Minister Thulas Nxesi: Response to Auditor-General’s report into payment of UIF Coronavirus Covid19 Ters benefits

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Minister of Employment and Labour, Thulas Nxesi response to the public statement on the Auditor-General’s report into the payment of UIF Covid19 Ters benefits

Since the Declaration of a State of Disaster in March, and the beginning of the lockdown, the Unemployment Insurance Fund has been called upon to massively increase its role in the provision of a social security safety net to laid-off workers. I can report the following:

In terms of Covid19 Ters benefits, R41.6 billion has been disbursed in 9.5 million payments to laid-off workers, representing 822,000 employers. These benefits have supported millions of laid-off workers, their families, and injected cash into local economies. This is an update on the AG’s report this morning which recorded that R37 billion had been disbursed by the end of June.

Meanwhile, during the state of disaster, normal UIF payments of R5.9 billion have gone out to over 1 million claimants.

The Covid19 Ters benefit payments represented a massive increase in the mandate and upscaling of the operations of the UIF. From the very start of the Covid19 Ters benefit payments process, especially given the large amounts of funds involved, the following measures were implemented:

As Minister, I said that the UIF needed to strengthen its financial controls;

With all social partners at Nedlac (National Economic, Development and Labour Council), it was agreed that there would be a complete audit of all payments – what we called the ‘Follow the Money’ strategy, and we also invited the Auditor-General in to perform an interim audit to highlight any risks or gaps.

In addition, more recently, the President has issued a proclamation instructing the AG to audit all Covid-related government transactions.

We have now received the AG’s audit report, which points to numerous gaps, risks and inadequate controls and verification processes. This has resulted in illegal payments, amongst others, to recipients of other state grants, students receiving NSFAS payments, public servants, and even inmates, deceased persons and minors. There is also evidence of overpayments (and underpayments) as well as inflated claims. I take these breaches very seriously.

The AG has recommended that, in each instance, the UIF and the Department collaborate with other state organs and law enforcement to investigate every illegal action and risk identified. Subsequent to an earlier briefing by the Auditor-General, this we are already implementing:

On the 24th August, the SIU (Special Investigative Unit) launched a rapid forensic audit into the AG’s findings on the UIF with a view to recovering monies illegally paid and charging the perpetrators.

The Department and UIF have worked through the Fusion Centre with other government departments, agencies and databases to close gaps and eliminate risks. The Fusion Centre is a combination of law enforcement agencies, which is intended to speed up investigations and prosecution of Covid-19 related fraud and corruption cases. It consists of the Financial Intelligence Centre, Independent Police Investigation Directorate, National Prosecution Authority, the Directorate for Priority Crime Investigation, the Special Investigative Unit and the State Security Agency. This allows all the forces to work together speedily in resolving the cases. The UIF cases are handled in the Fusion Centre and they are dealt with speedily.

We have requested National Treasury to deploy technical resources to the UIF to urgently implement the recommendations of the AG and to develop systems solutions to identified gaps and risks.

In addition, National Treasury is assisting the Director-General of the Department to identify service providers to conduct a forensic investigation into the overall workings of the UIF. We will also be looking into the workings of Compensation funding.

Some 38 court cases have been opened, and charges laid against perpetrators – drawing on evidence from the AG’s findings as well as from suspicious transactions picked up by the UIF’s own Risk Management Unit. Some of these cases are already before the courts and perpetrators in jail.

I await the outcomes of these various processes, before announcing further action against individuals and entities.

The Auditor-General has now released publicly the final first special audit report into covid government expenditure – including UIF Covid19 Ters transactions – indicating serious risks and violations. In the light of this, and because this occurred on his watch, this morning, I suspended the UIF Commissioner.

In similar fashion, the Director-General of the Department of Employment and Labour has suspended UIF senior management: the CFO, COO and Head of the Supply Chain. These moves allow for the SIU to conclude its forensic investigation, completely unfettered.

This is not the end of the matter. The complete audit of all Covid19 Ters benefit payments, as agreed with all social partners at Nedlac, commences this month. Beyond that, the AG will have a second bite in terms of the annual statutory audit for 2020/21. I assure you that I will not rest until every payment is accounted for, and every wrong-doer made to account.