



Purpose

The purpose of the report is to brief the Portfolio Committee on the Department of Employment and Labour on the work done by the Unemployment Insurance Fund (UIF) Board for the year 2018/19.

Background

Before I delve into the main issues of the report, I just want to thank the Portfolio Committee for inviting the UIF Board to engage on matters of oversight on UIF performance on all the fronts. These includes:

- Service delivery progress
- Financial performance
- Audit Outcomes
- Organisational Performance and Performance Information
- Risk Management
- Poverty alleviation
- Governance

The invitation came at a time when the UIF board is grappling with a number of issues relating to oversight especially its Advisory role as compared to an executive role. The board is also interest in the relationship with the Public Investment Company (PIC) who is the institution responsible for the UIF Investment portfolio.

Oversight is important especially during times when organisations are exposed to all forms of corruption, poor audit outcomes and irregular expenditures and general poor governance.

As UIF Board, we are alive to our good works and shortcomings. The key ones speaks to an inconsistent audit outcomes where the institution seems to move from good too bad to good audit outcomes almost reflecting an organisation not sure how they achieved the good outcomes in the first place.

Our efforts as a board to lift the standards of governance; accountability; financial sustainability and taking care of the workers as seen in the UIF Act as Amended, which improves the benefits due to the workers but also introduces an instrument for UIF to intervenes in ensuring that jobs are preserved and workers introduced back into employment.

Focus Areas

Service delivery progress

Over the years, UIF has been processing claims within 35 working days. As a board interested in social justice and administrative justice, we have sought to ensure that workers enjoys their benefits when they are due. To this end, we have supported management in reducing the turnaround time from 35 working days to 20 days. This target has been surpassed where 94% of benefits are paid within 20 days and less.

One of the key constraints of serviced delivery is the availability of competent and skilled workforce. The board has raised the matter with the UIF Executive Committee over the months. The matter has been on the radar of the board due to the high rate of unemployment in the country and how the capacity could improve the delivery of the much-needed services to the people. Slide 15 is a reflection of some of the issues we have raised with the UIF management and the progress made.

Financial performance

The financial position of the Fund has remained stable over the years starting with collection of contributions of R16 billion in 2014/15 and rising up to R19.5 billion in 2018/19. The growth in contribution is attributed to salary increases during negotiations and improved return on investment.

Slide 12 and 13 is an indication of the impact of the reviewed benefit structure recommended by the Board to the Minister; this has seen an increase in benefit payments from R7 billion in 2014/15 to R10.9 billion in 2018/19. Workers are now able to enjoy UIF benefits for a longer period and have a longer time within which to apply for benefits. The Board saw it fit to ensure that workers are supported during their time of need.

Audit Outcomes

The board has noted with the concerned the audit opinion expressed by the AGSA. Since the UIF obtained a Disclaimer in 2016/17 has monitored the UIF Audit Matrix action plan through governance structures especially the Risk Committee and the Audit Committee. The tight monitoring resulted in UIF obtaining an Unqualified Audit Opinion in just 12 months but unfortunately, 12 months later there was a regression.

Its concerning to the board that one year UIF received a "Disclaimer" another "Unqualified" and now "Qualified", to an extend that the board took a decision to engage the PIC Board directly given the intimate knowledge the board has on the issues leading to a "Qualification". The Board-to-Board meeting took place on 11 October 2019 and was a successful one where boards committed to specific actions, which will leading to an improved audit opinion.

UIF Management has put together an action plan to address the audit findings and improve the control environment at UIF.

Governance

The year 2018/19 was one of the busiest for the board. A number of issues presented themselves and required an immediate and decisive reaction from the board. The investment portfolio was showing signs of decline especially in the Social Responsible Investment (SRI) space, particularly Steinhoff. The amount involved required action and intervention from the Board, which was granted. Edcon was on the brink of a shutdown with 10 000 jobs on the line and a further 100 000 downstream at risk. The Edcon matter came at a point when UIF had just approved the UIF Act as Amended. Section 5(d) of the UIF Act demanded an action from the board and the board acted swiftly to intervene and save jobs.

Organisational Performance and Performance Information

UIF performance has slightly improved from 58% the previous year to 63% for the 2018/19 financial year. The main driver towards a slight improvement was the change in turnaround time from 35 days to 20 days. As a board, we are watching the performance closely. We are relieved that during the Auditor General's review performance information was found to be above board. This is attributed to the role played by Internal Audit as an assurance provider before AGSA.

Slide 9 is reflection of the progress made to date on some of the areas that had affected the performance of UIF. We anticipate an improved performance for the year 2019/20 as most of the issues that we had identified have now been addressed. WE will continue with our oversight emphasizing better internal control and close monitoring of performance by management.

Poverty alleviation

The Department of Employment and Labour through the Unemployment Insurance Fund (UIF) has partnered about 32 State Owned training providers and institution to implement training of UIF beneficiaries. The intention is to pilot the project with training of over 160 000 learners over a period of three years. The training will vary from Skills Programme to Learnership to Artisan. The projected budget for the intervention is estimated at R7.9 billion over the period of three years.

Through this intervention 6000 artisans will be trained at the cost of over R800 million. Learnership will take about 67 000 learners at an estimated cost of R3.7 billion. There are 400 of the claimants who has skills and needs to be assisted with certification through Recognition of Prior Learning(RPL), at a cost of R15 million. A further 81 000 of the learners will be taken through the skills Programme at a cost of about R2.5 billion to enable them access to training and possible job placement. The final leg is the introduction of enabling entrepreneurship through enterprise development and training. Just over 1400 will be trained in this area with the intention of absorbing trainees from other Programmes and linking to the market.

As at quarter 1; 20 000 people are in training with over 75% being young people and more 50% of the total being women.

The intervention is expected to grow over time to an extent that as and when a claimant visits the department of employment and labour to claim for unemployment an opportunity will be ready for the claimants to link up the benefit payment with training thereby reduce cost on paying stipend