefit payments against the Outstanding Claims Reserve provision		
Provision is made on a best-estimate basis for the future amounts payable on all claims incurred as at the valuation date. This provision provides for: future payments on benefits already in payment at the valuation date – these benefits are classified as incurred but not enough reported (“IBNER”); and benefits incurred but not reported (“IBNR”) by the valuation date.		
The outstanding benefits provision is calculated at the reporting date using actuarial techniques. Adjustments to the provision are recorded in the statement of financial performance at each reporting date. Claims handling expenses are taken into account and allowed for explicitly. The provision is not discounted.		
During previous financial years, the Fund disclosed all benefit payments under benefit payments, however, benefit payments for which provision was made as part of the Outstanding Claims Reserve, was never set off against the provision.		
Statement of Financial Performance		
Benefit payments		
Previously stated	-	9 227 370
Less: benefits paid against the Outstanding Claims Reserve provision	-	(4 147 274)
Restated - Benefit payments	-	5 080 096
Changes in benefits payable		
Previously stated	-	7 157 242
Plus: benefits paid against the Outstanding Claims Reserve provision	-	4 147 274
Loans to economic entities	-	11 304 516
4. Revenue		
Contributions received	19 197 029	18 319 973
Penalties and interest received from contributors	368 185	420 092
	19 565 214	18 740 065
Revenue consists of Unemployment Insurance contributions, interest and penalties received from registered employers in terms of the Unemployment Insurance Contributions Act (Act No.4 of 2002).		
5. Benefit payments		
Benefit payments to beneficiaries		
Benefit payment- Unemployed	4 501 694	4 019 541
Benefit payment - Illness	157 405	161 769
Benefit payment - Maternity	851 699	711 585
Benefit payment - Adoption	271	251
Benefit payment - Dependants	198 901	186 950
	5 709 970	5 080 096
Changes in benefits payable		
Changes in benefit payable	12 823 361	11 304 516
	18 533 331	16 384 612

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
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5. Benefit payments (continued)

Calculation of benefits

Section 13(3) of the Unemployment Insurance Act (Act no. 63 of 2001) - The Unemployment Insurance Act (Act no. 63 of 2001) amended and the Unemployment Insurance Contributions Act (Act no. 4 of 2002) brought a complete change in the manner in which the Unemployment Insurance Fund received contributions and calculates insurance benefits and liabilities.

Section 13(3) of the UI Act states: ".....a contributor's entitlement to benefits in terms of the Chapter accrues at a rate of one day's benefit for every completed six days of employment as a contributor subject to a maximum accrual of 238 days benefit in the four year period immediately preceding the date of application for benefits in terms of the Chapter, less any days of benefit received by the contributor during the period."

"Regulation no. 98 Government Notice no. 29594" issued by the Minister of Labour, published on 5 February 2007, entrenched the annual capping principles used by the Fund in the calculation of credit days and the processing of benefit claims in the SIYAYA Operational System.

Creation and maintenance of database

Section 57 of the Unemployment Insurance Act (Act no. 63 of 2001) prescribes that the Fund has to maintain a database of contributors. The Fund recognises the importance of the information captured on the database as it forms the basis for the payment of unemployment insurance claims. Apart from the system controls by way of the various business rules built into the application, the Fund implemented various other controls: Declarations received are screened by the Team Leaders in the Employee Declaration Section (EDS),

- Employer record is verified to ensure that the address matches the master record
- Information on the form is verified to ensure that it is properly and correctly completed and dates and other fields meet business rule requirements
- Declarations captured at UIF Head Office are subjected to a random sampling by the supervisors in the section and errors identified are corrected
- Declarations are updated directly from extracts of auditable payrolls of employers
- ID numbers captured are validated against the population register

The Fund implemented a process to validate the declarations through basic electronic validation on claims and verification with UI19 declarations received, to obtain a level of comfort regarding the completeness, accuracy and validity of the data captured on the database. The Fund validated the declarations on which the current year claims were based on before validating previous year's due to the volume of declarations. Consistent investigations are done to look at options to enhance business processes regarding the collection and maintenance of declaration data.

6. Unemployment alleviation schemes

Training and Social Plan Funding	107 016	45 568
Training Lay-Off Scheme	13 057	3 105
	120 073	48 673

Section 48(1)(a)(iv) of the Unemployment Insurance Act, 2001 as amended

Section 48(1)(a)(iv) of the Unemployment Insurance Act, 2001 as amended stipulates that the Unemployment Insurance Board must advise the Minister on the creation of schemes to alleviate the effects of unemployment.

Training Lay-off Scheme

The UI Board recommended to the Minister of Labour who approved on 23 September 2009 to commit R1.2 billion of the Funds money for the "Training Layoff Schemes".

"Training Layoff" is temporary suspension of work for a worker or a group of workers that will be sent for training. The scheme is aimed at companies that are in distress due to economic conditions and at workers who may be at risk of retrenchment that might become unemployment claimants.

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
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6. Unemployment alleviation schemes (continued)

The "Training Layoff Scheme" depends on an agreement between an employer and workers that there will be continued employment and that the employer will pay all contributions to social security benefits during the training period. The worker(s) agree to forego their normal wage, to attend the training programme and to accept a training allowance during the period of training. Employers gain a recovery period by reducing payroll costs for a period of six months and improve the skills of their workers at limited cost to the company.

The various Sector Education Training Authorities (SETA's) facilitate the training interventions. To fund the "Training Layoff Schemes" training allowance, the National Skills Fund (NSF) committed R1.2 billion and the UIF R1.2 billion and administer the payment thereof.

Applications to participate in the project go through a strict process that includes the Commission for Conciliation, Mediation and Arbitration (CCMA) and a Project Evaluation Committee (PEC) convened by the UIF.

The Fund's committed R1.2 billion to the "Training Layoff Scheme" was budgeted for expenditure over the MTEF period. The Fund signed funding agreements to the value of R1.3 billion (2018: R179 million) since the inception of the scheme and paid R120 million during the year under review (2018: R5.3 million) based on withdrawal conditions.

Training and Social Plan Funding

Skilling of the unemployed in general and the UIF unemployment beneficiaries is needed in order to improve their chances to be reintegrated back into the employment environment.

The Minister of Labour approved in principle projects to provide funding to "Poverty Alleviation Schemes" including up-skilling/training to the unemployed and Social Plan funding.

The Fund budgeted R945 million for up-skilling/training and Social Plan funding for the financial year ended 31 March 2019 (2018: R889 million). The up-skilling/training and Social Plan funding are to be executed in close relationship with the Training Institutions, the various Sector Education Training Authorities (SETA's) and other Government Departments engaged in poverty/unemployment alleviation initiatives.

R1.08 billion has been committed through funding agreements since the inception of the "Training of the Unemployed" initiative. The Fund signed funding agreements to the value of R1.4 billion, with SETA's to the value R215 and additional contracts with Public Entities, TVET Colleges and Universities to the value of R1.17 billion.

The Social Plan is implemented through Productivity South Africa. Productivity South Africa implements Turnaround Solutions to companies that want to improve their productivity. This services has also been extended to companies that are in distress through the Training Lay-off Scheme.

The three year service level agreement which was signed with Productivity South Africa according to which the UIF has committed to pay R62 million for 2016/2017 and R78.72 million for 2017/2018. R16.05 million was paid to Productivity South Africa with regards to Social Plan Funding for the year under review based on the funding conditions in the agreement.

7. Other income

Rental income	1 746	2 362
Recovery on overpayment written off	14 376	17 838
Other recoveries	5 376	1 927
Legal settlement	-	40
Proceeds on disposals	1 345	2
	22 843	22 169

Legal Settlement

During the previous financial year the UIF through the office the State Law Attorney accepted the offer of settlement against a plaintiff, having bought mortgage his Erf 331 Alice Municipality in security for a loan to the former Ciskei Bank. The plaintiff failed to pay the loan in full and the property was transferred to Ciskei Unemployment Insurance Fund. The State Law Attorney ruled that the matter is settled out of court by agreeing to release the plaintiff on the security subject to the claim amount being paid to UIF.

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
8. Auditors fees		
Audit 2016/17		
- Audit fees	-	4 718
- Expenses	-	104
Audit 2017/18		
- Audit fees	6 404	3 113
- Expenses	252	208
Audit 2018/19		
- Audit fees	2 190	-
- Expenses	29	-
	8 875	8 143

The Auditor-General's budgeted audit fee for the financial year ended 31 March 2019 amounts to R9,898,500.21 (2018: R9,287,424.00) excluding VAT.

9. Depreciation, amortisation and impairments

Depreciation and amortisation

Buildings	707	707
Furniture and fixtures	(235)	1 030
Motor vehicles	574	574
Office equipment	403	221
IT equipment	12 697	10 042
Computer software	36 116	32 810
Leasehold improvements	914	1 199
Other property, plant and equipment	(931)	1 518
	50 245	48 101

Impairments loss/(reversal)

Land and Building	-	450
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Depreciation and amortisation

Impairments loss/(reversal)	50 245	48 101
	24 894	450
	75 138	48 551

No depreciation was calculated on investment property during the current year since the residual values of the properties increased to amounts greater than the carrying amounts. The depreciation charge on investment property will remain zero until the property's residual value subsequently decreases to an amount below its carrying amount.

Impairment reversal on building is as a result of an increase in the market value in comparison to the prior year valuation. Since the Fund is using the cost model, the impairment had to be reversed in order to disclose the building at cost.

Independent valuers were used by the Fund to determine the recoverable service amount for the impairment reversal that took place. The effective date of the valuation was 31 March 2019. The valuation was performed by Spectrum Valuations and Asset Solutions (Pty) Ltd, professional registered valuers.

10. Investment revenue

Investment revenue

Listed financial assets	7 366 551	6 752 382
Other financial assets	3 102 761	2 501 234
Bank	80 147	80 118
Interest received - other	22 354	20 579
	10 571 813	9 354 313

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
10. Investment revenue (continued)		
Investment revenue earned on financial assets by category		
Interest earned on financial assets at fair value	8 052 170	7 305 500
Dividends earned on financial assets at fair value	1 596 880	1 250 767
Interest earned on financial assets at amortised cost	922 763	798 046
	10 571 813	9 354 313
Rates of interest		Effective interest rate Weighted average
Government bonds	Fixed Rate	5,47 % 4,73 %
Parastatal bonds		
- Parastatal bonds	Fixed Rate	7,75 % 0,94 %
- Parastatal bonds	Floating Rate	8,69 % 7,37 %
Corporate bonds		
- Manufacturing bonds	Fixed Rate	9,49 % 9,49 %
- Service bonds	Fixed Rate	9,30 % 9,49 %
- Financial bonds	Fixed Rate	9,39 % 9,30 %
Certificate of deposits	Fixed Rate	8,20 % 0,10 %
Promissory notes	Fixed Rate	7,75 % 4,84 %
Bills	Floating Rate	7,80 % 7,32 %
Fixed deposits - FNB	Floating Rate	7,28 % 7,02 %
Fixed deposits - PIC	Floating Rate	7,85 % 7,66 %
Cash and cash equivalents	Floating Rate	6,25 % 7,37 %
11. Fair value adjustments		
Other financial assets		
• Investment at fair value	(9 574 096)	3 859 251
Fair value per asset category		
Listed Equity	(2 353 394)	1 367 278
Bonds	(6 834 428)	2 759 292
Bills	(27)	294
Promissory Notes	(1 181)	1 429
Negotiable Certificates of Deposit	(1 515)	384
Derivatives	22 103	(484 985)
Social Responsible Investments	(1 550 879)	89 270
Foreign Instruments	1 145 225	126 289
	(9 574 096)	3 859 251
The Fund discontinued to implement a zero cost collar derivative structure aimed at hedging R1 billion Naspers equity exposure to mitigate stock concentration risk after the successful implementation of the Capped SWIX benchmark. The derivative structure hedged approximately 25% of Naspers exposure in the internally managed portion of the equity portfolio. Independent valuations of all the Social Responsible Investments were performed as at 31 March 2019 and all the market values adjusted.		
12. Surplus/(deficit) from equity accounted investments		
Surplus/(deficit) from Joint Ventures		
Kefolile Consumer Brands (Pty) Ltd	(98 191)	3 388
Matseke Medical Consultants CC	-	218
Total	(98 191)	3 606

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
12. Surplus/(deficit) from equity accounted investments (continued)		
Surplus/(deficit) from Associates		
Clinix Health Group (Pty) Ltd	(3 236)	497
Daybreak Farms (Pty) Ltd	86 501	69 297
Educor Property Holdings (Pty) Ltd	115 763	19 165
Gurb Investments (Pty) Ltd	(869)	(1 403)
Kefolile Health Investments (Pty) Ltd	(179 008)	(137 157)
Musa Group Pty Ltd	(37 859)	(40 123)
Razorite Health & Rehabilitation Fund en Commandite Partnership	(33 579)	22 772
Resultant Finance (Pty) Ltd	4 514	3 984
Trans African Concessions (Pty) Ltd	34 794	59 070
The SA SME Fund Ltd	(5 060)	(2 222)
South Point Management Services (Pty) Ltd	50 333	32 117
UIF Afgri-Fund 1 en Commandite Partnership	(203)	13 733
Bright Glacier Trading (Pty) Ltd	(381 315)	-
LA Crushers (Pty) Ltd	(2 611)	-
Grey Jade Trading & Invest 69 (Pty) Ltd	2 482	-
Naturecell Africa (Pty) Ltd	739	-
Razorite Fund II en Commandite Partnership	(6 460)	-
Total	(355 075)	39 730
Net Surplus/(Deficit) from Equity Accounted Investments	(453 264)	43 334

13. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Investment property	130 511	(25 702)	104 809	9 990	(809)	9 181

Reconciliation of investment property - 2019

	Opening balance	Additions	Work-in-progress capitalised	Impairments	Total
Investment property	1 990	105 755	-	(24 894)	82 853
Work-in-progress	7 191	17 454	(2 689)	-	21 956
	9 181	123 209	(2 689)	(24 894)	104 809

Reconciliation of investment property - 2018

	Opening balance	Additions	Work-in-progress capitalised	Impairments	Total
Investment property	1 990	-	-	-	1 990
Work-in-progress	-	7 191	-	-	7 191
	1 990	7 191	-	-	9 181

Details of property

ERF 895 (a portion of erf 252) Bisho

Extent 826 m2, Title deed number: T376/1985-CS

- Purchase price: 2 February 1985	41	41
- Additions since purchase or valuation	21 557	818
- Refurbishments (work-in-progress)	-	2 689
	21 598	3 548

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
13. Investment property (continued)		
Portion 4 and 5 (remainder extent) of ERF 43, Thohoyandou		
Extent of portion 4: 2,051m ² , Title deed number: TG83891/2011PTA		
Extent of portion 5: 1,200m ² , Title deed number: TG54675/2012PTA		
- Purchase price: 2 July 1991	1 940	1 940
- Additions since purchase or valuation	-	-
- Refurbishments (work-in-progress)	17 886	4 502
	19 826	6 442
Erf 1112 Marshallstown, City of Johannesburg		
Extent: 2,082m ² , Title deed number - T37743/2018		
- Purchase price: 4 June 2018	74 899	-
- Refurbishments (work-in-progress)	4 060	-
	78 959	-
Erf 222 Annadale, Polokwane		
Extent: 2,855m ² , Title deed number - T2409/2019		
- Purchase price: 7 September 2018	10 118	-
- Refurbishments (work-in-progress)	10	-
	10 128	-

Details of valuation

Erf 895 (a portion of erf 252) Bisho

The effective date of the valuation was 31 March 2019. The market valuation was performed by Knight Frank KZN (Pty) Ltd, professional registered valuers. Knight Frank KZN (Pty) Ltd is not connected to the Fund and has recent experience in the location and category of the investment property being valued. The valuation was based on the discounted cash flow method together with market research in the direct vicinity of the property. Knight Frank KZN (Pty) Ltd certified that the market value of the property was R12,400,000 as at 31 March 2019.

Portion 4 and 5 (remainder extent) of Erf 43, Thohoyandou

The effective date of the valuation was 31 March 2019. The market valuation was performed by Spectrum Valuations and Asset Solutions (Pty) Ltd, professional registered valuers. Spectrum Valuations and Asset Solutions (Pty) Ltd is not connected to the Fund and has recent experience in the location and category of the investment property being valued. The valuation was based on the discounted cash flow method together with market research in the direct vicinity of the property. Spectrum Valuations and Asset Solutions (Pty) Ltd certified that the market value of the property was R7,000,000 as at 31 March 2019.

Erf 1112 Marshallstown, City of Johannesburg

The effective date of the valuation was 31 March 2019. The market valuation was performed by De Leeuw Valuers Cape Town (Pty) Ltd, professional registered valuers. De Leeuw Valuers Cape Town (Pty) Ltd is not connected to the Fund and has recent experience in the location and category of the investment property being valued. The valuation was based on the discounted cash flow method together with market research in the direct vicinity of the property. De Leeuw Valuers Cape Town (Pty) Ltd certified that the market value of the property was R62,600,000 as at 31 March 2019.

Erf 222 Annadale, Polokwane

The effective date of the valuation was 31 March 2019. The market valuation was performed by Spectrum Valuations and Asset Solutions (Pty) Ltd, professional registered valuers. Spectrum Valuations and Asset Solutions (Pty) Ltd is not connected to the Fund and has recent experience in the location and category of the investment property being valued. The valuation was based on the discounted cash flow method together with market research in the direct vicinity of the property. Spectrum Valuations and Asset Solutions (Pty) Ltd certified that the market value of the property was R46,800,000 as at 31 March 2019.

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
13. Investment property (continued)		
Amounts recognised in surplus or deficit		
The following income and expenditure are included in the surplus/deficit of the Fund		
Erf 895 (a portion of erf 252 Bisho)		
Rent received	-	762
Direct operational expenditure	(249)	(223)
	(249)	539
Portion 4 and 5 (remainder extent) of Erf 43, Thohoyandou		
Rent received	417	579
Direct operational expenditure	(332)	(485)
	85	94

14. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Land	61 953	(8 573)	53 380	63 597	(8 573)	55 024
Buildings	64 999	(12 373)	52 626	62 370	(20 517)	41 853
Furniture and fixtures	14 927	(9 345)	5 582	15 786	(10 409)	5 377
Motor vehicles	3 004	(1 999)	1 005	3 004	(1 425)	1 579
Office equipment	8 158	(1 042)	7 116	2 723	(1 808)	915
IT equipment	96 562	(40 353)	56 209	36 910	(28 435)	8 475
Leasehold improvements	3 608	(3 710)	(102)	3 596	(2 796)	800
Other property, plant and equipment	7 576	(3 126)	4 450	7 576	(4 057)	3 519
Total	260 787	(80 521)	180 266	195 562	(78 020)	117 542

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Land	55 023	-	(1 643)	-	53 380
Buildings	41 304	-	(4 954)	(707)	35 643
Furniture and fixtures	5 377	-	(29)	235	5 583
Motor vehicles	1 579	-	-	(574)	1 005
Office equipment	915	6 636	(32)	(403)	7 116
IT equipment	8 475	33 798	-	(12 697)	29 576
Leasehold improvements	800	12	-	(914)	(102)
Other property, plant and equipment	3 519	-	-	931	4 450
Work-in-progress	549	43 066	-	-	43 615
	117 541	83 512	(6 658)	(14 129)	180 266

Unemployment Insurance Fund

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Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000				
14. Property, plant and equipment (continued)						
Reconciliation of property, plant and equipment - 2018						
	Opening balance	Additions	Depreciation	Impairment loss	Impairment reversal	Total
Land	31 518	28 571	-	(5 066)	-	55 023
Buildings	37 394	-	(707)	-	4 617	41 304
Furniture and fixtures	4 705	1 702	(1 030)	-	-	5 377
Motor vehicles	2 153	-	(574)	-	-	1 579
Office equipment	1 104	32	(221)	-	-	915
IT equipment	18 259	258	(10 042)	-	-	8 475
Leasehold improvements	1 996	2	(1 198)	-	-	800
Other property, plant and equipment	5 037	-	(1 518)	-	-	3 519
Work-in-progress	-	549	-	-	-	549
	102 166	31 114	(15 290)	(5 066)	4 617	117 541

Repairs and Maintenance

Buildings	1 068	822
Motor vehicles	118	267
Office Equipment	12	42
Furniture and fixtures	-	5
Other property plant and equipment	37	82
	1 235	1 218

Details of properties

**Erf 3384, Pretoria, Reg. Div. J.R. Gauteng, extent: 8,454m²
Title deed number: T8852/1992**

Details of valuation:

The effective date of the valuation was 31 March 2019. The market valuation was performed by Knight Frank KZN (Pty) Ltd, professional registered valuers.

The valuation was based on the income capitalisation method together with market research in the direct vicinity of the property. Knight Frank KZN (Pty) Ltd certified that the present day market value of the property was R90,600,000 as at 31 March 2019.

Erf 34, Randjespark, Extension 30, Midrand

Details: Erf 34, Ranjespark, Extension 30, Midrand was sold in September 2018 to the value of R8,000,000.00.

Erf 834 Portion 50 extent 2,519m², Title deed number: T93418/2015, Sunnyside, Pretoria

Details of valuation:

The effective date of the valuation was 31 March 2019. The market valuation was performed by Knight Frank KZN (Pty) Ltd, professional registered valuers. The valuation was based on the income capitalisation method together with market research in the direct vicinity of the property. Knight Frank KZN (Pty) Ltd certified that the present day market value of the property was R22,500,000 as at 31 March 2019.

Unemployment Insurance Fund

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R '000

2018
R '000

14. Property, plant and equipment (continued)

Erf 82: extent 974m², Erf 83: extent 4,695m², Erf 1431, extent 743m², and Erf 1432, Extent 308m², Title deed number: T85860/2017, Sunnyside, Pretoria

Details of valuation:

The effective date of the valuation was 31 March 2019. The market valuation was performed by Spectrum Valuations and Asset Solutions (Pty) LTD, professional registered valuers. The valuation was based on the direct comparable method together with market research in the direct vicinity of the property. Spectrum Valuations and Asset Solutions (Pty) LTD certified that the present day market value of the property was R26,300,000 as at 31 March 2019.

15. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	109 953	(70 535)	39 418	96 883	(37 257)	59 626
Other intangible assets	83 947	-	83 947	83 947	-	83 947
Total	193 900	(70 535)	123 365	180 830	(37 257)	143 573

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software, other	58 376	15 944	-	(36 116)	38 204
Work-in-progress	1 249	499	(534)	-	1 214
Intellectual Property	83 947	-	-	-	83 947
	143 572	16 443	(534)	(36 116)	123 365

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software, other	90 243	2 192	-	(32 810)	59 626
Intellectual Property	59 398	24 549	-	-	83 947
	149 641	26 741	-	(32 810)	143 573

Intellectual property

The Fund developed various computer applications (Intellectual Property) that will enable the Fund to automate processes that will simplify the receipt of employee remuneration information from employers directly into the Funds systems and streamline the payment of contributions in line with the declaration information. Unemployment claims will simultaneously be aligned through an online claims process.

16. Investment in Joint Ventures

2019

Unlisted: R153,931,335

Company	Opening Balance	Surplus/ (Deficit) for the year	Dividends	Total
Kefolile Consumer Brands (Pty) Ltd.	177 958	(98 191)	(7 748)	72 019
Matseke Medical Consultants CC	81 911	-	-	81 911
	259 869	(98 191)	(7 748)	153 931

Unemployment Insurance Fund

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Notes to the Audited Annual Financial Statements

2019
R '000

2018
R '000

16. Investment in Joint Ventures (continued)

The UIF has the following significantly jointly controlled entity that is equity accounted :

Kefolile Consumer Brands (Pty) Ltd has a year-end of 30 June and Matseke Medical Consultants CC a year-end of 28 February . The year-ends are different because the entities deem its year-ends the most suitable for its other stakeholders for decision making purposes.

Company	Principal place of business	Nature of business	Dividends	Percentage Holding	Fair Value
Kefolile Consumer Brands (Pty)Ltd	RSA	Investment Holdings	7 748	50%	-
Matseke Medical CC	RSA	Special Purpose Vehicle Health Care	-	51%	90 079
			7 748		90 079

Summary of financial information:

Company	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Net Assets/ Liabilities	Revenue	Surplus/ Deficit
Kefolile Consumer Brands (Pty)Ltd	4 760	177 760	(5 576)	(175 307)	1 638	11 586	(196 381)
Matseke Medical Consultant CC	-	-	2 646	(318)	2 328	-	-

Kefolile Consumer Brands (Pty)Ltd received a shareholder loan from the UIF valued at R74,002,400 as at 31 March 2019, the loan is maturing on 31 December 2026.

2018

Unlisted: R259,869,000

Company	Opening Balance	Acquisition Equity	Surplus/ (Deficit) for the year	Dividends	Impairments	Closing Balance
Kefolile Consumer Brands (Pty)Ltd	191 688	-	3 388	(5 523)	(11 595)	177 958
Matseke Medical Consultants CC	-	81 911	218	-	(218)	81 911
	191 688	81 911	3 606	(5 523)	(11 813)	259 869

The UIF has the following significantly jointly controlled entity that is equity accounted :

Kefolile Consumer Brands (Pty) Ltd has a year-end of 30 June and Matseke Medical Consultants CC a year-end of 28 February . The year-ends are different because the entities deem its year-ends the most suitable for its other stakeholders for decision making purposes.

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Notes to the Audited Annual Financial Statements

						2019	2018
						R '000	R '000
16. Investment in Joint Ventures (continued)							
Fair value							
Company	Principal Place of Business	Nature of Business	Dividends	Shareholding %	Fair Value		
Kefolile Consumer Brands (Pty) Ltd.	RSA	Investment Holdings Special Purpose Vehicle	5 523	50%	-		
Matseke Medical Consultants CC	RSA	Health Care	-	51%	81 911		
			<u>5 523</u>		<u>81 911</u>		

The UIF has the following significantly jointly controlled entity that is equity accounted:

Kefolile Consumer Brands (Pty) Ltd has a year-end of 30 June and Matseke Medical Consultants CC a year-end of 28 February. The year-ends are different because the entities deem its year-ends the most suitable for its other stakeholders for decision making purposes.

Summary of financial information:

Company	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Revenue	Surplus/ (Deficit)
Kefolile Consumer Brands (Pty) Ltd	2 410	376 302	(2 447)	(172 342)	25 920	6 776
Matseke Medical Consultants CC	-	2 645	-	(318)	-	1 711

Kefolile Consumer Brands (Pty) Ltd received a shareholder loan from UIF fair valued at R411,000,000 (un-impaired), R177,958,000 is recoverable as at 31 March 2018. The loan is maturing on 31 December 2026.

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Notes to the Audited Annual Financial Statements

2019 R '000

2018 R '000

17. Investments in associates

2019

Unlisted Investments in Associates: R3,696,318,360

The Fund has the following significant associates that are equity accounted for:

Company	Opening Balance	Acquisition	Impairment	Surplus/ (Deficit) for the year	Preference shares acquisition	Loan acquisition	Loan disposal	Dividends	Closing Balance
Daybreak Farms (Pty) Ltd	178 814	-	1	86 501	-	-	-	-	265 316
Educor Property Holdings (Pty) Ltd	335 968	-	(18 447)	115 763	-	-	-	-	433 284
GURB Investment (Pty) Ltd	41 796	-	-	(869)	-	-	-	-	40 927
Kefolie Health Investment (Pty)Ltd	222 267	-	-	(179 008)	-	-	-	(10 997)	32 262
South Point Management Services (Pty) Ltd	383 172	-	(20 505)	50 333	-	-	-	-	413 000
Rezorite Health and Rehabilitation Fund en Commandite Partnership	264 668	6 576	-	(33 579)	-	-	-	-	237 665
Resultant Finance (Pty) Ltd	323 267	-	-	4 514	-	91 783	(82 009)	(1 053)	336 502
UIF Afri Fund 1 en Commandite Partnership	502 287	-	-	(203)	-	-	-	-	502 084
Musa Group (Pty) Ltd	209 551	-	(32 859)	(37 859)	-	-	-	-	138 833
Trans African Concessions (Pty)Ltd	262 900	-	-	34 794	-	-	-	(61 013)	236 681
The SA SME Fund Limited	24 910	90 000	(11 786)	(5 060)	-	-	-	-	98 064
Clinix Health Group (Pty)Ltd	136 518	-	-	(3 236)	42 933	-	-	-	176 215
Bright Glacier Trading (Pty) Ltd	-	23 000	(441 122)	(381 315)	1 348 000	-	-	-	548 563
Grey Jade Trade & Invest 69 (Pty) Ltd	-	-	-	2 482	-	53 557	-	-	56 039
LA Crushers (Pty) Ltd	-	800	(44 279)	(2 611)	-	131 717	-	-	85 627
Naturecell Africa (Pty) ltd	-	-	-	739	-	18 797	-	-	19 536
Razorite Fund II en Commandite Partnership	-	82 180	-	(6 460)	-	-	-	-	75 720
	2 886 118	202 556	(568 995)	(355 075)	1 390 933	295 854	(82 009)	(73 063)	3 696 318

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Notes to the Audited Annual Financial Statements

			2019 R '000	2018 R '000	
17. Investments in associates (continued)					
Normal shares in associates:					
Company	Principal Place of Business	Nature of business	Dividends	Shareholding %	Fair Value
Daybreak Farms (Pty)Ltd	RSA	Farming	-	33%	-
Educor Property Holdings (Pty) Ltd	RSA	Property owning and development	-	42%	288 284
GURB Investment (Pty) Ltd	RSA	Special Purpose Vehicle for Investment	-	10%	1 654
Kefolile Health Investment (Pty) Ltd	RSA	Health Care Company	10 997	30%	-
South Point Management Services (Pty) Ltd	RSA	Student Accommodation	-	40%	413 000
Rezorite Health and Rehabilitation Fund en Commandite Partnership	RSA	Health Care Company	-	21.43% to 19.56%	251 459
Resultant Finance (Pty) Ltd	RSA	Asset Rentals	1 053	15%	11 502
Trans African Concessions (Pty) Ltd	RSA	Road Infrastructure	61 015	12.34%	248 500
Musa Group(Pty) Ltd	RSA	Financial Services	-	15%	-
The SA SME Fund Limited	RSA	Various	-	21.47% to 22.32%	98 065
Clinix Health Group (Pty) Ltd	RSA	Health Care	-	20%	158 620
UIF Agri Fund 1 en Commandite Partnership	RSA	Agriculture	-	100%	517 727
Grey Jade Trade & Invest 69 (Pty) Ltd	RSA	Agriculture	-	33%	600
Bright Glacier Trading (Pty) Ltd	RSA	FMCG	-	40%	-
Razorite Fund II & Commandite Partnership	RSA	Health Care	-	60%	194 466
Naturecell Africa (Pty) Ltd	RSA	Agriculture	-	35%	-
L.A. Crushers (Pty) Ltd	RSA	Mining	-	10.40%	-
					2 183 877

Preference shares in associates:

Company	Principal Place of Business	Nature of business	Shareholding %	Fair Value
GURB Investment (Pty) Ltd	RSA	Special purpose vehicle for investments	10%	57 733
Educor Property Holdings (Pty) Ltd	RSA	Property owning and development	42%	145 000
Clinix Health Group (Pty) Ltd	RSA	Health Care Company	30%	45 648
Bright Glacier Trading (Pty) Ltd	RSA	FMCG	40%	548 600
Daybreak Farms Pref A	RSA	Farming	33%	119 229
Daybreak Farms Pref B	RSA	Farming	33%	460 368
				1 376 578

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
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17. Investments in associates (continued)

Preference Shares

UIF has preference shares issued by GURB Investment (Pty) Ltd valued at R57,732,986, interest is prime rate + margin compounded monthly. The preference shares are valued using discounted cash flows.

UIF has callable redeemable B preference shares issued by Educor Property Holdings (Pty) Ltd valued at R145,000,000 interest at 0%, redeemable after 5 years. The preference shares are accounted for using discounted cash flow.

The UIF has a non-cumulative redeemable participating "A" preference shares with Daybreak Farms (Pty) Ltd, valued at R119,228,642.

The UIF has a non-cumulative redeemable participating "B" preference shares with Daybreak Farms (Pty) Ltd, valued at R460,368,337.

The UIF has preference shares issued by Bright Glacier Trading (Pty) Ltd valued at R548,600,000. The preference shares are valued using the discounted cashflow method.

Financial Year-ends

All associates share the same year end as the holding company except Educor Property Holdings - 31 December, Kefolile Health Investments (Pty) Ltd - 30 June, Musa Group (Pty) Ltd - 28 February, Resultant Finance (Pty) Ltd - 28 February, Clinix Health Group (Pty) Ltd - 30 September, The SA SME Fund Limited - 28 February, LA Crushers (Pty) Ltd - 28 February, Naturecell Africa (Pty) Ltd - 28 February and UIF Agrifund I en Commandite Partnership - 31 December. The year ends are different because the entities deem their year ends the most suitable for their other stakeholders for decision making purposes.

Voting rights

Gurb Investment Holdings (Pty) Ltd had significant influence because it had significant voting rights. UIF did not have significant voting rights in UIF Agrifund 1 and 2 en Commandite Partnerships. The significant voting rights are with Razorite Fund Managers and therefore the investment has been classified as an associate.

Loans

UIF issued a senior loan to Kefolile Health Investments (Pty) Ltd of R411,000,000 with a maturity date of 26 July 2026.

UIF has a loan with Musa Group (Pty) Ltd valued at R 314,438,051, interest is prime + 1% and is payable on 18 January 2027.

UIF has loan facilities with Resultant Finance (Pty) Ltd to the value of R340,936,084.

UIF has loan facilities with Grey Jade & Invest 69 (Pty) Ltd to the value of R56,240,400.

UIF has a facility with Naturecell Africa (Pty) Ltd to the value of R18,796,999.

UIF has loan facilities with LA Crushers (Pty) Ltd to the value of R85,627,934.

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Notes to the Audited Annual Financial Statements

	2019		2018				
	R '000		R '000				
17. Investments in associates (continued)							
Summary of financial information:							
Company	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Net Assets/ Liabilities	Revenue	Surplus/ Deficit
Daybreak Farms (Pty) Ltd	973 892	796 234	(254 791)	(282 104)	1 233 231	2 671 911	262 123
Gurb Investments (Pty) Ltd	5 739	135 000	(31 466)	(87 000)	22 273	-	(8 693)
Educor Property Holdings	917 134	1 344 180	(1 054 540)	(361 416)	922 357	203 154	275 625
Kefolie Health Investments (Pty) Ltd	6 487	199 979	(13 439)	(619 352)	(426 324)	36 520	(596 694)
Razorite Health & Rehabilitation Fund en Commandite Partnership	33 156	1 256 561	(1 712)	(1 288 005)	-	1 569	(163 402)
Resultant Finance (Pty) Ltd	54 151	23 360	(11 504)	(10 489)	65 407	50 600	30 096
South Point Management Services (Pty) Ltd	97 395	1 628 259	86 272	586 371	1 053 011	215 504	125 832
UIF Agri Fund I en Commandite Partnership	80 473	439 273	(2 632)	-	517 115	32 718	(203)
Trans African Concessions (Pty) Ltd	2 109 573	3 364 961	(1 195 355)	(2 163 654)	2 115 525	175 388	282 876
Musa Group (Pty) Ltd	280 897	978 400	(450 619)	(1 405 270)	(596 593)	701 701	252 392
SA SME Fund (Ltd)	444 799	54 387	(9 721)	(24)	489 442	11 959	(23 316)
Clinix Health Group (Pty) Ltd	323 143	654 614	(321 731)	(356 541)	299 485	516 439	(16 180)
Naturecell Africa (Pty) Ltd	52 249	19	1 658	46 992	3 618	10 580	3 618
Bright Glacier Trading (Pty) Ltd	9 465	601 889	(253)	(1 506 388)	(895 287)	-	(953 287)
Razorite Fund II en Commandite Partnership	204 454	120 000	(345)	(324 109)	-	291	(17 225)
LA Crushers (Pty) Ltd	43 318	169 755	(52 183)	(312 843)	(151 954)	230 548	(33 476)
Grey Jade Trade & Invest 69 (Pty) Ltd	79 898	22 426	(747)	(91 547)	10 030	13 092	10 030

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Notes to the Audited Annual Financial Statements

			2019 R '000	2018 R '000	
17. Investments in associates (continued)					
UIF has the following significant associates that are equity accounted for:					
Normal shares in associates:					
Company	Principal Place of Business	Nature of Business	Dividends	Shareholding %	Fair Value
Daybreak Farms (Pty) Ltd	RSA	Farming	-	12% to 33%	-
GURB Investment (Pty) Ltd	RSA	Special Purpose Vehicle for Investment	-	10%	3 590
Educor Property Holdings (Pty) Ltd	RSA	Property owning & development company	-	42%	190 968
Kefolile Health Investment (Pty) Ltd	RSA	Health Care Company	9 414	30%	-
Rezorite Health & Rehabilitation Fund en Commandite Partnership	RSA	Health Care Company	-	21.43%	264 668
Resultant Finance (Pty) Ltd	RSA	Asset Rentals	600	15%	16 100
South Point Mgt Services	RSA	Student Accommodation	-	40%	422 000
UIF Agri-Fund 1 en Commandite Partnership	RSA	Agriculture	-	100%	519 104
Musa Group (Pty) Ltd	RSA	Financial Services	-	15%	314 438
Trands African Concessions (Pty)Ltd	RSA	Road Infrastructure	1 198	12.34%	262 900
The SA SME Fund Ltd	RSA	Various	-	20%	24 910
Clinix Health Group (Pty) Ltd	RSA	Health Care	-	20%	136 518
					2 155 196

Preference shares in associates:

Company	Principal Place of Business	Nature of Business	Dividends	Shareholding %	Fair Value
GURB Investment (Pty) Ltd	RSA	Special Purpose Vehicle for Investment	-	10%	51 190
Educor Property Holdings (Pty) Ltd	RSA	Property owning & development company	-	42%	145 000
					R 196 190

Preference Shares

UIF has preference shares issued by Gurb valued at R51,190,319.00, interest is prime rate + margin compounded monthly. The preference shares are valued using discounted cash flows. UIF has callable redeemable B preference shares issued by Educor Property Holdings (Pty) Ltd valued at R145,000,000.00, interest at 0%, redeemable after 5 years. The preference shares are accounted for using discounted cash flows. UIF converted the loan to Daybreak Farms (Pty) Ltd to a non-cumulative redeemable participating "A" preference shares, interest is prime plus 400 basis points. The conversion value was R119,228,642.00. UIF converted the debenture issued by Daybreak Farms (Pty) Ltd to non-cumulative redeemable participating "B" preference shares, interest is prime plus 400 basis points. The conversion value was R551,152,680.

Financial Year-ends

All associates share the same year end as the holding company except Educor Property Holdings - 31 December, Kefolile Health Investments (Pty) Ltd - 30 June, Razorite Health and Rehabilitation Fund en Commandite Partnership - 28 February, Resultant Finance (Pty) Ltd - 28 February, Clinix Health Group (Pty) Ltd - 30 September, The SA SME Fund Limited - 28 February and UIF Agrifund I en Commandite Partnership - 31 December. The year ends are different because the entities deem their year ends the most suitable for their other stakeholders for decision making purposes.

Unemployment Insurance Fund

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Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
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17. Investments in associates (continued)

Voting rights

Daybreak Farms(Pty)Ltd and Resultant had significant influence because they had material transactions with the UIF. Gurb Investment Holdings (Pty) Ltd had significant influence because it had significant voting rights. UIF did not have significant voting rights in UIF Agrifund 1 en Commandite Partnership . The significant voting rights are with Futuregrowth Agri-Fund South Africa - 1 GP (Pty) Ltd, therefore the investment has been classified as an associate.

Loans

UIF had a senior loan with Daybreak Farms (Pty) Ltd that was converted to preference shares during the year.

UIF had a debenture with Daybreak Farms (Pty) Ltd that was converted to preference shares during the year.

UIF issued a senior loan to Kefolile Health Investments (Pty) Ltd worth R411,000,000 at 0% interest with a maturity date of July 2026.

UIF has a loan with Musa Group (Pty) Ltd valued at R314,438,051, interest is prime + 1% and is payable on 18 January 2027.

UIF has four laons with Resultant Finance (Pty) Ltd valued at R170,494,450, R22,128,790, R72,043,678 and R57,085,868, totalling R321,752,786.

Summary of financial information	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Net Assets/ Liabilities	Revenue	Surplus/ Deficit
Company							
Daybreak Farms (Pty) Ltd	712 383	891 448	(260 992)	(371 731)	971 108	2 607 755	364 720
Gurb Investments (Pty) Ltd	1 347	135 000	(18 381)	(87 000)	30 966	-	(14 034)
Educor Property Holdings (Pty) Ltd	316 904	1 655 925	(147 512)	(1 089 859)	(720 179)	149 617	45 631
Kefolile Health Investments (Pty) Ltd	3 122	734 437	(3 485)	(553 741)	180 333	56 822	(457 191)
Razorite Health & Rehabilitation Fund en Commandite Partnership	73 913	1 236 788	(1 985)	(1 308 716)	-	145 006	106 261
Resultant Finance (Pty) Ltd	78 770	2 608	(28 798)	(7 639)	42 333	35 093	6 765
South Point Management Services (Pty) Ltd	76 045	1 485 097	(103 968)	(529 994)	927 179	168 593	80 293
UIF Agrifund I en Commandite Partnership	98 009	421 843	(2 535)	-	517 317	28 067	13 733
Trans African Concessions (Pty) Ltd	2 011 104	3 539 139	(1 212 469)	(2 054 284)	2 283 490	2 154 755	480 235
Musa Group (Pty) Ltd	1 287 662	38 656	(189 383)	(1 163 507)	(65 228)	3 602	(149 727)
SA SME Fund Ltd	125 050	570	(10 699)	(64)	114 858	6 599	(24 803)
Clinix Health Group (Pty) Ltd	320 916	626 671	(370 873)	(261 049)	315 665	1 020 419	9 948

Unemployment Insurance Fund

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	2019 R '000	2018 R '000
18. Other financial assets		
Fair value		
Listed shares	43 245 972	41 398 291
Unlisted shares	421 326	-
Bonds	91 773 182	89 947 230
Bills and Negotiable Certificates of Deposits	695 587	2 030 848
Promissory Notes	1 275 859	1 371 288
Unlisted financial instruments	5 979 618	5 792 812
Derivatives	-	106 964
	143 391 544	140 647 433
At amortised cost		
Investment income receivable	627 953	244 473
Fixed deposits	11 150 139	10 095 578
	11 778 092	10 340 051
Total investments	155 169 636	150 987 484
Non-current assets		
At fair value	94 772 825	93 709 415
Current assets		
At fair value	48 618 719	46 938 018
At amortised cost	11 778 092	10 340 051
	60 396 811	57 278 069
	155 169 636	150 987 484

19. Trade and other receivables - financial assets

Rent receivable	1 747	1 189
Provision for impairment of rental debtors	(384)	(268)
Sundry debtors	103	139
Provision for impairment of sundry debtors	(36)	(37)
PPP Reinvestment Fund	-	370
Bank interest receivable	1 851	1 418
Uncleared bank deposits	(5)	(143)
	3 276	2 668

Receivables from exchange transactions past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2019, R1,845,488 (2018: R1,645,280) were past due but not impaired.

The amounts past due but not impaired are as follows:

PPP Re-investment Fund	-	370
Bank interest receivable	1 851	1 418
Uncleared bank deposits	(5)	(143)
	1 846	1 645

No provision for impairment was made on bank interest receivable due to the fact that the interest is received within days in the new financial year.

Uncleared bank deposits at year-end are cleared within seven days in the new financial year.

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	2019 R '000	2018 R '000
19. Trade and other receivables - financial assets (continued)		
Trade and other receivables - financial assets, impaired		
As of 31 March 2019, trade and other receivables - "rent receivable" of R1,747,109 were impaired with R384,342 (2018: R1,188,744 were impaired with R268,245).		
The ageing of trade and other receivables - "rent receivable" is as follows:		
0 to 3 months	222	108
3 to 6 months	333	182
Over 6 months	1 192	899
	1 747	1 189

As of 31 March 2019, trade and other receivables - "sundry debtors" of R102,968 (2018: R138,704) were impaired

The amount of the provision was R35,789 as of 31 March 2019 (2018: R36,771).

The ageing of trade and other receivables - "sundry debtors" is as follows:

Over 6 months	103	139
	103	139

Reconciliation of provision for impairment of trade and other receivables - financial assets

Opening balance	305	1 671
Movement in prior year provision	115	(1 366)
	420	305

The creation and release of provision for impaired trade and other receivables - financial assets, have been included in administrative expenses in the statement of financial performance. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The provision for impairment was only made for rent receivable from third parties. Rent receivable includes rent receivable from other Government Departments for which no provision for impairment was made.

The provision for impairment on sundry debtors was made in respect of recoveries from staff where the employee is no longer employed by the Fund.

Trade and other receivables - financial assets are individually impaired when there is objective evidence that the asset is impaired.

20. Trade and other receivables - non-financial assets

Transactions under investigation debt	12 040	14 300
Provision for impairment of transactions under investigation debt	(12 639)	(14 300)
Disallowances and overpayments debt	120 407	137 370
Provision for impairment of disallowances/overpayments debt	(116 101)	(135 445)
Legal claims - contributions debt	8 419	9 070
Provision for impairment of legal claims debt	(8 335)	(9 069)
Prepayments	117 495	7 508
	121 286	9 434

Disallowances/overpayments debt

Disallowances/overpayments debt balance decreased from R137,369,945 in 2017/18 to R120,406,546 in 2018/19 due to the recovery of overpayment debt. (2017/18: 27% to 2018/19: 12%)

Unemployment Insurance Fund

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Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
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20. Trade and other receivables - non-financial assets (continued)

Risk of paying benefits in error

Inherent business risk of paying benefits in error with reference to the Unemployment Insurance Act:

The UI Act proclaims:

- Section 14(a)(ii)** - "A contributor is not entitled to benefits for any period that the contributor (a) was in receipt of (ii) any benefit from the Compensation Fund ..., as a result of an occupational injury or disease, which injury or disease caused the total or temporary unemployment of that contributor."
- Section 56(2)(c)** - Every employer must furnish the names, identification numbers and monthly remuneration of each of its employees.
- Section 56(3)** - Every employer must, before the seventh of each month, inform the Commissioner of any changes during the previous months in any information furnished in terms of 2(c). Section 56(4) empowers the Commissioner of the Fund to request the employer to provide additional particulars which may be required to give purpose to the Act. The Fund is dependent on employee information declared to the Fund by employers in calculating entitled benefits. The UIF receives electronic declarations from employers with payroll facilities (according to specific UIF requirements) and manual declarations from employers without payroll facilities or when limited employee information has changed. Employers neglect to submit information, submit incomplete information, submit information in the wrong format or submit required employee information late.

The accuracy, completeness and timeliness of the information in the UIF declaration database impacts on the correctness of the calculation of benefits and payments. Based on available employee information the calculation can be less or more than the entitlement, which creates possible liabilities or debtors for the Fund. To detect possible under- or overpayments, an electronic adjudication functionality was introduced by the Fund.

The lack of timely employee information compromises controls to prevent employees claiming whilst in employment.

Mitigation of the risk of paying benefits in error

The Unemployment Insurance Fund's claims approval process requires affidavits from the applicants that at the time of application for unemployment benefits he/she "is not in receipt" of benefits from the Compensation Fund and is unemployed.

The lack of timely employee information and misrepresentation from claimants' compromise controls to prevent claims been paid to claimants whilst "in receipt" of benefits from the Compensation Fund and is employed. The Fund confirms with the Compensation Fund where possible whether claimants are in receipt of Compensation Benefits.

Adjudication/Updated employee information received

Electronic adjudication functionality was introduced by the Fund to enable detection of transactions or entries with discrepancies when updated employee information is received from the employer. Exceptions Assessors investigation reveal that these discrepancies results in either overpayments or underpayments being raised, in some cases the discrepancy results in no financial transaction or correction required. The underpayments raised as a liability are settled in the period noted. When overpayments are raised the debt is pursued in accordance with the UI Act, PFMA and National Treasury Regulations.

Overpayment Policy

An overpayment policy was developed to guide, assist and standardise the management of debts arising from benefits paid in error by the Provincial Offices. When overpayments (benefits paid in error) are noted the Fund starts with the "Recovery of benefits paid in error" as per section 35 of the UI Act and institutes section 61(6) to recover the loss from any outstanding benefits payable due. In addition the Fund may institute the "Suspension of Contributors" as per UI Act Section 36. Since the approval of the policy there has been a major improvement in the general administration of debt management.

Unemployment Insurance Fund

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Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
20. Trade and other receivables - non-financial assets (continued)		
Debt Collection		
<p>During the financial year under review, the Fund collected R79,314,474; in set-offs R75,718,382 and bank deposits R3,596,092. For the financial year ending 31 March 2018 the Fund collected R64,556,665 in total; set-offs R61,667,580 and bank deposits R2,889,085.</p> <p>A bank account verification process was implemented. This prevented overpayments raised due to incorrect bank details (capturing errors).</p>		
Reconciliation of provision for impairment of trade and other receivables - non-financial assets		
Provision for impairment of transactions under investigation		
Opening balance	14 300	12 692
Amounts written off as uncollectible	(2 260)	-
New provision for impairment	-	1 608
	12 040	14 300
Provision for impairment of disallowances/overpayments debt		
Opening balance	135 446	186 199
Movement in prior year provision	(2 441)	(3 410)
Amounts written off as uncollectible	(59 514)	(99 406)
Disallowances/overpayments cancelled	(608)	(835)
Disallowances/overpayments recovered	(11 759)	(10 742)
New provision for impairment	54 977	63 640
	116 101	135 446
Provision of impairment of legal claims - contribution debt		
Opening balance	9 071	9 335
Movement in prior year provision	(141)	(18)
Amounts written off as uncollectible	(2 420)	(793)
Contribution debt recovered	(182)	(74)
New provision for impairment	2 007	621
	8 335	9 071
	136 476	158 817

Provision for impairment for "transactions under investigation" is provided for the total carrying value as the ability to recover the money is unknown and very limited at best since some transactions are still under investigation and dependant on court ruling. Provision for impairment for "disallowances/overpayments" and "legal claims" are individually impaired when there is objective evidence that the asset is impaired as per set business rules and a formula based on prior recovery experience.

No provision for impairment was made for prepayments as these receivables originate from transactions entered into with other Government Departments and UIF staff.

Unemployment Insurance Fund

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Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
21. Statutory Receivables		
Funds held at National Treasury		
National Treasury	1 696 711	1 657 480
22. Cash and cash equivalents		
Bank balances	2 866 859	2 719 018
Fixed deposits	1 350 000	497 138
Bank overdraft	(13)	(23)
	4 216 846	3 216 133
Current assets	4 216 859	3 216 156
Current liabilities	(13)	(23)
	4 216 846	3 216 133

Cash on hand and bank balances

Cash at banks earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is R4,216,846,208 (2018: R3,216,132,548).

Bank overdraft

Bank overdrafts are due to bank accounts on which after trading hours transactions were processed and only cleared the following banking date that is after the reporting date. The Fund does not have approved overdraft facilities and accordingly there are not any unused bank overdraft facilities. None of the Fund's assets have been pledged as collateral of any kind.

23. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2019	Fair value	Amortised Cost	Non-financial assets	Total
Trade and other receivables	-	3 276	121 286	124 562
Statutory receivables	-	-	1 696 711	1 696 711
Investments in joint ventures	-	153 931	-	153 931
Investments - unit trusts (foreign)	5 930 209	-	-	5 930 209
Investments - listed equity	37 315 763	-	-	37 315 763
Investments in associates	-	3 696 318	-	3 696 318
Unlisted equity	421 326	-	-	421 326
Investments - bonds	91 773 182	-	-	91 773 182
Investments - bills, promissory notes and certificate of deposits	1 971 446	-	-	1 971 446
Fixed deposits	-	11 150 139	-	11 150 139
Investment income receivable	-	627 953	-	627 953
Cash and cash equivalents	-	4 216 859	-	4 216 859
Unlisted financial instruments	5 979 618	-	-	5 979 618
Investment property	-	-	104 809	104 809
Property, plant and equipment	-	-	180 266	180 266
Intangible assets	-	-	123 365	123 365
	143 391 544	19 848 476	2 226 437	165 466 457

Unemployment Insurance Fund

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Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000		
23. Financial assets by category (continued)				
2018	Fair value	Amortised Cost	Non-financial assets	Total
Trade and other receivables	-	2 668	9 434	12 102
Statutory receivables	-	-	1 657 480	1 657 480
Derivatives	106 964	-	-	106 964
Investments Unit Trusts(Foreign)	4 784 929	-	-	4 784 929
Investments in joint ventures	-	259 869	-	259 869
Investments in associates	-	2 886 118	-	2 886 118
Investments - Listed equity	36 613 362	-	-	36 613 362
Investment Bonds	89 947 230	-	-	89 947 230
Investments-bills,promissory notes and certificates of deposits	3 402 136	-	-	3 402 136
Fixed Deposits	-	10 095 578	-	10 095 578
Investment Income Receivable	-	244 473	-	244 473
Cash and cash equivalents	-	3 216 156	-	3 216 156
Unlisted financial instruments	5 792 812	-	-	5 792 812
Investment Property	-	-	9 181	9 181
Property, Plant and Equipment	-	-	117 542	117 542
Intangible Assets	-	-	143 573	143 573
	140 647 433	16 704 862	1 937 210	159 289 505

Fair values of financial assets by hierarchy level

The UIF adopted GRAP 104 for financial instruments that are measured in the statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Fixed deposits and Loans and receivables are excluded from the table below since it is valued at amortised cost and not fair value.

Financial assets measured at fair value	Level 1	Level 2	Level 3
Bonds	45 460 055	46 313 127	-
Listed equities	37 315 763	-	-
Unlisted equities	-	-	2 393 099
Unit trusts	-	-	886 745
Unit Trusts: (Foreign)	5 930 209	-	-
Bills	-	488 519	-
Promissory notes	-	1 275 859	-
Negotiable certificate of deposits	-	207 069	-
	88 706 027	48 284 574	3 279 844

Reconciliation of Level 3 values: Unit Trusts

Opening book value	722 548	508 137
Net capital movement in the period		
- Purchases	93 075	205 926
- Sales	(19 556)	-
- Management fees	8 786	8 485
Closing book value before return on investment	804 853	722 548

Unemployment Insurance Fund

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Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
23. Financial assets by category (continued)		
Closing book value	804 852	722 548
Plus:		
- Option surplus/deficit (realised surplus and deficit)	-	1 645
- Fair value adjustments (unrealised surplus and deficit)	81 893	59 084
Less:		
- Fair value adjustments (unrealised surplus and deficit)	(81 893)	(60 729)
Closing book value after return on investment	804 852	722 548
Mark to market		
Book value	804 852	722 548
Fair value adjustment	81 893	59 084
Market value of investment	886 745	781 632
Reconciliation of Level 3 values: Unlisted equity		
Opening book value	2 042 448	1 125 843
Net capital movement in the period		
- Purchases	670 154	1 360 747
- Sales	-	(443 039)
- Management fees	-	(1 103)
Closing book value before return on investment	2 712 602	2 042 448
Closing book value	2 712 602	2 042 448
Plus:		
- Fair value adjustments (unrealised surplus and deficit)	(319 503)	(256 031)
Less:		
- Fair value adjustments (unrealised surplus and deficit)	319 503	256 031
Closing book value after return on investment	2 712 602	2 042 448
Mark to market		
Book value	2 712 602	2 042 448
Fair value adjustment	(319 503)	(256 031)
Market value of investment	2 393 099	1 786 417

24. Derivative financial instrument

The Fund has adopted a conservative approach to investment in equities. To remove the risk of capital loss to the equity portfolio, the Fund uses Over-the-counter (OTC) equity options to hedge its exposure to changes in the fair value of its equity portfolio. The Fund also utilises zero-cost-fences to lock in acceptable levels of upside and downside movements on the equity portfolio.

Current derivative contracts

OTC Equity options - Assets	-	106 964
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The Fund disposed of the derivative structure once the transition to the CAPPED SWIX equity benchmark was complete. The structure comprised of put and call options at strike prices which provided a zero premium at inception. This protected the capital base of the equity portfolio.

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
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25. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Utilised during the year	Adjustment provision for the year	Total
Other provisions	26 434	(119)	555	26 870

Reconciliation of provisions - 2018

	Opening Balance	Adjustment provision for the year	Total
Other provisions	27 739	(1 305)	26 434

The Fund changed its leave policy in 2002 due to the new dispensation. The Fund capped all employees' unused leave from the previous years prior to June 2000, limiting employees to take such leave during their working life at the Fund under specific conditions. Capped leave is payable, based on the salary notch at the date of termination, which is only applicable if the termination of service is as a result of retirement, ill-health, death or specific leave conditions.

26. Payables from exchange transactions

Trade payables	423 660	207 003
Salary accrual	40 289	36 030
Current leave pay accrual	54 269	42 708
Deposits received	42	5 703
	518 260	291 444

Trade payables

Trade payables are subject to normal trade credit terms and relatively short payment cycles.

Leave pay and service bonus

The current leave pay accrual and service bonus accrual are based on the liability for the current leave cycle not utilised and service bonuses payable.

27. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2019	Amortised cost	Fair value through surplus/deficit	Non-financial liabilities	Total
Provisions	-	-	26 870	26 870
Trade and other payables	463 991	54 269	-	518 260
Bank overdraft	13	-	-	13
Benefits liability	-	-	20 656 023	20 656 023
	464 004	54 269	20 682 893	21 201 166

2018	Amortised cost	Fair value through surplus/deficit	Non-financial liabilities	Total
Provisions	-	-	26 434	26 434
Trade and other payables	248 736	42 708	-	291 444
Bank overdraft	23	-	-	23
Benefits liability	-	-	13 118 265	13 118 265
	248 759	42 708	13 144 699	13 436 166

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Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
28. Benefits liability		
Benefits payable - Technical provision: estimated reported benefits payable and claims incurred but not reported (IBNR)		
Opening balance	13 100 816	5 943 574
Net movement in estimate	7 540 708	7 157 242
Provision for benefit payments - current year	11 165 975	11 235 229
Revised ultimate claim amounts - prior years	1 657 386	69 287
Total provision	12 823 361	11 304 516
Claims paid - prior years	(5 282 654)	(4 147 274)
	20 641 524	13 100 816
Benefits payable - approved		
Opening balance	17 448	6 253
Claims approved	10 989 674	9 238 565
Payments made	(10 992 623)	(9 227 370)
	14 499	17 448
Total benefits liability	20 656 023	13 118 264

29. Fair value of financial instruments

Set out below is a comparison by class of the carrying amounts and fair values of the Fund's financial instruments that are carried in the financial statements. The table does not include the fair value of non-financial assets and non-financial liabilities.

Financial assets	2019 Carrying value	2019 Fair value	2018 Carrying value	2018 Fair value
Fair value - unit trusts (foreign)	5 930 209	5 930 209	4 784 829	4 784 829
Fair value - listed equity	37 315 764	37 315 764	36 613 361	36 613 361
Fair value - unlisted shares	421 326	421 326	-	-
Derivative	-	-	106 964	106 964
Fair value - bonds	91 773 182	91 773 182	89 947 229	89 947 229
Fair value - certificate of deposits, promissory notes and bills	1 971 446	1 971 446	3 402 136	3 402 136
*Amortised cost - investments in joint ventures	153 931	153 931	259 869	259 869
*Amortised cost - investments in associates	3 696 318	3 696 318	2 886 118	2 886 118
*Amortised cost - loans and receivables	5 979 618	5 979 618	5 821 663	5 821 663
* Amortised cost - fixed deposits	11 150 139	11 150 139	10 095 578	10 095 578
* Amortised cost - investment income receivable	627 953	627 953	244 473	244 473
* Amortised cost - cash and cash equivalents	4 216 859	4 216 859	3 216 156	3 216 156
* Amortised cost - trade and other receivables				
- Rent receivable	1 747	1 189	1 189	1 189
- Sundry receivables	103	139	139	139
- PPP Reinvestment Fund	-	-	370	370
- Bank interest receivable	1 851	1 851	1 418	1 418
- Uncleared bank deposits	(5)	(5)	(143)	(143)

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Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000		
29. Fair value of financial instruments (continued)				
Financial liabilities	2019 Carrying value	2019 Fair value	2018 Carrying value	2018 Fair value
Amortised cost - trade and other payables				
- Trade payables	423 660	423 660	207 003	207 003
- Salary accrual	40 289	40 289	36 030	36 030
- Deposits received	42	42	5 703	5 703
* Amortised cost - bank overdraft	13	13	23	23
* Assets and liabilities for which fair value approximates carrying value				
Financial assets and financial liabilities that are liquid or have a short term maturity (less than three months) it is assumed that their carrying amounts approximate their fair value. This assumption is also applied to demand deposits, saving accounts without a specific maturity (PPP Investment Account) and variable financial instruments.				
Fixed rate financial instruments				
Fixed interest bearing deposit carrying amounts are assumed to approximate to their fair value because the maturity of all the deposits are less than 12 months.				
30. Cash generated from operations				
(Deficit) surplus			(1 588 048)	12 727 245
Adjustments for:				
Depreciation and amortisation			50 245	48 101
Proceeds on sale of property, plant and equipment			(8 027)	-
Surplus/(deficit) from equity accounted investments			453 264	(43 334)
Fair value adjustments			9 574 096	(3 859 251)
Investment Income			(10 571 813)	(9 354 313)
Impairment deficit			-	450
Impairment on investment property			24 894	-
Movements in provisions			436	(1 305)
Impairment on investments in associates and joint ventures			568 995	734 205
Bad debts written off			42 958	50 906
Changes in working capital:				
Trade and other receivables - financial assets			(608)	7 975
Loans and receivables			(570 282)	(23 493)
Other receivables from non-exchange transactions			(111 852)	(2 332)
Derivative financial instrument			-	(106 964)
Statutory receivables			(39 231)	61 191
Trade payables - provision reversal and write offs			(42 961)	(49 292)
Payables from exchange transactions			226 813	(59 136)
Benefits Payable			(2 949)	11 195
Benefits payable - technical provision			7 540 708	7 157 243
Derivative financial instruments			-	(36 123)
			5 546 638	7 262 968
31. Litigation against the Fund				
Seven new cases were lodged against the Fund during the 2018/2019 financial year with regards to the adjudication of benefit payments. Two of the cases relates to Death Benefits, whereas the other five cases relates to Unemployment Benefits. In total, thirteen cases are pending against the Fund. No provisions were made due to the fact that the amounts are immaterial (for six of the cases, the total amount claimed against the Fund totals R104,257, one case was ruled in favor of the Fund to the amount of R40,000 and the amounts claimed with regards to the other six cases are still pending,				

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Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
32. Contractual Commitments		
Authorised contractual expenditure		
IT Enablement		
Contracted for but not provided for		
Interfile	17 831	34 895
2 Identify	1 807	-
Sizwe Africa IT Group	1 747	-
Emerge Customer Flow Management	13 207	-
Nine IT	-	20 278
Unemployment Alleviation Schemes		
Contracted for but not provided for		
- Training of the Unemployed	1 195 447	1 403 462
- Training Lay-off Scheme	26 128	7 448
- Social Plan Funding	5 349	223 746
Actuarial Services		
Contracted but not provided for		
Independent Actuaries	1 108	2 512
Internal Audit Services		
Contracted for but not provided for		
Sizwe Ntsaluba Gobodo	2 793	7 771
Professional Services		
Contracted for but not provided for		
Nexus Lexus	28 830	28 445
SAB&T	-	323
Vindhya Systems	36 114	-
Litha Lethu Management Solutions	879	-
Other Commitments		
Contracted for but not provided for		
Advanced Climate	-	176
Procore Trading	-	30
G4S Cash Solutions SA (Pty) Ltd	49	-
Servest	868	1 396
Morena	-	1 611
Fidelity Security Services	212	-
Predicate Logistics	380	-
GEN2 Enterprise Software	589	1 607
Barnowl Technologies	95	174
Telkom SA Ltd	6 845	8 722
Powerful Cleaning	9 727	-
	1 350 005	1 742 596

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Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
33. Emoluments		
The Director-General of Labour is the Accounting Authority of the Unemployment Insurance Fund.		
33.1. Directors (past and present) emoluments		
T.S. Maruping (UI Commissioner)		
Appointed in position: 1 December 2016		
- Salary	1 315	1 246
- Expense allowances	32	31
- State contribution: Pension Fund	129	125
	1 476	1 402
Pumla Duma (Director: Labour Activation)		
Appointed in: 01 February 2018		
- Salary	919	134
- Expense allowances	11	1
- State contribution: Pension Fund	89	14
	1 019	149
A.S C. Fourie (Director: Treasury, Investments and Actuarial Services)		
Appointed in position: 1 June 2014		
- Salary	826	757
- Expense allowances	86	78
- State contribution: Pension Fund	91	86
- State contribution: Medical Aid	33	33
	1 036	954
M.R. Makgamatho (Director: Compliance)		
Appointed in position: 1 November 2014		
- Salary	881	829
- Expense allowances	58	69
- State contribution: Pension Fund	91	88
- State contribution: Medical Aid	16	16
	1 046	1 002
T.I. Maphatane (Director: Risk Management)		
Appointed in position: 1 March 2018		
- Salary	850	67
- Expense allowances	88	-
- State contribution: Pension Fund	89	7
	1 027	74
Z. Fololo (Director: Income and Accounts Receivable)		
Appointed in position: 1 December 2013		
- Salary	812	751
- Expense allowances	130	152
- State contribution: Pension Fund	90	85
- State contribution: Medical Aid	16	17
- Adjustment	2	(21)
	1 050	984

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Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
33. Emoluments (continued)		
G.M. Buthelezi (Director: Communications)		
Appointed: 1 June 2014		
- Salary	850	798
- Expense allowances	107	87
- State contribution: Pension Fund	91	88
- State contribution: Medical Aid	5	5
- Long term service award	-	10
	1 053	988
A.C Mathabela (Director: Organisational Effectiveness) Appointed : 1 February 2018		
- Salary	905	131
- Expense allowances	50	-
- State contribution: Pension Fund	112	18
- Performance bonus	16	-
	1 083	149
L.M. Molefe (Director: Organisational Effectiveness)		
Resigned: 1 September 2017		
- Salary	-	270
- Expense allowances	-	6
- State contribution: Pension Fund	-	31
- State contribution: Medical Aid	-	9
	-	316
Maria Ramoshaba (Director: Supply Chain Management)		
Appointed in position: 1 December 2017		
- Salary	901	287
- Expense allowances	3	-
- State contribution: Pension Fund	89	29
	993	316
L. Briedenhann (Director: Reporting)		
Appointed in position: 1 October 2008		
- Salary	1 095	970
- Expense allowances	2	-
- State contribution: Pension Fund	87	82
	1 184	1 052
H.A. Aderibigbe (Director: Budgets, Expenditure and Bank Recons)		
Appointed in position: 1 March 2005		
- Salary	1 026	967
- Expense allowances	19	21
- State contribution: Pension Fund	90	85
- State contribution: Medical Aid	16	16
	1 151	1 089

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Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
33. Emoluments (continued)		
V. Mulindi (Director: Internal Audit)		
Appointed in position: 1 January 2014		
- Salary	759	706
- Expense allowances	298	264
- State contribution: Pension Fund	92	89
- Adjustments	-	(1)
	1 149	1 058
J. Kumbi (Chief Director: Operations)		
Appointed in position: 1 March 2012		
- Salary	1 026	854
- Expense allowances	189	151
- State contribution: Pension Fund	94	84
- State contribution: Medical Aid	23	23
- Acting allowance	-	48
	1 332	1 160
H.D. Mhlongo (Chief Director: Corporate Services)		
Resigned: 1 December 2018		
- Salary	461	823
- Expense allowances	193	321
- State contribution: Pension Fund	55	89
- Adjustments	2	(25)
- Performance award	-	50
	711	1 258
T.S. Puzi (Chief Financial Officer)		
Appointed: 1 April 2016		
- Salary	1 046	981
- Expense allowances	230	163
- State contribution: Pension Fund	105	99
- State contribution: Medical Aid	34	34
	1 415	1 277
P. Roux (Director : Human Resource Management)		
Appointed: 1 April 2016		
- Salary	896	818
- Expense allowances	43	40
- State contribution: Pension Fund	91	86
- State contribution: Medical Aid	8	8
	1 038	952
P.A Ragavaloo (Director: Provincial Support)		
Appointed:1 July 2016		
- Salary	817	765
- Expense allowances	129	131
- State contribution: Pension Fund	92	88
- Resettlement Fees	2	-
- Long term Service Award	20	-
	1 060	984

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	2019 R '000	2018 R '000
33. Emoluments (continued)		
M.W Nape (Director: Labour Activation Programmes)		
Appointed: 1 April 2016		
- Salary	925	862
- Expense allowances	8	17
- State contribution: Pension Fund	92	86
	1 025	965
S.F Zungu (Director: Labour Activation Programmes)		
Appointed: 1 April 2016		
- Salary	918	847
- Expense allowances	22	31
- State contribution: Pension Fund	91	86
- State contribution: Medical Aid	17	17
	1 048	981
X. Monakali (Chief Information Officer)		
Appointed: 1 August 2015		
- Salary	914	862
- Expense allowances	23	6
- State contribution: Pension Fund	91	86
- Acting allowance	151	-
	1 179	954
D.J. Khumalo (Director: Monitoring and Evaluation)		
Appointed in position: 1 November 2006		
- Salary	898	934
- Expense allowances	120	122
- State contribution: Pension Fund	103	107
- State contribution: Medical Aid	21	21
- Adjustment	2	(14)
- Long term service award	-	10
	1 144	1 180
L. van Wyk (Director: Office of the UIC)		
Transferred from the Compensation Fund: 1 September 2015		
- Salary	777	691
- Expense allowances	172	180
- State contribution: Pension Fund	91	86
	1 040	957
Advocate M.C. Phathela (Legal and Board Services)		
Appointed: 1 September 2009		
- Salary	768	675
- Expense allowances	279	297
- State contribution: Pension Fund	82	77
- State contribution: Medical Aid	8	8
- Adjustment	2	(27)
	1 139	1 030

Unemployment Insurance Fund

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Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
33. Emoluments (continued)		
N.B. Mconywa (Chief Director: Labour Activation Programmes Transferred from the Department of Labour: 1 March 2013)		
- Salary	1 095	1 042
- Expense allowances	106	96
- State contribution: Pension Fund	100	95
- State contribution: Medical Aid	9	9
	1 310	1 242
Total directors emoluments	22 700	18 517

33.2. Non-Executive Board members (past and present) fees

2019		Fees for services	Expense allowances	Total
Board Members				
L. Kganyago*	Re-appointed: 1 November 2017	154	1	155
D. Maphoto	Appointed: 1 November 2017	71	7	78
W.M. Nzimande	Re-appointed: 1 February 2019	58	-	58
M. Mchunu	Appointed: 1 November 2017	54	23	77
M. Matshani	Appointed: 1 November 2017	20	3	23
J. Mahlangu	Appointed: 1 November 2017	67	10	77
D. Mthalane	Appointed: 1 November 2017	77	60	137
N.E. Nwedo*	Re-appointed: 1 November 2017	176	11	187
T. Tshefuta	Appointed: 1 November 2017	54	89	143
Audit and Risk Committee				
D. Botha	Resigned: 24 October 2018	141	1	142
P. Dala	Appointed: 1 February 2017	94	1	95
N. Scheepers	Appointed: 1 October 2018	232	4	236
C. de Kock	Appointed: 1 October 2018	63	1	64
Appeals Committee				
B.A. Barichiev	Regional	2	-	2
A. Boboko	Regional	3	4	7
E. Bokaba	Regional	11	1	12
M. Boo	Regional	3	1	4
A.P. Brandmuller	Regional	3	-	3
M.V. Diraditsile	Regional	3	-	3
M.N.C. Makapela	Regional	5	-	5
M.K. Maleki	Regional	10	1	11
M. Mapena	Regional	9	-	9
B.M. Maribe	Regional	4	-	4
S. Mleve	Regional	12	9	21
T.M. Mofolo	Regional	9	1	10
M. Mokhobo	Regional	12	-	12
T. Mokoena	Regional	6	2	8
N. Mpulu	Regional	5	-	5
A. Ngqaneka	Regional	5	1	6
E. Oelofse	Regional	12	8	20
J. Olivier	Regional	3	-	3
S.M. Seabi	Regional	4	2	6
M. Tibane	Regional	6	1	7
T. Williams	Regional	3	-	3
Total		1 391	242	1 633

Unemployment Insurance Fund

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Notes to the Audited Annual Financial Statements

		2019 R '000	2018 R '000	
33. Emoluments (continued)				
2018		Fees for services	Expense allowances	Total
Board Members				
A. Crawford	Term ended: 31 October 2017	24	2	26
L. Kganyago*	Re-appointed: 1 November 2017	56	-	56
N.M.W. Vermeulen*	Resigned: 31 October 2017	90	4	94
G.H. Strauss	Resigned: 31 October 2017	134	60	194
D. Maphoto	Appointed: 1 November 2017	16	1	17
W.M. Nzimande	Re-appointed: 1 February 2019	58	-	58
M. Mchunu	Appointed: 1 November 2017	15	1	16
M. Matshani	Appointed: 1 November 2017	14	2	16
J. Mahlangu	Appointed: 1 November 2017	21	3	24
D. Mthlangane	Appointed: 1 November 2017	34	30	64
N.E. Nwedo	Re-appointed: 1 November 2017	67	7	74
T. Tshefuta	Appointed: 1 November 2017	67	91	158
Audit and Risk Committee				
D. Hlatshwayo	Resigned: 22 August 2017	201	5	206
D. Botha	Appointed: 22 January 2016	215	1	216
P. Dala	Appointed: 1 February 2017	168	3	171
Appeals Committee				
A.B. Gxoyiya	Regional	1	-	1
T. Mabuza	Regional	28	6	34
C.P. Maseko	Regional	5	-	5
P.G.F. Ndaba	Regional	14	16	30
J.D. Nzanzeka	Regional	13	1	14
A. Ott	Regional	2	-	2
L.W. Palweni	Regional	1	-	1
J.G. van Graan	Regional	1	-	1
B.S. Zitha	Regional	5	-	5
		-	-	-
Total		1 251	233	1 484

*Board members who served on the Audit and Risk Committee.

34. Transactions under investigation

The Fund is vulnerable to fraudulent claims and is dependent on employee information supplied by employers via declarations and claimants' affidavits that they are unemployed. The Fund ensures that its systems and procedures are robust to detect and prevent payments made in error and/or fraudulent payments where possible.

Transactions under investigation are transactions when there is objective evidence requiring investigation by Risk Management such as intercepted payments, office errors, bank errors, unauthorised bank transactions, incorrect contribution refunds and all other transactions where objective evidence require investigation. Risk Management Transactions are categorised in Transactions under investigation and Actual Fraud Detected and form part of "Trade and other receivables" – non financial assets.

Actual fraud detected - benefits	11 759	14 023
Actual fraud detected - non-benefits	281	281
Transactions under investigation	-	(4)
	12 040	14 300

Unemployment Insurance Fund

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Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
34. Transactions under investigation (continued)		
<p>Transactions under investigation are 100% impaired until evidence exist that measurable and probable economic benefits will flow to the Fund or there is no recovering probability and amounts are written off against the debtor's account. The portion not impaired for during the financial year under review are new transactions under investigation for which the recovering probability was not certain. Recoveries of amounts previously written off are disclosed against "other income" in the statement of financial performance.</p>		
35. Write off of overpayments		
Overpayments – Irrecoverable		
<p>The Overpayment Policy and Procedures of the Fund makes provision for write-off of debts that are deemed irrecoverable after all reasonable steps have been taken to recover the debt. These write-offs are in line with Section 11.4 of the Treasury Regulations and Section 76(1)(e) of the Public Finance Management Act.</p> <p>Included in the "administrative expenses" is an amount of R59,829,254.98 (2018: R100,879,703.14) for irrecoverable overpayments which were written off during the financial year.</p>		
Overpayments written off		
Irrecoverable overpayments	59 829	100 880
Cancellation of Invalid Overpayments		
Invalid overpayments		
<p>The Fund is regularly faced with cases where overpayment debts are disputed by clients or new evidence that comes to the Fund's attention that make the overpayment noted earlier invalid. In the cases where the dispute or new information is valid and the debts are found not to be valid, these debts need to be cancelled as invalid on the system. The reasons for the invalid overpayment cancellations are:</p> <ul style="list-style-type: none"> • New declaration lodged by the Employer and/or • Credit days incorrectly calculated - the old overpayment is cancelled and new one created and/or • Proof of prior payment in the LINC system and/or • Overpayment erroneously created against an incorrect debtor 		
36. Irregular expenditure		
Opening balance	110 190	99 953
Add: Irregular expenditure confirmed - current year	2 111	45 734
Add: Irregular expenditure confirmed - prior year	433	-
Less: Amount condoned	(5 485)	(35 319)
Less: Amounts reclassified	-	(29)
Less: Amounts confirmed as non-irregular	-	(149)
	107 249	110 190

Irregular expenditure to the amount of R2,544,606 has been confirmed as being irregular and referred to Employee Relations for disciplinary action to be taken.

The Accounting Authority condoned expenditure incurred to the amount of R4,111,700 for XDS and expenditure incurred to the amount of R1,373,496 for NICS (Pty) Ltd.

The Fund has requested approval for condonement from the relevant authority of confirmed irregular expenditure to the value of R102,392,343. Included in this amount is R86,870,456 which was paid to Accenture which was found to be irregular due to a breach in Section 5 of the SCM practice note number 3 of 2003 since the procurement process was not fair, transparent and competitive. Expenditure relating to CQS R2,768,619 and VPS to the amount of R9,232,780 were found to be irregular since the original contract value was exceeded with 15%.

Unemployment Insurance Fund

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Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
36. Irregular expenditure (continued)		
The following amounts are still under investigation to determine whether irregular expenditure has been incurred or not:		
Opening balance	32 377	71 927
Irregular expenditure incurred under investigation - current year	6 370	6 332
Expenditure confirmed to be irregular	(2 544)	(45 734)
Expenditure confirmed to be non-irregular	(22 861)	(148)
	13 342	32 377

37. Fruitless and wasteful expenditure

Opening balance	29	-
Interest written off by service provider	(29)	-
Fruitless and wasteful expenditure	237	29
Fruitless and wasteful expenditure awaiting condonement	237	29

R28,782 in respect of the interest payable to Toyota which accumulated as a result of the delayed payments of the shortfall amount in relation to the Toyota Corolla motor vehicles procured through the RT57 still at the transversal contract, was confirmed by the service provider as incorrect and the fruitless and wasteful expenditure amount subsequently reversed.

An amount of R237,600 was confirmed as fruitless and wasteful expenditure with regards to lease payments made for a parking area - disciplinary action in process. R79,587,143 has been identified as possible fruitless and wasteful expenditure is currently under investigation of which R75,018,212 was paid in respect of SAP licences, support, and a lease agreement that was entered into.

38. Risk management

Introduction

Risk is inherent in the Fund's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Fund's continuing sustainability and management has the primary responsibility for the day to day management of risk. The Fund is exposed to a variety of risks: operational risk, regulatory and legislative risk, litigation risk, insurance risk and financial risk including (market risk – price and interest rate risk- credit risk, and liquidity risk) as well as model/valuation risks, and concentration risk.

Risk management structure

The Accounting Authority is ultimately responsible for identifying and controlling risks however there are separate bodies and business units responsible for managing and monitoring risks, as per section 51(1)(a)(i) of the Public Finance Management Act (Act no. 1 of 1999).

Unemployment Insurance Board

The Fund's Board recommends the principles for overall risk strategy, as well as policies covering specific areas, such as operational risk, insurance risk, market risk (price and interest rate risk) liquidity risk and credit risk, use of derivative financial instruments, and investment of excess liquidity to Management and the Accounting Authority for approval. The Board appointed sub-committees such as the Financial and Risk Advisory Committee (previously Finance Advisory Committee) to oversee special areas of risk.

Investment Committee (Sub Committee of Unemployment Insurance Board)

The Investment Committee provides oversight on investment management to the UIF in considering all investment performance and management reports to be presented to the Board and makes recommendations to both the Board and Management. The Committee ensures the maintaining of Risk related procedures by recommending investment mandate that is based on an asset and liability modelling study.

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
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38. Risk management (continued)

Audit and Risk Committee

The committee has oversight of risk capacity, risk appetite allocation and strategies for managing risk.

Investment Risk Parameters

Monitoring and controlling risks are primarily performed based on limits established by the Fund. These limits reflect the business strategy and market environment of the Fund as well as the level of risk that the Fund is willing to accept.

Information compiled from businesses units and the Asset Manager is examined and processed in order to analyse, control and identify early risks by Management and the Investment Committee. This information is presented and explained to the Unemployment Insurance Board that makes the necessary recommendations to the Accounting and Executive Authority.

Capital Management

Approach to capital management

The Unemployment Insurance Fund seeks to optimise the structure and source of capital to ensure a sustainable organization that can meet its Unemployment Insurance obligations as per the Unemployment Insurance Act (Act no. 63 of 2001) and consistently strive to improve benefits to its stakeholders. The Fund's approach to managing capital involves managing assets, liabilities and risks in a coordinated way.

Regulatory framework

Regulators are primarily interested in protecting the rights of registered Employers and Employees and monitor the Fund closely to ensure that Management is satisfactorily managing affairs for their benefit.

At the same time, regulators are also interested in ensuring that the Fund maintains an appropriate solvency position to meet liabilities arising from unemployment.

The Fund collects and receives contributions under the Unemployment Insurance Contributions Act (Act no. 4 of 2002).

In accordance with the Unemployment Insurance Act (Act no. 63 of 2001), contributions received is managed and unemployment insurance claims are paid.

Section 5 of the Unemployment Insurance Act (Act no. 63 of 2001) regulates the Application of the Fund.

The Fund must be used for the:

- payment of benefits in terms of this Act;
- reimbursement of excess contributions to employers;
- payment of remuneration and allowances to members of the Unemployment Insurance Board and its committees; and
- any other expenditure reasonably incurred and relating to the application of this Act.

Section 7 of the Unemployment Insurance Act (Act no. 63 of 2001) regulates the Investment of money of the Fund.

The money of the Fund, other than money required to meet the current expenditure of the Fund, may be deposited on behalf of the Fund by the Director-General with the Public Investment Corporation Limited (PIC) to be invested in terms of the Public Investment Corporations Act and the Funds Investment mandate.

Section 9 of the Unemployment Insurance Act regulates the Appointment of an annual review by an actuary. The Director-General must appoint an actuary within two months after the end of each financial year. The actuary must review the financial soundness of the Fund for that financial year, and provide an actuarial valuation report to the Director-General.

The actuarial valuation report must contain at least a statement reflecting the actuarial value of the assets and liabilities of the Fund, the financial soundness of the Fund and recommendations for the maintenance or improvement of the financial soundness of the Fund (Technical Reserves, Claims incurred but not enough reported (IBNER) and Claims incurred but not reported (IBNR)).

Unemployment Insurance Fund

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Notes to the Audited Annual Financial Statements

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38. Risk management (continued)

Section 10 of the Unemployment Insurance Act regulates the Surplus and deficit in the Fund. The Director-General must report and make recommendations to the Minister if the difference between income and expenditure of the Fund is greater than is required to meet payments for benefits or insufficient or not increasing at a sufficient rate to meet payments for benefits that may reasonably be anticipated.

The Minister, after consultation with the Board, may utilise the surplus to give effect to the purposes of this Act, including improving the administrative efficiency and capacity of the Board and Fund and establishing a reserve fund.

The Minister may request the Minister of Finance to adjust the national budget in the manner contemplated in sections 16 and 30 of the Public Finance Management Act, 1999 (Act No. 1 of 1999), in order to cover any deficit in the Fund. Financial Management of the Fund is in accordance with the Public Finance Management Act (Act 1 of 1999) (PFMA) and relevant National Treasury Regulations.

Section 53 of the PFMA

The accounting authority must submit to the responsible executive authority, at least six months before the start of a financial year of the designated department, a budget of estimated revenue and expenditure for that financial year.

The Schedule 3 non-business public entities may not budget for a deficit or a surplus unless prior written approval of the National Treasury has been obtained.

Capital management objectives, policies and approach. The Fund's capital management objectives, policies and approach are based on the relevant legislation.

An annual business plan and budget recommended by the UI Board supported by the actuarial valuation report is submitted to the executive authority for approval.

The actuarial valuation report and recommendations for the maintenance or improvement of the financial soundness of the Fund is utilized annually to make provision for the required Technical Reserves and Provision for outstanding benefits which comprises of Claims incurred but not reported (IBNR) and Claims incurred but not enough reported (IBNER).

Written approval is annually obtained from the National Treasury to budget for a surplus.

The Fund has had no significant changes in its policies and processes to its capital structure during the past year from previous years. The capital structure of the Fund consists of net debt (benefits payable as detailed in note 27 offset by cash and cash equivalents as detailed in note 21) and equity of the Fund (comprising the technical reserves and accumulated surplus).

The ratio at the end of the reporting period was as follows:

Benefits payable	20 656 023	13 118 265
Cash and cash equivalents	(4 216 846)	(3 216 133)
Net benefits payable	16 439 177	9 902 132
Technical Reserve	42 760 087	40 928 889
Accumulated surplus (deficit)	101 505 204	104 924 450
Equity	144 265 291	145 853 339

Asset Liability Management (ALM) framework

The main risk that the Fund faces is unemployment insurance claims as per the Unemployment Insurance Act (Act no. 63 of 2001) and financial risks due to the nature of its investments. The Fund manages these positions through an investment mandate with the PIC that is informed by Asset and Liability Modelling (ALM) studies. The Funds Investment Committee commission regular Asset and Liability Modelling studies to ensure an appropriate investment policy and mandate.

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
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38. Risk management (continued)

The principal technique of the Funds ALM is to match assets to the liabilities arising from administering the Unemployment Insurance Act (Act no. 63 of 2001). The Funds ALM is integrated with the management of the financial risks associated with the Funds assets and liabilities directly associated with unemployment insurance and form an integral part of the unemployment insurance risk management to ensure that in each period there is sufficient cash flow available to meet liabilities arising from unemployment insurance claims and administering the Unemployment Insurance Act (Act no. 63 of 2001).

Operational risk

Operational risk is the risk of loss arising from system failure, human error or external events. When controls fail to perform; operational risk can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Unemployment Insurance Fund cannot eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risk, the Unemployment Insurance Fund is able to manage the risk. Controls include effective segregation of duties, access control, authorisation and reconciliation procedures, staff education and assessment processes, including the use of a risk management section and internal audit that review the effectiveness of the control environment and external insurance policies. Business risk such as change in environment and technology are monitored through the Unemployment Insurance Fund's strategic planning process.

Insurance risk

The Unemployment Insurance Fund provides unemployment-, illness-, maternity-, adoption- and dependant benefits as prescribed by the Unemployment Insurance Act (Act no. 63 of 2001) amended. For unemployment claims, the most significant risk arises from changes in the employment market. The insurance risk covers a four year period based on the fact that benefits accrue to a maximum of 238 days in the four year period immediately preceding the date of application for benefits.

The Unemployment Insurance Fund's risk is limited through the Unemployment Insurance Act (Act no. 63 of 2001) amended, that allows a maximum accrual of 238 days benefit in a four year period, calculating the benefit payable to a contributor, based on the daily rate of remuneration of the contributor, subject to the prescribed maximum. Further, strict claim review policies to assess all new and ongoing claims in the operational system, ISAAC, that apply numerous controls based on external verification. Regular detail review of the claims handling procedures and ongoing investigation of possible fraudulent claims are some of the policies and procedures put in place to reduce the risk exposure of the Unemployment Insurance Fund. The Fund maintains a fully funded position to mitigate its insurance risk.

Technical Reserve

'Unearned contribution revenue' (UCR) the 'unexpired risk' - Statement of financial position	42 760 087	40 928 889
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Benefits payable

Claims incurred but not reported (IBNR) and approved reported benefits payable	20 641 524	13 100 817
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	63 401 611	54 029 706
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Market risk

Market risk is the potential loss due to an adverse movement in the market value of assets. The financial services industry is influenced by various unpredictable factors, that include economic conditions, monetary and fiscal policies, market liquidity, cost and availability of capital, political events, acts of terror and investor sentiment.

Any change to these factors may result in volatility in interest rates, exchange rates, equity and commodity prices and credit spreads.

Exposure to market risk is formally managed through a diverse investment portfolio in accordance to the risk parameters and limits agreed with the PIC in a formal investment mandate. The following benchmarks are set out in the Fund's mandate and tracked by the PIC:

Unemployment Insurance Fund

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Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
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38. Risk management (continued)

Asset class	Benchmark
Bonds	Besa All Bond Index (ALBI) and CILI
Cash & Money Markets	STEFI Indexes
Equities	FTSE/JSE(CAPPED SWIX) excluding Property
Listed Property	J253
African Investment	MSCI(African) excluding SA
Foreign Equity	MSCI (All Country World Index) excluding SA

Risk parameters were set as follows:

Total risk of the Fund

Maximum total risk (volatility or annualised standard deviation) of the Fund will be set at 2% above the average total risk of the benchmark measured over 24 months of monthly returns.

Fixed Income

Modified duration of fixed income portfolio will not be more than 6. A combination of conventional bonds and inflation linked bonds will be used to achieve the target duration.

Equities

The volatility of the equity portion of the Fund will not be more than 2% above the benchmark volatility. Tracking error maximum of 1.5% ensures that the Fund does not take excessive risk relative to the benchmark.

Concentration Risk

Concentration risk is the risk of losses arising due to poor diversification within funds. This relates to both credit and market risk as excessive concentration in a particular or correlated asset class, sector, issuer, term structure or financial instrument type can result in undesirable risk exposures. PIC manages this risk in accordance with the investment mandate, which dictates the level of concentration.

Establishment of investment limits per counterparty

Capital Market

RSA Government Bonds	Maximum 100%
Explicit RSA Government Guaranteed	Maximum 40%
AA rated or better	Maximum 20%
A rated or better	Maximum 10%

Money Market and Cash

Money market investments are spread across the Top Five South African Banks in order to diversify the Clients exposure. Limits are set utilizing the D1900 information supplied to the South African Reserve Bank.

Establishment of investment limits per investment instrument

Capital Market

Government Bonds	Maximum 100%
Non-Government Bonds	Maximum 20%

In order to avoid excessive concentration of risk, the Fund's policies and procedures include the above mentioned specific guidelines that focus on maintaining a diversified portfolio.

Unemployment Insurance Fund

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	2019 R '000	2018 R '000	
38. Risk management (continued)			
Asset Class	2019	2018	Movement
Total Cash and Money Market	11,38 %	9,98 %	1,40 %
Cash (Settlement Accounts)			
Standard Bank	15,74 %	7,66 %	8,08 %
First Rand	0,79 %	- %	0,79 %
Money Markets (Term Investments)			
ABSA	15,63 %	17,81 %	(2,18)%
First Rand	22,85 %	15,00 %	7,85 %
Nedbank	14,76 %	16,66 %	(1,90)%
Standard Bank	15,33 %	16,76 %	(1,43)%
Investec	3,52 %	2,82 %	0,70 %
Land Bank	7,36 %	9,38 %	(2,02)%
Eskom	2,82 %	3,99 %	(1,17)%
Development Bank of South Africa	1,19 %	9,90 %	(8,71)%
Capital Markets	60,24 %	64,86 %	(4,62)%
Government Bonds	35,22 %	32,29 %	2,93 %
Parastatals/SOE	12,49 %	19,68 %	(7,19)%
Corporate Bonds	1,82 %	1,94 %	(0,12)%
Inflation Linked Bonds	50,46 %	46,09 %	4,37 %
Equity Holding	28,38 %	24,93 %	3,45 %
FTSE-JSE Index: Top 40	100,00 %	100,00 %	- %

The Funds change in exposure to Liquidity-, Credit-, Concentration- and Market Risk is directly related to the changes in allocation of the investment portfolio to the various approved asset classes.

Price risk

Equity price risk

Equity Portfolio value R43,245,972 (2018: R41,398,291)

This risk is the potential financial loss as a result of movements in the level or volatility of equity prices, which affects the value of equity and equity derivative instruments. UIF has exposure to equity price risk as a result of its investments in equity instruments and equity derivatives.

Equity market risk is managed by using a benchmark that is less volatile than the overall JSE All Share Index.

The sensitivity to equity market is measured by the beta of the equity exposure. Such beta is managed relative to the industry classification benchmark. The equity exposure is closely tracking the index and has more or less the same beta as the benchmark. Derivatives are used to hedge the equity exposure at all times and therefore help minimise the downside risk.

Stress testing is a risk management technique to evaluate the potential effects on an institution's financial condition, of a set of specified changes in risk factors (particularly market risk), corresponding to exceptional but plausible events. Stress testing includes scenario testing and sensitivity testing.

To perform stress testing listed equity needs to be grouped using industry classification benchmark.

Portfolio sensitivity testing highlights the key risks or touch points of the portfolio to the market. In this case, sensitivity testing of the UIF portfolio were performed to the equity indices.

Sensitivity testing typically involves an incremental change in a risk factor (or a limited number of risk factors). Analysis over a shorter time horizon were conducted to simulate an instantaneous shock.

Using a historical beta, for any instantaneous shock on our risk factor determined the impact on the portfolio.

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R '000

2018
R '000

38. Risk management (continued)

Below the portfolio sensitivities of a -1% move to the PICB*.

Price change (%)	Profit/Loss (Rand)	% Change profit/loss	Market value fund (Rands)
-1.00%	(325 997 307)	-1.00%	33 770 364 154
0.00%	-	0.00%	34 096 361 461
1.00%	325 997 301	1.00%	34 422 358 768

The table below shows the top 10 high beta or highly sensitive stocks - listed equity.

Security name	Betas	Sensitivity (Rands)
Naspers-N	1,71	(73 168 479)
PBG Group Ltd	1,68	(453)
Firststrand	1,42	22 146 290
RMB Holdings	1,30	(5 719 909)
Mr Price	1,30	(4 745 671)
Standard Bank	1,27	(23 626 348)
Imperial	1,24	(995 472)
Foschini Group Ltd	1,23	(4 142 472)
MTN Group	1,15	(13 903 449)
Sanlam	1,15	(10 976 658)

*Equity Portfolio managed internally by PIC:

Date	Holding	Cost	Markert	Unrealised Profit /Loss
31 March 2018	12 411	643 249	40 087	603 160
31 March 2019	739 629	36 861 107	37 315 763	454 655

Equity Portfolio managed internally by PIC: UIF Funds are managed on a passive basis, holding Steinhoff shares in the same weight as the SWIX benchmark (as per UIF mandate). Overall Steinhoff exposure as at 31 March 2019 to the internally managed listed equity fund is limited to 0.06%.

The table below shows the bottom 10 betas:

Security name	Betas	Risk
Reenergy	(0,55)	73 313
Pan African Resources	(0,33)	90 125
Harmony	(0,29)	113 427
Trellidor Holdings	(0,20)	5 998
Afrimat	(0,20)	32 499
Sibanye Gold	(0,20)	275 545
Group 5	(0,08)	175
Gaia Infrastructure	(0,08)	2 443
African Media Entertainment	(0,07)	283
Afrocentric Investment	(0,04)	5 134

The equity markets are very volatile, the sensitivity was done assuming the market moves up or down by 5% at a time.

Listed Equities

Effect on value of equities

R'billion	(15)%	(10)%	(5)%	- %	5 %	10 %	15 %
2018	27 419	28 996	30 606	32 183	33 760	35 369	36 946
2019	28 419	29 977	31 569	33 161	34 753	36 344	37 903

Unemployment Insurance Fund

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Notes to the Audited Annual Financial Statements

	2019	2018
	R '000	R '000

38. Risk management (continued)

The table below shows the bottom 10 betas or defensive stocks.

Stocks	Betas	Risk (Rands)
Accelerate Prop Fund	19,00	(103 223)
Stenprop	0,12	(17 705)
Echo Polska Prop	0,29	(273 858)
Emira	0,42	(446 440)
Delta Property Fund	0,26	(103 123)
Intu Properties PLC	0,28	(211 786)
Equities Prop Fund	0,28	(269 431)
Capital Counties	0,29	(273 858)
Tradeh	(0,16)	9 738
Serius Real Estate	0,43	(104 235)

Interest rate risk

Bond Portfolio value R91,773,182 (2018: R89,947,230)

Bills, Promissory notes and Negotiated certificates of deposit Portfolio value R1,971,446 (2018: R3,402,136)

Fixed deposit Portfolio value R12,500,138 (2018: R10,592,716)

This risk is the potential financial loss as a result of adverse movement in interest rates that affects the value of bonds and money market instruments. The Fund has exposure to interest rate risk through investments in money markets and bonds.

Nominal interest rate risk can be split into real interest rate risk and inflation risk. The inflation portion of the interest rate risk is minimised by investing a significant amount in inflation linked bonds.

The sensitivity to interest rate movements is managed by managing the duration of fixed interest exposure. Such duration is managed relative to an appropriate benchmark. To manage the duration PIC utilises a combination of instruments to get closer to the benchmark duration.

The fixed income asset class is not as volatile as the equity markets; an assumption of this sensitivity analysis is that the interest rates move by 50 basis points at a time.

Sensitivity of the UIF Asset Class Portfolios to different market movements

The investment portfolio sensitivity is evaluated through stress testing the portfolio using the following methodology:

The portfolio is separated into its instruments type's viz. money market, bonds, equity, options. The stress test is a point in time estimate.

The Money market instruments are stressed via shifting the curve and hence its yield by the specified quantum and then revaluing the instruments (present valued at the effective yield). The aggregate value of all the instruments represents the money market portfolio value and the difference with the base value i.e. the current value, represents the gain or loss. For the bonds the yields to maturity is moved by the specified quantum and the bond re-valued (bond pricing formula). The aggregate value of all the instruments represents the bond portfolio value and the difference with the base value i.e. the current value represents the gain or loss. The Equity prices are moved by the specified percentage and the instruments is then revalued (price multiplied by holdings) at the new price. The aggregate value of all the equity instruments represents the equity portfolio value and the difference with the base value i.e. the current value represents the gain or loss.

Similarly for the option the underlying index value is moved by the specified percentage and the options revalued (Black-Scholes formula). The aggregate value of all the option instruments represents the option portfolio value and the difference with the base value i.e. the current value represents the gain or loss. The addition of the stressed values of the equity and option portfolios represents the stressed values of the hedged equity portfolio.

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					2019	2018
					R '000	R '000
38. Risk management (continued)						
Bonds						
Effect on value of bonds						
R'billion	(150)	(100)	(50)	-	50	100
2018	105 189	99 885	93 697	88 394	(84 858)	(80 438)
2019	118 599	104 034	95 444	91 773	(88 102)	(81 054)
Effect on surplus/deficit						
%	(150)	(100)	(50)	-	50	100
2018	19,00 %	13,00 %	6,00 %	- %	(6,00)%	(13,00)%
2019	14,00 %	8,00 %	4,00 %	- %	(4,00)%	(8,00)%
Money Markets (Excluding Fixed Deposits)						
Effect on value of money markets (excluding fixed deposits)						
R'billion	(150)	(100)	(50)	-	50	100
2018	4 989	4 977	4 966	4 955	(4 943)	(4 932)
2019	1 984	1 980	1 976	1 971	(1 067)	(1 963)
Effect on surplus/deficit						
%	(150)	(100)	(50)	-	50	100
2018	0,69 %	0,46 %	0,23 %	- %	(0,23)%	(0,46)%
2019	0,62 %	0,41 %	0,21 %	- %	(0,21)%	(0,41)%
Money Markets (Including Fixed Deposits)						
Effect on value of money markets (including fixed deposits)						
R'billion	(150)	(100)	(50)	-	50	100
2018	15 143	15 112	15 080	15 051	15 020	14 990
2019	14 395	14 419	14 446	14 472	14 446	14 419
Effect on surplus/deficit						
%	(150)	(100)	(50)	-	50	100
2018	(0,61)%	(0,41)%	(0,20)%	- %	(0,20)%	(0,40)%
2019	(0,53)%	(0,36)%	(0,18)%	- %	(0,18)%	(0,36)%

Liquidity risk

Liquidity risk arises when there are insufficient liquid assets (cash and readily convertible securities) available to meet financial obligations.

The UIF's investment mandate stipulates the strategic asset allocation percentage of the total holdings that must comprise of liquid assets (Cash and Money markets). A significant portion of assets is held in cash and near-cash (money market).

The Fund's strategic asset allocation stipulates that minimum 10% to maximum 30% of the total holdings must comprise of liquid assets.

Liquidity risk is also managed by investing a large portion of assets in instruments (money market, bonds and equities) that trade actively in efficient and liquid markets.

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Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
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38. Risk management (continued)

Asset allocation ranges and attribution analysis on overall performance passive benchmark as per investment mandate.

The below investment mandate was implemented from 1st February 2016 applying a phased in approach best suited for the Fund, allowing the Fund to still capture opportunities in the market but ensuring a transition to the new mandate is achieved at minimal cost and with minimal realized losses.

The new investment mandate is structured as follows:

Category	Asset allocation Ranges	Strategic asset allocation
Cash and Money Market	8% - 12%	10,00 %
Capital Market: Nominal Bonds	24% - 28%	26,50 %
Capital Market: CPI Linked Bonds	26% - 30%	28,00 %
Domestic Equity	22% - 26%	24,00 %
Listed Property	1.5% - 3.5%	2,50 %
Foreign Investment	2% - 6%	4,00 %
Unlisted Property	1% - 7%	5,00 %

Social Responsible Investment

Social Responsible Investments was not modelled as a separate asset class since it is a theme across other asset classes and could be listed or un-listed instruments. The decision to invest in Social Responsible Investments is made on a case-by-case basis according to the mandate. The maximum strategic asset allocation for Social Responsible Investments is capped at 20% with a permitted range of 10%-30%.

Social Responsible Investment will be allocated as follows:

Category	Asset allocation Ranges	Strategic asset allocation
Debt	10% - 15%	12,50 %
Equity	5% - 10%	7,50 %

The portfolio asset allocation as at 31 March 2019 was as follow:

Category	Value R'000	Actual asset allocation
Capital Market	91 773 182	60,14 %
Money Market	14 471 585	9,48 %
Trading Cash	2 866 801	1,88 %
Unlisted Property	203 732	0,13 %
Listed Property	4 154 308	2,72 %
Domestic Equity	33 161 456	21,73 %
Global Equity	5 930 209	3,89 %
Total	152 561 272	100,00 %
Social Responsible Investments: Unlisted Debt	7 977 158	4,89 %
Social Responsible Investments: Unlisted Equity	2 573 343	1,58 %
Total value of the Fund's portfolio including SRI's	163 111 774	

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Notes to the Audited Annual Financial Statements

		2019 R '000	2018 R '000			
38. Risk management (continued)						
Maturity profile on financial assets (R'000)						
2019	Receivable on demand	0 - 12 months	1 - 3 years	3 - 7 years	> 7 years	Total
Money Market	-	13 121 585	-	-	-	13 121 585
Capital Market	-	3 517 742	6 685 394	17 006 341	64 563 704	91 773 181
Cash and cash equivalents	4 216 859	-	-	-	-	4 216 859
Listed equity	-	43 245 972	-	-	-	43 245 972
Trade and other receivables	-	3 276	-	-	-	3 276
Investment income receivable	627 953	-	-	-	-	627 953
SRI	-	-	-	-	10 251 194	10 251 194
		4 844 812	59 888 575	6 685 394	17 006 341	74 814 898
		163 240 020				
2018	Receivable on demand	0 - 12 months	1 - 3 years	3 - 7 years	> 7 years	Total
Money Market	-	13 497 714	-	-	-	13 497 714
Capital Market	-	1 856 059	2 926 872	20 135 241	65 029 057	89 947 229
Derivatives	-	106 964	-	-	-	106 964
Cash and cash equivalents	3 216 156	-	-	-	-	3 216 156
Listed equity	-	41 398 291	-	-	-	41 398 291
Trade and other receivables	370	2 298	-	-	-	2 668
Investment income receivable	244 473	-	-	-	-	244 473
SRI	-	-	-	-	8 938 800	8 938 800
		3 460 999	56 861 326	2 926 872	20 135 241	73 967 857
		157 352 295				

Maturity analysis on financial liabilities (R'000)

The following table analyses the Fund's financial liabilities which will be settled on a gross basis:

2019	Payable on demand	Within 1 month	Within 3 months	Within 12 months	Total
Trade and other payables	-	423 657	-	-	423 657
Salary accrual	-	6 456	12 277	21 556	40 289
Deposits received	41	-	-	-	41
Bank overdraft	13	-	-	-	13
	54	430 113	12 277	21 556	464 000
2018	Payable on demand	Within 1 month	Within 3 months	Within 12 months	Total
Trade and other payables	-	209 726	-	-	209 726
Salary accrual	-	5 774	10 979	19 277	36 030
Deposits received	5 703	-	-	-	5 703
Bank overdraft	24	-	-	-	24
	5 727	215 500	10 979	19 277	251 483

Unemployment Insurance Fund

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	2019 R '000	2018 R '000
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38. Risk management (continued)

This risk represents the risk that a counterparty or issuer fails to meet an obligation when it falls due.

The exposures may arise, for instance, from a deterioration in a counterparty's financial position, from a reduction in the value of securities held as collateral and from entering into contracts under which counterparties have long term obligations to repay.

Factors that influence PIC's credit decisions include credit rating agencies assessments of the general operating environment, the competitive market position of a counterparty or issuer, reputation, deal tenor as longer dated deals increases uncertainty of repayment, the level and volatility of earnings, corporate governance, risk management policies, liquidity and capital management.

The Credit Risk policy is the primary tool used to communicate credit limits and exposures by constraining the magnitude and tenor of exposures to counterparties and issuers. A credit risk policy has been approved by the Fund, which is a standard inclusion in the investment mandates. The current investment policy states that listed investments will be done with issuers that have a credit rating of at least "A" from one of the recognised domestic and /or International credit rating agencies.

Credit risk limits incorporate measures of both current and potential exposures and are set and monitored by broad risk type, product type and maturity. Credit mitigation techniques include, where appropriate, the right to be furnished with collateral or an equity injection by counterparties in unlisted investments, mitigation techniques are deal dependent.

UIF's mandate only allows investments in listed instruments that are rated and listed on an approved exchange. The use of PIC developed models, the DI900 as a guide on limit setting for Banks, as well as the rating of external credit rating agencies are used to manage credit risk further. The mandate permits investment in the following asset classes, cash, money markets, capital markets and domestic equities.

The following graph shows the maximum exposure to credit risk for the components of the statement of financial position, including derivatives, with external credit ratings as at 31 March 2016:

Collateral Risk

This is regarded as integral to credit risk; no collateral was held on the Fund for the period under review, which is consistent with previous periods.

Other financial risks

Model/Valuation risk

This risk arises from the dependence on systems, models, algorithms and assumptions used to price instruments and structures. The PIC utilises Bloombergs, Reuters and INet, as well as internally developed models. This risk is managed by ensuring that only models from credible sources are used. Audits are done on models to ensure that they are accurate and reliable. Models developed by PIC output are benchmarked against external sources to ensure accuracy and reliability.

Commodity price risk

No funds under management have direct or derivative exposure to commodities. Indirect exposure through equities is well diversified and managed using equity risk limits.

Currency risk

Currency risk is the potential financial loss or adverse cash flow resulting from unanticipated movement in exchange rates. No foreign assets or denomination in foreign currency were held during the financial year under review, therefore there was no exposure to currency risk.

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
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38. Risk management (continued)

Regulatory and Legal Risk

"Regulatory risk is the risk arising from a change in regulations in any legal (legal risk being the risk that the company will be exposed to contractual obligations which have not been provided for), taxation and accounting pronouncements or specific industry regulations that pertain to the business of the Fund" hence financial instruments are exposed to these risks.

In accordance with chapter 6, paragraph 48 of the Public Finance Management Act (Act no. 1 of 1999), the Fund is classified as a Schedule 3 "National Public Entity".

In terms of section 55(1) of the Public Finance Management Act, the Unemployment Insurance Fund is required to comply with South African Statements of Generally Accepted Accounting Practice, unless the Accounting Standards Board approves the application of Generally Recognised Accounting Practice.

The Unemployment Insurance Fund received contribution revenue in accordance with the Unemployment Insurance Contributions Act, 2002 and pays Unemployment Insurance benefits including the recovery of benefits paid in error in accordance with the Unemployment Insurance Act (Act no. 63 of 2001).

The Unemployment Insurance Fund is accordingly exposed to any changes in legislation and accounting pronouncements. The Fund is exceptionally vulnerable to the interpretation of legislation. In an attempt to mitigate the risk management exercises a proactive approach where possible, with reference to the Unemployment Insurance Act (Act no. 63 of 2001) the Fund issues regulations in an effort to mitigate the risk of interpretation and complies with regulations issued regarding other applicable legislation.

Litigation Risk

Legal proceeding could adversely impact the Fund's operating results and financial position for a particular period. The Fund has a well established Legal Services team to deal with risks that may arise. Legal Services instruct the State Attorney's Office to either defend or settle litigation against the Fund depending on the circumstances of the case and external lawyers are involved when required.

39. Related parties

The Fund has identified the following as related party transactions, which are considered to be significant transactions.

Related parties in joint ventures and associates

The nature of transactions and balances included in the annual financial statements in Note 16 and 17 include: equity, debt/preference shares, impairment and annual accounting for the movement in equity for the year.

The Fund has interests in the following joint ventures and associates:

Bright Glacier Trading (Pty) Ltd
 Clinix Health Group (Pty) Ltd
 Daybreak Farms (Pty) Ltd
 Educor Property Holdings (Pty) Ltd
 Grey Jade Trade & Invest 69 (Pty) Ltd
 GURB Investment (Pty) Ltd
 Kefolole Health Investment (Pty) Ltd
 LA Crushers (Pty) Ltd
 Matseke Medical CC
 Musa Group (Pty) Ltd
 Naturecell Africa (RF) (Pty) Ltd
 Razorite Health & Rehabilitation Fund 2
 Resultant Finance (Pty) Ltd
 Razorite Health and Rehabilitation Fund en Commandite Partnership
 South Point Management Services (Pty) Ltd
 The SA SME Fund Limited
 Trans African Concessions (Pty) Ltd
 UIF Afri Fund 1 en Commandite Partnership

Unemployment Insurance Fund

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Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
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39. Related parties (continued)

Related party transactions

The UIF operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the constitutional independence of all three spheres of government in South Africa, only parties within the national sphere of government will be considered to be related parties.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. All individuals from the level of Corporate Executives up to the Board of Directors are regarded as key management.

Close family members of key management are considered to be those family members who may be expected to influence, or be influenced by key management individuals or other parties related to the entity.

The following transactions pertaining to the major related parties to the Unemployment Insurance Fund are disclosed:

Unemployment alleviation schemes

Section 48(1)(a)(iv) of the Unemployment Insurance Act, 2001 as amended stipulates that the Unemployment Insurance Board must advise the Minister on the creation of schemes to alleviate the effects of unemployment.

The Minister of Labour approved in principle projects to provide funding to "Poverty Alleviation Schemes" including up-skilling/training to the unemployed and Social Plan funding. The up-skilling/training and Social Plan funding are to be executed in close relationship with the National Skills Fund (NSF), the various Sector Education Training Authorities (SETA's) and other Government Departments engaged in poverty/unemployment alleviation initiatives.

Productivity South Africa

The Social Plan is implemented through Productivity South Africa. Productivity South Africa implements Turnaround Solutions to companies that want to improve their productivity. This services has also been extended to companies that are in distress through UIF funding.

There were no year-end balance arising from the above transactions included in "Trade and other payables" for the current and previous financial years.

The contractual commitment as at 31 March 2019 amounted to R108,479,744 (2018: R63,939,744).

Technical, Vocational, Education & Training(TVET) and various Sector Education Training Authorities (SETA's)

The Training of the Unemployed is executed in close relationship with the TVET's, the various Sector Education Training Authorities (SETA's) and other Government Departments engaged in poverty/unemployment alleviation initiatives. Skilling of the unemployed in general and the UIF beneficiaries is needed in order to improve their chances to be reintegrated back into the employment environment.

There were no balances arising from the above transactions included in "Trade and other payables" for the year under review R55,764,981 (2018: R33,091,629 comprising of MERSETA R6,386,801 (2018: R11,395,983) TETA R23,454,904 (2018: R13,548,180) other SETAS R468,972 and TVET Colleges and public entities R20,105,484 (2018: R5,233,261.20)

The contractual commitments as at 31 March 2019 amounted to R1,390,543,209, comprising of MERSETA R98,631,212, TETA R101,593,668, other SETAS R15,379,827 and TVET Colleges and public entities R1,117,938,502 (2018: R351,474,915 comprising of MERSETA R99,182,061, TETA R111,500,392, AgriSeta R15,424,827, TVET Colleges R88,878,034 and Provincial Government Agencies R36,489,600.

Training Lay-off Scheme

Training Layoff Scheme(TLS) is temporary suspension of work for a worker or a group of workers that will be sent for training. The scheme is aimed at companies that are in distress due to economic conditions and at workers who may be at risk of retrenchment that might become unemployment claimants.

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	2019 R '000	2018 R '000
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39. Related parties (continued)

The Training Layoff Scheme (TLS) depends on an agreement between an employer and workers that there will be continued employment and that the employer will pay all contributions to social security benefits during the training period. The worker(s) agree to forego their normal wage, to attend the training programme and to accept a training allowance during the period of training. Employers gain a recovery period by reducing payroll costs for a period of between 1 month to 12 months and improve the skills of their workers at limited cost to the company.

The various Sector Education Training Authorities (SETA's) facilitate the training interventions.

Applications to participate in the project include the design elements as agreed by the social partners announced by the President on 5 August 2009 and go through a strict process that includes the Commission for Conciliation, Mediation and Arbitration (CCMA) and a Project Evaluation Committee (PEC) that has been collapsed into one committee housed at CCMA so as to improve turnaround time of the scheme to respond to the business challenge. The Committee is referred to as the Single Adjudication Committee (SAC). The threshold has been revised to R17,199 per month limited to 75% cap.

Department of Labour

The Director-General of the Department of Labour is the Accounting Authority of the Unemployment Insurance Fund that forms part of the Department's Programme 5: Social Insurance.

The Unemployment Insurance Fund shares various resources with the Department of Labour. Cost incurred by the Department of Labour on behalf of the Unemployment Insurance Fund in executing its mandate in accordance with the Unemployment Insurance Act (Act no. 63 of 2001) is recovered from the Fund in accordance with agreements between the Department and the Fund.

The following costs were incurred by Department of Labour on behalf of the Fund:

Employee cost	1 318 606	1 179 518
Administrative expenses	292 279	238 534
Other operating expenses	2 916	3 674
	1 613 801	1 421 726

Year-end balance arising from the above transactions included in "Trade and other payables" - R72,187,044 (2018: R56,494,659).

The following transactions were carried out with the Department of Labour

Rental income		
Rental of offices and diginet lines	1 223	922

Year-end balances arising from the above transactions are included in "Trade and other receivables, Sundry Debtors" - R1,149,328 (2018: R206,721)

South African Revenue Service

Unemployment Insurance Contributions is regulated by the Unemployment Insurance Contributions Act, sections 8 and 9, which are administered by the SARS Commissioner.

The relationship between the South African Revenue Service and the Unemployment Insurance Fund is strictly regulated by the Unemployment Insurance Contributions Act, 2002. Collection costs are charged to the Unemployment Insurance Fund on a monthly basis equal to one and a half percent of the total amount of the contributions collected.

The following transactions were carried out with the South African Revenue Service:

Unemployment Insurance Fund

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	2019 R '000	2018 R '000
39. Related parties (continued)		
Contributions collected		
- Contributions collected - received	18 754 189	17 854 626
- Penalties	209 237	245 121
- Interest	153 097	171 384
	19 116 523	18 271 131
Collection costs charged		
- Collection fees	286 748	274 067

Year-end balance arising from the above transactions is included in "Statutory Receivables" - R1,696,711,18 (2018: R1,657,479,968), and in "Trade and other payables" - R73,703,589 (2018 24,862,199)

Public Investment Corporation Limited (PIC)

In terms of the Unemployment Insurance Act (Act no. 63 of 2001), as amended, the Unemployment Insurance Fund appointed the Public Investment Corporation Limited as its Investment Manager to invest, manage and administer investments for the Unemployment Insurance Fund on the terms and conditions of an agreed mandate.

The following transactions were carried out with PIC:

Transfers		
- Net contributions transferred to PIC for investments	6 400 000	7 700 000
Paid		
- Management fees paid to PIC	242 738	159 236
- Equity transaction cost	38 233	20 290
	280 971	179 526

Year end balances arising from the above transactions:

- R2,728,690,941 (2018: R1,120,112,434) PIC UIF bank account (funds not invested in instruments), included in "Cash and Cash Equivalents". PIC manages this account on behalf of the Fund.
- R19,723,162 (2018: R17,441,591) Management payable fees payable to PIC, included in "Trade and Other Payables".
- R15,108,735 (2018: R7,598,710) Investment expenditure payable to PIC, included in "Trade and Other Payables".
- R163,190,882,313 (2018: R154,359,476,006) Financial assets managed by PIC on behalf of the Fund.

40. Going concern

The audited 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, obligations and commitments will occur in the ordinary course of business.

41. Budget information

The Fund aligns its budget priorities with that of National Government and the Department of Labour by ensuring the budget delivers on priorities such as efficient service delivery, poverty alleviation and building sound institutional arrangements.

The Unemployment Insurance Fund presents its approved budget on a zero basis and the financial statements on the accrual basis. The budget is approved on a zero basis by classification of expenditure by nature and covers the fiscal period 1 April 2018 to 31 March 2019.

The financial strategy of the Fund takes into account the requirements of the PFMA and National Treasury Regulations which requires an integrated approach between the strategic plans of the Fund when allocating resources.

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

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2019	2018
R '000	R '000

41. Budget information (continued)

The Fund is mandated to operate on the basis of a surplus i.e. that current revenue exceeds current expenditure. The medium term budget is based on an approach ensuring that revenue exceeds the planned expenditure and potential liabilities.

The Unemployment Insurance Fund does not receive a budget allocation (Vote) from National Treasury and the surplus as at reporting date is due to contribution collected exceeding claims and expenditure paid for the period under review. The Unemployment Insurance Fund however carries the liability of future claims based on the contribution received.

Written approval is annually obtained from the National Treasury to retain surplus funds according to the PFMA Section 53 (2).

Changes from the approved Original Budget to the approved Revised Budget

Operating items such as contributions, investment income and benefit expenditure were reviewed based on latest trends and activity levels and updated actuarial valuation reports.

Contribution revenue were revised down based on a revenue indicator measure model which is linked to a number of economic variables in the setting of assumptions for revenue on an annual basis. Contribution revenue for budget purposes is based on the relationship between actual past revenue, CPI and GDP.

The increase in investment income was based on the expected growth of the Fund's investment portfolio with the revised estimated surplus as per the actuarial valuation report of 2018.

The Funds Actuarial valuation of 31 March 2018 enquired higher reserving based on the claims experience together at that stage with expectations of subdued recovery of the economic conditions were the main reasons behind the increase in technical reserving.

In addition to reserving, the Fund utilises the actuarial report to budget for benefit payments.

Comparison of budget and actual amounts

41.1 Reconciliation of budget surplus with the deficit in the Statement of Financial Performance

	2019 Actual (R'000)	2019 Budget (R'000)	2019 Variance (R'000)
Net surplus/(deficit) according to the Statement of Financial Performance			(1 588 048)
Revenue	19 565 214	20 031 526	466 312
Benefit payments	(5 709 970)	(9 734 875)	(4 024 905)
Change in benefit payments	(12 823 361)	(992 358)	(11 831 003)
Unemployment alleviation schemes	(120 073)	(945 358)	(825 285)
Surplus/(deficit) from equity accounted investment	(453 264)	-	453 264
Other income	22 843	1 678	(21 165)
Auditors remuneration	(8 875)	(14 000)	(5 125)
Administrative cost	(511 640)	(747 698)	(236 058)
Depreciation and impairment	(75 138)	(193 458)	(118 320)
Employee cost	(1 338 029)	(1 526 440)	(188 411)
Other operating expenditure	(564 480)	(879 973)	(315 493)
Investment revenue	10 571 814	10 240 800	(331 013)
Fair value adjustments	(9 574 096)	-	9 574 096
Finance cost	-	(3)	(3)
Unearned premium reserve	-	(6 235 817)	(6 235 817)
Impairment on investment in associate	(568 995)	-	568 995
Net surplus per approved budget			9 004 024

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
41. Budget information (continued)		
Budget surplus		
Budget surplus as approved by the Minister		8 290 120
Plus: Capital budget and virements		713 904
		9 004 024
		2019 Variance R'000
The main variances between actual expenditure and income and the revised budget can be attributed to the following :		
41.2 Revenue		
Revenue collected is 2.33% less than the budgeted amount. The budget for revenue is based on a revenue indicator developed for the Fund, which utilises a combination of projected CPI and GDP to determine the likely rate of growth in the revenue of the Fund. Based on this revenue indicator, revenue projected was slightly more than the actual amount collected during the 2018/19 financial year.		466 312
41.3 Benefit payments		
The decrease benefit expenditure is due to enhanced benefits on the new Amendment Act and improvement of turnaround in processing claims. During the year under review there were increases in salaries, claims from Ex-mineworkers and maximum payment amount increased by 46% on average over the financial year.		4 024 905
41.4 Change in benefit payments		
The budget was compiled based on the expected economic conditions and past events in South Africa.		6 548 350
41.5 Unemployment alleviation schemes		
The Unemployment Alleviation Schemes budgeted amount took into consideration projects in the implementation phase and projects that were on hold but due for implementation in the 2018/2019 financial year. The above estimation included the budget for anticipated projects to be acquired through Request for Partnership Proposals 1,2 and 3. A total amount of R945 million was budgeted for the year under review. R745 million was budgeted towards the Training of the Unemployed because of the anticipated increase in the funding of new training projects that fall under Proposals 1,2 and 3. However the delays on the implementation of Request for Partnership Proposals led to 87.30% under-expenditure of the budgeted amount. R200 million was budgeted for expenditure on the Training Layoff Scheme and the Social Fund (Turnaround Solution). The Fund reviewed the Labour Activation Programme (LAP) validation processes and implemented additional controls during financial year under review. The changes effected stricter measures on the approval of applications relating to the Training Lay-off Schemes (TLS) and Turnaround Solutions (TAS) funding. This led to only 13% being spent under this scheme based on validated applications that adhere to the control measures put in place.		825 285
41.6 Other income		
Recovery of overpayments written off was not budgeted for because it formed part of normal overpayments recoveries. A split which separates normal recoveries from those received from debts written off is done. The Cash surplus account contains untraceable deposits which are under investigation. There was also a sale of investment property, in Midrand, Gauteng province.		21 165

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
41. Budget information (continued)		
		2019 Variance R'000
41.7 Auditors fees		
37% less than budget. As at the end of financial year, the Fund had paid invoices relating to the finalisation of 2017/18 audit. During the conclusion of the financial year 2018/19 the audit was still in process and not concluded due to timelines set by the PFMA to submit annual financial statements.		5 125
41.8 Administrative cost		
Savings incurred by the Fund on various budget items as a result of cost containment measures that were implemented in order to comply with the cost containment measures as imposed by the National Treasury.		
Stationery and Printing: Cost containment measures implemented to comply with the circular issued by National Treasury.		11 490
Advertising: Cost containment measures to comply with the circular issued by National Treasury.		16 615
External IT services: The appointment of SAP Roadmap implementation service provider was done late towards the end of the financial year. The project of installing switches in labour centres was partially completed and will continue in the new financial year. End user devices and compute nodes are still in the process of appointment.		65 834
SARS Commission: The budget for SARS contribution commission is based on 1.5% of contributions collected by SARS. The estimate for contributions collected is based on a revenue indicator developed for the Fund, which utilises a combination of projected CPI and GDP to determine the likely rate of growth in the revenue of the Fund. Based on this revenue indicator, revenue projected was slightly more than the actual amount collected during the 2018/19 financial year, which resulted in commission paid being less than the projected amount.		54 754
41.9 Depreciation and impairment		
Depreciation is less than the budget amount due to the capital ICT projects which were not finalised during the financial year under review, with specific reference to the infrastructure upgrade in labour centres. The Fund re-assesses the useful life of assets on an annual basis in line with GRAP 17. The Fund does not budget for impairment adjustments.		118 320
41.10 Employee cost		
The fund is reflecting the 12% saving against on employees cost in comparison to the budget. The Fund continues to align the compensation budget limits as directed by National Treasury and DPSA to curb the expenditure. The Unemployment Insurance Fund reflected a 13.3% vacancy rate at the end of the financial year		188 411

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2019

Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
41. Budget information (continued)		
		2019 Variance R'000
41.11 Operating expenses		
Saving against the following main budgeted items:		
Management and investment fees: Investment management fees are levied by the asset manager, Public Investment Corporation, on a monthly basis in arrears per asset class and based on the daily market value of the Investment Portfolio. As the portfolio grows so to will the management fee. Trading activity in the Portfolio and market value also fluctuates on a daily basis depending on market conditions. Therefore there will always be a difference between the budgeted amount for management fees and the actual amount paid.		131 207
Consumables: Cost containment measures to comply with the circular issued by National Treasury.		3 003
Communications: cell phones, telephone ,postage. Cost containment measures to comply with the circular issued by National Treasury.		7 261
Travel and Subsistence: The Fund is complying with National Treasury Instructions issued in 2018/19 financial circular to reduce spending on travelling.		25 163
41.12 Investment revenue		
The South African economy remained in turmoil during the 2018/19 financial year which resulted in the Fund implementing a conservative budget approach. However, the investment portfolio return outperformed the benchmark by 0.63% for 12 months and therefore the actual investment return exceeded the initial budgeted amount.		331 013
41.13 Fair value adjustments		
The Fund does not budget for Fair value adjustments as it reflects market movement on investment instruments.		9 574 096
41.14 Unearned premium reserve		
Unearned Premium Reserve" is budgeted for but disclosed in the "Statement of Changes in Net Assets" and not in the "Statement of Financial Performance. The budget was compiled based on the expected economic conditions and past events in South Africa.		6 235 817
42. Administrative Costs and Other Operating Expenditure		
Administrative costs mainly comprise of the following:		
Bank charges	17 641	17 726
Stationery and printing	13 135	13 855
Bad debts written off	42 961	50 907
Computer services	108 026	72 653
Commission paid to SARS for the collection of contributions	286 748	274 067
Other	43 129	38 857
	511 640	468 065

Unemployment Insurance Fund

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Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000
42. Administrative Costs and Other Operating Expenditure (continued)		
Other Operating Costs mainly comprise of the following:		
Consulting fees - administration and support	21 404	21 446
Travel and subsistence	64 112	47 268
Consultants, contractors and special services	147 546	71 635
Operating leases - Property, plant and equipment	116 886	108 142
Communication cost	21 232	16 097
Municipal services	23 919	29 537
Other operating costs	25 832	32 752
Computer services - U-Filing	17 063	16 064
Investment portfolio management fees	88 253	67 415
Investment fees - transaction cost	38 233	20 290
	564 480	430 646
43. Employee Costs		
Basic salary	930 917	816 379
Merit award	21 805	18 842
Service bonus	78 771	69 736
Remuneration non-pensionable other	22 337	18 512
Capital remuneration	297	528
Leave discounting	3 275	4 182
Employer contribution - pension	121 136	106 322
Social benefit in cash - Leave pay provision	11 997	(3 411)
Employer contribution - medical aid	77 527	69 181
Employer contribution - bargaining council	311	(88)
Resettlement costs	1 705	1 522
Overtime payments	16 644	21 382
Long-service awards	1 581	1 305
Bursaries	3 497	2 550
Housing benefits and allowances	46 229	42 052
	1 338 029	1 168 994
44. Events after the reporting date		
The Fund is not aware of any matter or circumstance arising since the end of the financial year		





ELEVATING PEOPLE

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