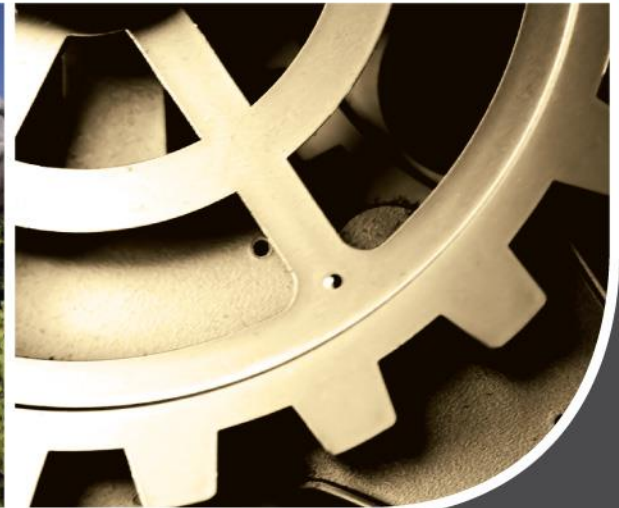


DEPARTMENT OF EMPLOYMENT AND LABOUR

BRIEF TO SELECT COMMITTEE (UIF) COVID 19TERS 2020

6 October 2020



employment & labour

Department:
Employment and Labour
REPUBLIC OF SOUTH AFRICA



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PURPOSE OF THE REPORT

The purpose of the report is to provide feedback to the Select Committee on the progress made for COVID-19 Disaster Benefit and normal UIF relief plan since the President announced the start of Lockdown in order to derail a further infection in the country.

DIRECTIVES

- On the 23 March 2020, the President announced a national lockdown for 21 days from 27 March 2020. Since then, the Minister of Employment and Labour has issued the following directives:
- **Directive 1 signed on 26 March 2020:** The introduction of the National Disaster Benefit to be used for social security during the lockdown period meant to assist employers and employees that suffer financial distress as a direct result of Covid-19 pandemic.
- **Directive 2 signed on 06 April 2020:** The amendment of Directive No 1 to enhance the COVID-19 TERS benefit and clarification of sliding scale (38%-60%) and R 3500.00 minimum wage.
- **Directive 3 signed on 09 April 2020:** The amendment of Directive No 1 and 2 after consultation with Social Partners to legalize and compel employers to apply on behalf of their employees.
- **Directive 4 signed on 26 April 2020:** The amendment of Directive No. 1, 2 and 3 to remove section 12 on Calculation of Covid-19 TERS benefits to top up the salaries of employees who received income from their employers.
- **Directive 5 signed on 30 April 2020:** Make provision for Employees to apply for COVID-19 TERS for themselves if their Employer is unable to or refuses to apply for them.
- **Directive 6 signed on 25 May 2020:** To define a contributor; or an employee as defined by the UI Act who should have received benefits under this Directive.

APPLICATIONS CLOSING DATES

The closing dates for new COVID-19 TERS applications are set as follows:

- Applications for March 2020 to end May 2020 closed on the 25 September 2020, and no further applications for that period be accepted beyond that date;
- Applications for June 2020 shall close on 15 October 2020, and no further applications for that period, shall be accepted beyond that date; and
- Applications for July to 15 September 2020 shall close 30 October 2020, and no further applications for that period, shall be accepted beyond that date.

ICT DEVELOPMENT

The UIF ICT had to develop new IT operational and financial system in order to put the above directives into effect, as none of these processes existed in their normal UIF benefit programme. The following development has been implemented:

- Automated sending of spreadsheet containing payment breakdown of employees to be paid;
- Automated functionality for employers to see status of the claim and download the payment schedule;
- Automated functionality for employees to see how much they have been paid by UIF against what the employer paid them. Further, all companies paid are available on the website;
- Additional security measures (removing payment status for employer on the landing page, limit the changing of password and banking details) has been made to minimize the alleged fraud claims;

ICT DEVELOPMENT

- Additional functionality to verify all bank accounts for all employers/Associations prior to payment where employers put the CIPC/company registration number;
- The fund has automated the process for bank verification, which went live on 29 July 2020; and
- Identity numbers for applicants has been verified against the databases of Department of Home Affairs, DPSA, SASSA and Correctional Services.

COVID19TERS PROGRESS REPORT

VALID APPLICATIONS COVID19TERS

The following table depicts valid applications for COVID19TERS:

Date	Employers	Employees	Amount
April 2020	405 225	4 152 768	R 20 857 366 786.37
May 2020	262 913	2 944 102	R 11 959 694 583.37
June 2020	201 230	2 719 903	R 10 171 175 026.90
July – Aug 2020	5 484	117 234	R 543 888 881.66
Overall Totals	874 852	9 934 007	R 43 532 125 278.30

COVID 19 TERS BENEFITS PROVINCIAL BREAKDOWN

The following table depicts COVID19TERS benefits provincial breakdown:

Province	Employers	Employees	Amount
Eastern Cape	57 971	563 894	R 2 399 850 261.77
Free State	45 098	349 289	R 1 465 427 178.17
Gauteng	349 124	4 577 956	R 20 802 384 564.41
Kwa Zulu Natal	132 072	1 580 621	R 6 560 520 815.71
Limpopo	30 800	281 588	R 1 143 878 016.99
Mpumalanga	48 406	559 485	R 2 330 737 071.44
Northern Cape	13 089	97 029	R 429 864 996.14
North West	28 786	266 310	R 1 208 159 652.33
Western Cape	169 500	1 657 836	R 7 191 302 721.35
Total	874 845	9 934 007	R 43 532 125 278.30

CUMULATIVE NON COVID-19 BENEFIT PAYMENT SINCE LOCKDOWN INCEPTION

The following table depicts non-COVID19 payments from 26 March 2020 – 25 September 2020:

Benefit type	Beneficiaries	Amount paid
Unemployment	979 596	R 5 539 404 353.92
Maternity	183 674	R 1 038 638 316.36
Dependant	36 735	R 207 727 663.27
Illness and Adoption	24 490	R 138 485 108.85
Total	1 224 495	R 6 924 255 442.40

COVID19TERS AUDIT ACTION PLAN

ACTION PLAN – UIF COVID19TERS

AUDIT OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status – 28 September 2020	Time Frames
1	Non-compliance with the instruction note.	We noted that the service provider was contracted as a sole provider without any independent evidence by the Fund to justify the selected service provider as a sole provider.	Prior to procurement, a thorough review of the process followed by SCM should be performed to ensure that SCM prescripts are fully complied with.	Clear independent evidence will be sought to support the sole service provider status prior to approval and awarding of a contract.	The probity review process was introduced as part of the SCM processes to ensure compliance to the procurement prescripts.	28/08/2020
				The matter is under investigation by the Special Investigating Unit.	The SIU Officials have started the investigation on the 7 th of September .	30/9/2020.
				Probity to form part of every step of the procurement process.	Supply Chain Management policy has been reviewed to include probity. The Policy is going through the approval process.	01/09/2020.
				Compliance check on the transaction will be conducted.	The checklist of post award activities will be developed.	31/10/2020.

ACTION PLAN – UIF COVID19TERS AUDIT

OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status – 28 September 2020	Time Frames
2	Discrepancies relating to the appointment of service providers.	We noted that there were instances where information provided in the bids was not supported by evidence. There were also instances where specifications were used to motivate the appointment of a service provider to the bid adjudication committee which were not a requirement in the initial approved bid specifications.	The reason for using a service provider as a sole service provider should be researched and clear documented prior to approval and award of the contract. The Accounting Officer should investigate and implement consequence management in line with the National Treasury regulations.	A clear independent evidence will be sought to support the sole service provider status prior to approval and awarding of a contract.	The probity review process was introduced as part of the SCM processes to ensure compliance to the procurement prescripts.	30/09/2020.
				The matter is under investigation by the Special Investigating Unit.	The SIU Officials have started the investigation on the 7 th of September .	07/9/2020.
				Compliance check on the transaction will be conducted.	The checklist of post award activities will be developed.	31/10/2020.

ACTION PLAN – UIF COVID19TERS AUDIT OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status – 28 September 2020	Time Frames
3	Unfair awarding of contract.	A contract was awarded to a service provider that achieved the second position on price and preference point. This is in contravention of section 51 of the PFMA and the Preferential Procurement Regulations.	The specifications should be transparent and the criteria for evaluation on functionality should be clear and known to each service provider.	<p>Transparent and clear specifications and functionality evaluation criteria will be developed and subjected to a probity process.</p> <p>The matter is under investigation by the Special Investigating Unit.</p>	<p>The probity team has commenced with the specification review. Each specification will be signed off prior to advertisement.</p> <p>The SIU Officials have started the investigation on the 7th of September .</p>	<p>30/09/2020</p> <p>07/09/2020</p>

ACTION PLAN – UIF COVID19TERS AUDIT

OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status – 28 September 2020	Time Frames
4	Fraud risks related to the manual application process.	Lack of independent review or reconciliation performed to ensure that all applications received through the dedicated mail box from employers and bargaining councils were dealt with appropriately and that none of the emails received were deleted.	That the fund considers the fraud risks and the related control weaknesses and develop a response for each in order to improve the control environment.	Information on the 110 applications that were processed during manual process will be re confirmed with the employer records during the Follow the Money process. In the meantime, 110 manual transactions will be given to the verification team for follow up.	Detailed reconciliation was performed on all manual application files. Furthermore, the COVID19ters application process was automated. The internal post verification team conducted manual verification on 37 transaction which were completed on the 24 th of August 2020.	30/09/2020. 24/08/2020.

ACTION PLAN – UIF COVID19TERS AUDIT

OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status – 28 September 2020	Time Frames
5	Fraud risks related to the manual and online application process.	No or limited controls in place to detect/ prevent inflated salaries on the applications.	That the funds consider the fraud risks and the related control weaknesses and develop a response for each in order to improve the control environment.	Perform comprehensive Fraud Risk Assessment	Fraud Risk Assessment was comprehensively performed on the 11/06/2020. The latest fraud risk assessment was conducted on the 21 st of September 2020.	21/09/2020
6	Fraud risks related to the manual application process.	We established that the system used a standard lock down period of 35 days to calculate the benefit amount.	That fund should review the calculation of the TERS benefit to ensure that it is aligned to the gazette regulations.	To address audit /risk issue the business rule will be changed to accommodate the salary given by the complying employers during the declaration process from January 2020. This will be implemented for covid19 claims starting from July and August.	The change request for salary verification on Siyaya system was implemented. The system development was tested and went LIVE on the 6 th of September 2020.	20/08/2020

ACTION PLAN – UIF COVID19TERS AUDIT OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status – 28 September 2020	Time Frames
7	Inadequate verification of employer details.	We established that the Fund UIF only used the UIF reference number to verify the registration status of the employers. However, this poses a high risk of manipulation of the application process and exposes the fund UIF to financial loss.	The fund should enhance the controls to verify the existence of employers to include employer specific details such as trade number, CIPC number and email address.	Improve COVID-19 TERS controls	<p>The COVID-19 TERS controls were improved and the verification process now includes;</p> <ol style="list-style-type: none"> 1. Enterprise number; 2. CK or CIPC number; 3. Identity number for NPO; 4. Trade Name <p>The bank verification is conducted on a daily basis and the results of the verification are posted on the application portal and was implemented on the 27th July 2020.</p>	01/09/2020

ACTION PLAN – UIF COVID19TERS AUDIT

OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status –28 September 2020	Time Frames
8	Lack verification of applicant representing employers.	The system does not prohibit a single applicant from representing and submitting claims on behalf of multiple employers and/or bargaining councils. As a result, there was 21 registered applicants that that submitted applications representing 442 employers/ bargaining councils. Moreover, the applicants are not required to submit any form of evidence to confirm that they are duly appointed by the institutions they claim to be representing.	The fund should implement controls to verify applicants representing multiple employers.	The on –line portal to indicate if the claim was made by the employer or third party.	<p>In case where the claim was made by the representative, then the system only allows for identity number of the representative, authorization letter to be downloaded and number of the claims lodged by the representative.</p> <p>The payment of the TERS claims to be released only to the employer banking details after bank verification utilizing the following controls:</p> <ul style="list-style-type: none"> • CK Number • ID Number • Foreign National • Tradename <p>Therefore, no payments will be processed to representatives of the companies. The solution went live on 12 July 2020.</p>	30/09/2020

ACTION PLAN – UIF COVID19TERS AUDIT OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status –28 September 2020	Time Frames
9	Inadequate system functionality for bank confirmation of uploaded documents.	We established that the system used to receive TERS benefit applications does not check the banking details of the employers or bargaining councils against the bank confirmations which are submitted by applicants upon registration.	The fund should implement preventative controls that will allow for confirmation of banking details when employers and bargaining councils are the recipients of claimant funds, before the funds are paid out.	Automate the bank verification process for Employers and Employees.	UIF automated the bank verification process for Employers and Employees. The bank verification is conducted on a daily basis and the results of the verification are posted on the application portal.	30/09/2020
				Verify each payment against ID number for employees, CK or CIPC number for registered companies and trade name or identifier number for Non Profit Organizations.	UIF automated the bank verification process for Employers and Employees. The bank verification is conducted on a daily basis and the results of the verification are posted on the application portal.	01/09/2020

ACTION PLAN – UIF COVID19TERS AUDIT

OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status –28 September 2020	Time Frames
10	Lack of verification of employee salaries submitted during benefit claims.	We established that the system used to receive TERS benefit applications does not validate the salaries validate the salary figures against the salaries already declared to the UIF.	That the fund should perform a verification of the salary data and ensure that in all instances of overpayment a process is initiated to recoup funds.	To address audit /risk issue the business rule will be changed to accommodate the salary given by the complying employers during the declaration process from January 2020.This will be implemented for covid19 claims starting from July and August	The change request for salary verification was completed and implemented for lockdown 4. The Solution was tested and went live and was implemented during the application process for lockdown levels 4 and 5.	22/08/2020

ACTION PLAN – UIF COVID19TERS AUDIT

OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status –28 September 2020	Time Frames
11	Incorrect system calculations of the TERS benefit payment for the first lockdown period.	The system verifications for the calculation of the claimant lockdown period for the 1st lockdown, i.e. 27 March 2020 to 30 April 2020, was observed to be incorrect. In calculating the benefit amount, the portion of the salary that was paid by the employer was not taken into account in reducing the amount to be paid by the fund UIF as a benefit to the employee.	That the fund reviews the calculation to determine its correctness in line with the gazette regulations.	Remove Section 12(1)(b) on Directive number 3	Directive number 3, signed on the 12th April 2020 removed Section 12(1)(b) which considered salary. The directive is being implemented on 30 th Apr until 24 th May 2020	30/04/2020
				Recalculate all benefits submitted for the first lockdown and the short-payment was disbursed.	All benefits submitted for the first lockdown were re-calculated and the short-payment was disbursed. The business rule was amended on the TERS system on the 25 th May 2020	25/05/2020
				Verify and confirm salary portion for lockdown with the Employer.	Salary portion lockdown submitted was verified and confirmed with the Employer. Any overpayment was noted and will be recovered from further benefits noted on the TERS system and will be concluded and closed as soon as April and May claims are closed	01/05/2020

ACTION PLAN – UIF COVID19TERS AUDIT

OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status –28 September 2020	Time Frames
12	Applicants that are below the legal age of employment.	Individuals below the legal age of employment of 15 years were paid by the UIF. A total amount of R 224 677 was paid for 53 applicants for the period up to 30 June 2020.	We recommend that the UIF collaborate with other state organs and law enforcement agencies in the intelligence services and the police and institute investigations into payments made to persons that are below the legal age of employment.	To conduct investigations	The UIF has reported the matter to the SAPS and 56 criminal cases were opened. Case numbers are available.	31/08/2020
				Block all affected reference on the COVID-19 TERS system.	All affected reference numbers were blocked on the COVID19ters system. The change request was implemented on the 21st August 2020	20/08/2020
				Forward all transactions to the Inspection and Enforcement Services to follow up on the matter as it affects labour relations.	The Fund has implemented functionality on the COVID 19 TERS Admin Portal for the Risk and Fraud Management Directorate to block and unblock employers on the portal without referring to ICT to block and unblock All transactions were forwarded to the Inspection and Enforcement Services to follow up on the matter as it affects labour relations. The list of transactions was submitted to IES.	20/08/2020

ACTION PLAN – UIF COVID19TERS AUDIT

OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status –28 September 2020	Time Frames
13	Identity number same as that of a UIF employee.	We identified a claim for the TERS benefit that was paid for an individual that has the same ID number as a UIF employee. This application was paid out R4 027.	We recommend that the UIF collaborate with other state organs and law enforcement agencies in the intelligence services and the police and institute investigations into payments made to the UIF employee.	The matter to be referred to forensic investigation.	The matter was subjected to investigation for possible fraud. Investigation in progress- Company confirmed that the employee was working for them previously and resigned on the 19 th December 2020. An amount of R4027 paid for the employee was refunded to the Fund. Evidence for the refunds was obtained.	22/08/2020
				UIF PERSAL data to be verified through data analytics.	The business rule was developed to block all UIF employees id numbers from applying for the COVID19ters benefit.	04/09/2020
				Management to write a letter to the UIF employee to confirm whether she received the money.	UI Commissioner wrote a letter to the UIF employee to confirm whether she received the money. The employee confirmed that the COVID-19TERS funds were not received. The employee bank account was also verified.	30/09/2020

ACTION PLAN – UIF COVID19TERS

AUDIT OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status –28 September 2020	Time Frames
14	Deceased individuals were paid TERS benefit.	We identified individuals who were indicated as deceased per home affairs data base however they were indicated by UIF as having received the TERS benefit. A total amount of R441 144 was paid for the period ending 30 June 2020 in this regard.	We recommend that the UIF collaborate with other state organs and law enforcement agencies in the intelligence services and the police and institute investigations into payments made to deceased persons.	Process dump data	Data dump was done. COVID 19 TERS data was submitted to DHA for verification and feedback was received to avoid processing payment to deceased applicants. From the feedback received from DHA, script was ran on the COVID 19 TERS database to pick up any applications of employees who were deceased prior and during lockdown periods. The results will be submitted to Risk and Fraud Management Unit for further investigation and blocking of the profiles.	15/09/2020
				Ensure a reliable FTP data source	The FTP data source is now more reliable and consistent	14/09/2020
				Perform data analytics against Portal data.	Data analytics against portal data was conducted on the 11 th September 2020.	11/09/2020

ACTION PLAN – UIF COVID19TERS AUDIT OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status –28 September 2020	Time Frames
14 cont				UIF to re-test integration link of data between UIF and Home Affairs	Letter from DEL DG was sent to DHA DG for the approval of data verification between two departments and DHA DG approved. Thereafter, data verification commenced and was finalised.	04/09/2020

ACTION PLAN – UIF COVID19TERS AUDIT OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status –28 September 2020	Time Frames
14 cont				<p>COVID-19 TERS database to be sent to Home Affairs for verification and updating of date deceased and validity of the ID number.</p>	<p>COVID-19 TERS database sent to Home Affairs for verification and updating of date deceased and validity of the ID Number. This is also include verification of foreign national information. The ID numbers were verified by UIF.</p> <p>COVID 19 TERS data was submitted to DHA for verification and feedback was received for the confirmation of the validity of all ID numbers and deceased date of the applicants on the COVID 19 TERS database.</p> <p>Further engagements between the two departments are continuing with regards to Foreign national data verification.</p>	04/09/2020
				<p>Change of business rule to block affected employers</p>	<p>Change request implemented.</p> <p>All affected employers were blocked on the COVID 19 TERS system until all investigation have been finalized by Risk and Fraud Management Unit</p>	20/08/2020

ACTION PLAN – UIF COVID19TERS AUDIT OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status –28 September 2020	Time Frames
14 cont				To put payment on hold for June and July claims	All claim processing and payments for all the lockdown periods were put on hold until the recommended system controls are implemented. Subsequently, payments resumed.	20/08/2020
				Subject all transactions to fraud investigations.	<p>The investigation is in progress. The Case number is 423-8-2020.</p> <p>All affected employers were blocked on the COVID 19 TERS system until all investigation have been finalized by Risk and Fraud Management Unit</p>	22/08/2020

ACTION PLAN – UIF COVID19TERS AUDIT

OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status –28 September 2020	Time Frames
15	Individuals who are imprisoned were paid TERS benefit.	There were individuals who were indicated as having received the TERS benefit however these individuals were indicated as being in prison. The total amount of R 169 900 was paid for period ending 30 June 2020 in this regard.	We recommend that the UIF collaborate with other state organs and law enforcement agencies in the intelligence services and the police and institute investigations into payments made to inmates.	Confirm the status of ID numbers with the Department of Correctional Services	COVID 19 TERS data was submitted to Correctional Service for verification and feedback was received for the confirmation of inmates status on the COVID 19 TERS database. From the feedback received from Correctional Services, script was ran identify applicants who were active during and prior to the periods utilizing the admission date and release date from the Correctional Service verification feedback. Those applicants find to be active have been referred to Risk and Fraud Management for further investigation.	19/08/2020

ACTION PLAN – UIF COVID19TERS AUDIT OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status –28 September 2020	Time Frames
15 cont				Change of business rule to block affected employers	<p>Change request implemented.</p> <p>All affected ID numbers were blocked on the COVID 19 TERS system until all investigation have been finalized by Risk and Fraud Management Unit</p> <p>The Fund has implemented functionality on the COVID 19 TERS Admin Portal for to verify ID numbers and check the release date of the prisoner. No application is considered prior to the release date.</p>	20/08/2020
				To put payment on hold for June and July claims	<p>All claim processing and payments for all the lockdown periods were put on hold until the recommended system controls are implemented. Subsequently, payments resumed.</p>	20/08/2020

ACTION PLAN – UIF COVID19TERS AUDIT OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status –28 September 2020	Time Frames
15 Cont				Change of business rule to block affected employers	<p>Change request implemented.</p> <p>All affected ID numbers were block on the COVID 19 TERS system until all investigation have been finalized by Risk and Fraud Management Unit</p> <p>The Fund has implemented functionality on the COVID 19 TERS Admin Portal for to verify ID numbers and check the release date of the prisoner. No application is considered prior to the release date.</p>	20/08/2020
				To put payment on hold for June and July claims	<p>All claim processing and payments for all the lockdown periods were put on hold until the recommended system controls are implemented. Subsequently, payments resumed.</p>	20/08/2020

ACTION PLAN – UIF COVID19TERS AUDIT

OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status –28 September 2020	Time Frames
16	Double dipping	Individuals who received UIFs/benefits from other state institutions (including remuneration in some instances) were paid by the UIF. A total amount of R140 556 822 was paid for 35 043 applicants for the period up to 30 June 2020.	That the fund should perform a verification of the salary data and ensure that in all instances of overpayment a process is initiated to recoup funds.	Conduct verification through u-filing declarations and SARS information.	Verification was done through u-filing declarations and SARS information. The debt collection is in place and the Fund has collected R930 million. A hold was placed to all UI Reference numbers for further review.	01/09/2020
			NSFAS students were paid TERS benefit claim amounting to R10 335 344;	Confirm ID numbers and beneficiary information with NSFAS	NSFAS responded indicating that they are not aware of any restrictions that if a person is NSFAS funded student you may not benefit from UIF COVID19 Scheme. Therefore, the Fund will proceed with the payments in spite of student funding.	07/09/2020



ACTION PLAN – UIF COVID19TERS AUDIT OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status –28 September 2020	Time Frames
16 Cont			SANDF paid beneficiaries were paid TERS benefit claim amounting to R327 638;	Confirm the status of the ID numbers and beneficiary information with SANDF	Letter sent to SANDF to confirm status of the id numbers and beneficiary information.	23/08/2020
				Request business rules and requirement for SANDF beneficiaries.	UIF requested business rule and requirement for SANDF beneficiaries. The Fund is awaiting the formal response	23/08/2020
				Conduct verification exercise on all PERSAL employees who applied for COVIDTERS benefit.	The Fund has submitted COVID 19 TERS data to DPSA for verification to avoid double dipping in order for the Fund to block applicants and employers who are/ were active during lock period of COVID (27 March 2020 to until to date)	20/08/2020

ACTION PLAN – UIF COVID19TERS AUDIT OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status –28 September 2020	Time Frames
16 Cont			<p>Disability grant recipients paid beneficiaries were paid TERS benefit claim amounting to R69 419;</p>	<p>Confirm the status of ID numbers with SASSA</p>	<p>SASSA confirmed that an individual can work while in receipt of SASSA grants. Therefore the position of the department is to continue with COVID 19 TERS Benefits and provide SASSA with the extract of the COVID 19 TERS database to determine further eligibility of the grant.</p>	<p>01/09/2020</p>

ACTION PLAN – UIF COVID19TERS AUDIT

OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status –28 September 2020	Time Frames
16 Cont			Old age grant recipients paid beneficiaries were paid TERS benefit claim amounting to R88 814 684.	Confirm the status of ID numbers with SASSA.	SASSA confirmed that an individual can work while in receipt of SASSA grants. Therefore the position of the department is to continue with COVID 19 TERS Benefits and provide SASSA with the extract of the COVID 19 TERS database to determine further eligibility of the grant.	24/08/2020
17	Banking details same as those UIF employee.	Four (4) applications for Individuals sharing the same banking details as UIF employees and paid by the UIF amounted to R14 614.	We recommend that the UIF collaborate with other state organs and law enforcement agencies in the intelligence services and the police and institute investigations into payments made to UIF employees.	Conduct verification exercise to all four (4) employees.	Post verification process on these UIF officials was conducted and it was confirmed that they are registered as Domestic employers and the evidence that the payment was made to domestic employees.	17/08/2020
				Conduct Compliance check to the affected reference numbers.	Compliance check conducted to the affected reference numbers. All UIF employees complied with the UI act and contributions act.	20/08/2020

ACTION PLAN – UIF COVID19TERS AUDIT

OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status –28 September 2020	Time Frames
18	Individuals sharing banking details.	Twelve (12) applications for Individuals sharing the same banking details and paid by the UIF amounted to R53 971.	We recommend that management institute an investigation to address the control deficiency and prevent future recurrences of the control breakdown.	The Fund automated the bank verification process for Employers and Employees.	The Fund automated the bank verification process for Employers and Employees. The bank verification is conducted on a daily basis.	11/08/2020
				Each payment is verified against id number for employees, CK or CIPC number for registered companies and trade name or identifier number for Non Profit Organizations	The bank verification is conducted on a daily basis and the results of the verification are posted on the application portal. To write a letter to the affected companies to confirm the accuracy of banking details.	11/08/2020

ACTION PLAN – UIF COVID19TERS AUDIT

OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status –28 September 2020	Time Frames
19	Individuals with invalid identity numbers.	We identified 4 161 payments with an amount of R 30 071 248 made to individuals with invalid ID numbers.	We recommend that the UIF collaborate with other state organs and law enforcement agencies in the intelligence services and the police and institute investigations into payments made to individuals with invalid ID numbers.	<p>Letter sent to Department of Home Affairs to confirm status of id numbers.</p> <p>UIF to re-test integration link of data between UIF and Home Affairs.</p>	<p>Letter from DEL DG was sent to DHA DG for the approval of data verification between two departments and DHA DG approved. Thereafter, the LIVE data feed was finalised.</p> <p>The current solution, the Fund submitted a copy of the COVID 19 TERS database to DHA for verification and feedback was received. Long term solution, the Fund will develop a direct/live link to the DHA for immediate verification of applicants ID numbers and passport numbers</p>	<p>23/08/2020</p> <p>04/09/2020</p>

ACTION PLAN – UIF COVID19TERS AUDIT

OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status –28 September 2020	Time Frames
19 cont	Individuals with invalid identity numbers.	We identified 4 161 payments with an amount of R 30 071 248 made to individuals with invalid ID numbers.	We recommend that the UIF collaborate with other state organs and law enforcement agencies in the intelligence services and the police and institute investigations into payments made to individuals with invalid ID numbers.	Change of business rule to block affected employers and put payments on hold for June and July 2020.	Change request implemented. All claim processing and payments for all the lockdown periods were put on hold until the recommended system controls are implemented	01/09/2020

ACTION PLAN – UIF COVID19TERS AUDIT

OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status –28 September 2020	Time Frames
20	Double dipping within UIF.	We identified individuals that received payments on claims submitted for both normal benefits and TERS benefit. A total amount of R14 210 866 was paid for the period ending 30 June 2020 in this regard.	It is recommended that management should investigate this matter and take appropriate action, the underlying control deficiencies should be improved.	Letters sent to relevant Departments to confirm status of id numbers.	The functionality was implemented to block double dipping of benefits in UIF. The Fund will raise overpayments to all the applicants find to have double dipping of UIF Benefits.	01/09/2020
				All transactions were subjected to fraud investigations.	The fraud investigators have started performing the data analytics for the investigation. The process is at the execution stage.	01/09/2020

ACTION PLAN – UIF COVID19TERS AUDIT

OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status –28 September 2020	Time Frames
21	Payments above maximum threshold.	We identified TERS claims that were paid in excess of the claims amount due. A total amount of the overpayment was R 84 228 713 for 1 183 applicants for the period up to 30 June 2020.	We recommend that the UIF collaborate with other state organs and law enforcement agencies in the intelligence services and the police and institute investigations into the overpayments.	Probity team to perform data analytics procedures to verify existence and accuracy of Employer details.	The exercise to conduct data analytics on the system has commenced.	22/08/2020
				Change of business rule to block affected employers.	Change request implemented	22/08/2020
				Overpayment will be raised where needed.	All affected employers were blocked on the COVID 19 TERS system until all investigations have been finalized by Risk and Fraud Management Unit	22/08/2020
				The debt collection process is in place. UIF has collected R3.1 Billion up to 30 September 2020 through UIF debt collection process.		

ACTION PLAN – UIF COVID19TERS AUDIT

OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status –28 September 2020	Time Frames
22	Overpayments.	There were claimants that were paid more in excess of the claim due to as result on the incorrect number of days being used to calculate the benefit. A total amount of R10 215 765 was paid for 723 applicants for the period up to 30 June 2020.	We recommend that the UIF collaborate with other state organs and law enforcement agencies in the intelligence services and the police and institute investigations into the overpayments.	Directive number 3, signed on the 12th April 2020 removed Section 12(1)(b) which considered salary.	The error was corrected on the system and the re-run resulted in overpayment being raised and the refund collected.	22/08/2020
				The first lockdown period included some days of March 2020, hence number of days are high.	The correct lockdown period is being used.	22/08/2020
				System calculator was tested before being utilized.	The system calculator functionality is working effectively and as intended.	22/08/2020

ACTION PLAN – UIF COVID19TERS AUDIT

OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status –28 September 2020	Time Frames
23	Underpayments	There were claimants that were paid less than the claims amount due to them. A total amount of the underpayment was R 250 919 657 for 1 700 applicants for the period up to 30 June 2020.	We recommend that management institute an investigation into the underpayments .	Directive number 3, signed on the 12th April 2020 removed Section 12(1)(b) which considered salary.	The directive is being implemented.	22/08/2020
				All benefits submitted for the first lockdown was re-calculated and the short-payment was disbursed.	The directive is being implemented	20/08/2020
				Salary portion submitted was verified and confirmed with the Employer.	The directive is being implemented The Fund has implemented additional system control to verify salary with the internal Claims System (Siyaya System)	20/08/2020

ACTION PLAN – UIF COVID19TERS AUDIT OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status –28 September 2020	Time Frames
24	Duplicate payments.	An employer was paid three times for the same application. A total amount of R 597 456 was paid by the UIF.	We recommend that the UIF collaborate with other state organs and law enforcement agencies in the intelligence services and the police and institute investigations into the overpayment.	Reconciliation between TERS and Computron is performed.	Two way matching verification is used. The voucher is issued, cancelled and re-issued with the same amount. It is not 3 different payments.	22/08/2020
				Two way matching verification is used.	Two way matching verification is used. The voucher is issued, cancelled and re-issued with the same amount. It is not 3 different payments.	22/08/2020
25	Unsubstantiated payment made.	There were transactions which were paid, however these could not be reconciled back to the applications on the system. These transactions totalled R 54 276 240 for 801 applicants for the period up to 30 June 2020	It is recommended that management should investigate this matter and take appropriate action, the underlying control deficiencies should be improved.	Reconciliation between TERS and Computron is performed.	Reconciliation between TERS and Computron is performed on a daily basis.	22/08/2020

ACTION PLAN – UIF COVID19TERS AUDIT OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status –28 September 2020	Time Frames
26	Unsubstantiated applications made.	There were transactions identified on the application system with no invoices that were which were paid. These transactions totalled R1 374 154 248 for 235 710 applicants for the period up to 30 June 2020.	It is recommended that management should investigate this matter and take appropriate action, the underlying control deficiencies should be improved.	Reconciliation between TERS and Computron is performed.	Reconciliation between TERS and Computron is performed on a daily basis.	22/08/2020
27	Payments to foreign nationals.	We identified payments amounting to R685 846 671 which made to 166 619 foreigners that did not have contributions paid for by employers for the past 12 months.	It is recommended that management should investigate this matter and take appropriate action, the underlying control deficiencies should be improved.	<p>UIF requirements for COVID19ters are as follows:</p> <ul style="list-style-type: none"> • There should be employer-employee relationship; • Employer and the employee should be registered on the UIF database. <p>Foreign nationals met the above rules.</p>	The Directive issued on the 25 th of May 2020 defined the worker and has been implemented as such. These payments were done in line with the Directive issued on the 23/5/2020 which was also retrospectively applied/	20/08/2020

ACTION PLAN – UIF COVID19TERS AUDIT

OBSERVATIONS

No	Findings	Audit Observation	AG Recommendations	Action Plan	Progress Status –28 September 2020	Time Frames
28	Claims with an application date after payment date.	There were 202 311 transactions for with a total amount of R1 192 846 962 which were paid, however the application date was prior to the payment date of the claim.	It is recommended that management should investigate this matter and take appropriate action, the underlying control deficiencies should be improved.	To limit number of updates during the application process.	The number of updates were limited during the application process and payment stage.	22/08/2020
				The matter is subjected to investigation.	The matter is subjected to investigation.	22/08/2020
29	Employer site visits.	Auditors were denied entry to the premises and the officials cited the company was not sufficiently prepared to accommodate and assist the auditors with in providing the required information.	It is recommended that management should investigate this matter and take appropriate action, the underlying control deficiencies should be improved.	The Employer will prioritised during the follow the money process.	The Employer will be prioritised during the follow the money process.	04/09/2020
				The matter is subjected to investigation.	The matter is subjected to investigation and at the execution stage.	04/09/2020
30	Claims with no Application Date or approval date.	We noted TERS benefit claims with no application date.	We recommend that management institute an investigation to address the control deficiency and prevent future recurrences of the control breakdown.	All the applications with no application date were not paid.	The system control is working as intended. All transactions are investigated.	22/08/2020

OVERALL CONTROL IMPROVEMENT



SUMMARY OF UIF COVID19TERS AUDIT OBSERVATIONS

The UIF conducted the root cause analysis exercise on all audit observations received from the Auditor-General. The Fund then developed an action plan which is a control-driven corrective action. The following system application controls were enhanced:

- ✓ **Payment made to deceased persons:** UIF submitted 5 000 000 ID numbers to the Department of Home Affairs for verification purpose. The above number was the total of applications received since the beginning of the lockdown. The Department of Home Affairs provided the status of each ID number and the UIF implemented a system business rule to reject any ID number which was not verified.
- ✓ **Payment made to minors:** The business rule was implemented on the system to block all the under age applications received from the employers. The control is now effective.
- ✓ **Payment made to government employees:** The full set of data with date of appointment and termination date was received from DPSA. Another business rule was introduced to reject any government employees applying for the COVID19TERS benefit.
- ✓ **Payment made to prisoners:** The Department of Correctional Services provided data of all the prisoners with the release date. The business rule implemented is looking at the release date and reject any application made prior to the release date of the prisoner.
- ✓ **Payment made to SASSA beneficiaries:** The Department of Social Development provided their application requirement which stated that there is no rule that prohibit SASSA beneficiaries to apply for UIF COVID19TERS benefit, however the system was enhanced on this matter.

SUMMARY OF UIF COVID19TERS AUDIT OBSERVATIONS

The UIF conducted the root cause analysis exercise on all audit observations received from the Auditor-General. The Fund then developed an action plan which is a control-driven corrective action. The following system application controls were enhanced:

- ✓ **Payment made to UIF employees:** All UIF employees were immediately blocked from applying for the COVID19TERS benefit. All id numbers of the UIF employees were used to change the business rule and block them.
- ✓ **Overpayment and underpayments:** The business rule was implemented to create a ceiling amount of each benefit which cannot be overridden. The control is now effective.

Furthermore, during the first payment run on the 21st of September 2020 after the suspension of payment, the following errors were detected and the payments were rejected:

- Deceased persons: 193 applications rejected;
- Government employees: 1 668 applications rejected;
- Inmates: 2 applications rejected; and
- Invalid id number: 1 968 applications rejected.

Internal Audit and Risk Management are currently performing the independent review on the system controls to evaluate the adequacy and effectiveness of controls.



Thank You...