Department of Employment and Labour
Annual Report for the Unemployment Insurance Fund (UIF) for the year ended 31 March 2020

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The Honourable Minister of Employment and 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 2020. As required by section 11(3) of the Unemployment Insurance Act (UIA, Act 63 of 2001, as amended), the report includes the Statement of Financial Position and the Statement of Financial Performance for the year ended 31 March 2020. It also contains the Auditor-General's report in terms of the Public Finance Management Act (PFMA, Act 1 of 1999, as amended).

Minister, TW Nxesi, MP

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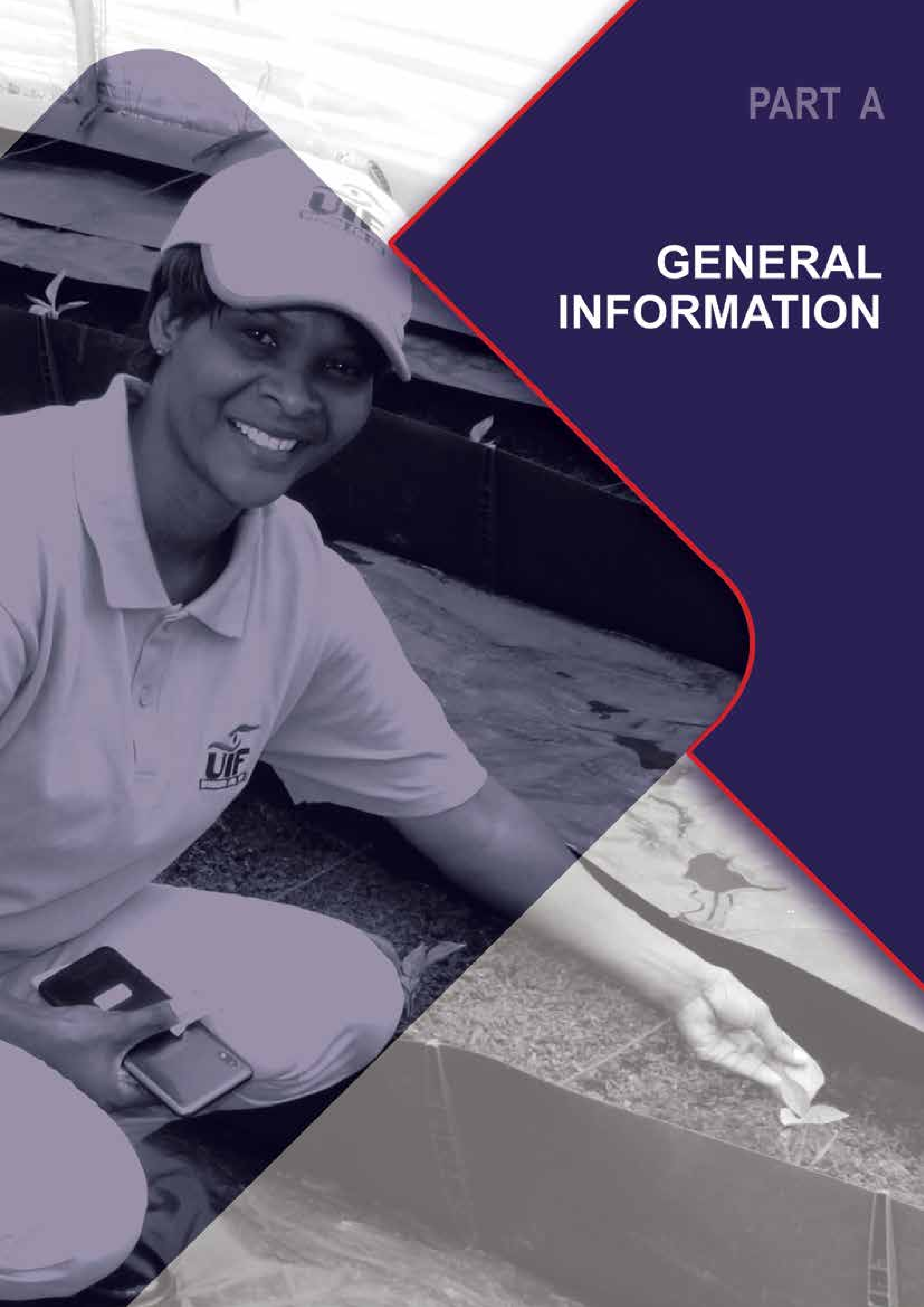
PART A

GENERAL INFORMATION



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
Postal Address:	UIF Pretoria
Telephone Number/s:	(012) 337 1700
Toll free Number:	0800 030 007
Call Centre:	(012) 337 1680
Website/s:	www.labour.gov.za and www.ufiling.co.za
External Auditors:	Auditor General of South Africa, 4 Daventry Street, Aurecon Centre, Lynwood Bridge Office Park, Lynwood Manor
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

AFS	Annual Financial Statements
AGSA	Auditor-General of South Africa
B-BBEE	Broad-Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
DG	Director-General
DPSA	Department of Public Service and Administration
ERP	Enterprise Resource Planning
ICMS	Integrated Claims Management System
MoU	Memorandum of Understanding
MP	Member of Parliament
MTEF	Medium Term Expenditure Framework
PIC	Public Investment Corporation
RAC	Regional Appeals Committees
SAC	Single Adjudication Committee
SARS	South African Revenue Service
SCM	Supply Chain Management
SMEs	Small and Medium Enterprises
SMMEs	Small, Medium and Micro Enterprises
UIA	Unemployment Insurance Act
UIC	Unemployment Insurance Commissioner
UICA	Unemployment Insurance Contributions Act
UIF	Unemployment Insurance Fund
UIFB	Unemployment Insurance Fund Board
SAC	Single Adjudication Committee
SACCI	South African Chamber of Commerce and Industry
SCOPA	Standing Committee on Public Accounts
SCM	Supply Chain Management
TERS	Temporary Employer/Employee Relief Scheme
TLS	Training Lay-off Scheme
TOU	Training of the Unemployed
USSD	Unstructured Supplementary Service Data

3. Foreword by the Accounting Authority

T Lamati
Director-General of Employment and Labour

"The Fund has allocated up to 24% of its portfolio to SRIs and through these investments 51,797 jobs have been sustained."

The expanded mandate of the Department of Employment and Labour of not only focusing on labour market regulation through policies and legislation, but also on creating employment and preserving jobs, has created a need for us to re-prioritise the work of the UIF.

Both the UIF and the Compensation Fund, as active labour market instruments of the Department, play a critical role in the implementation of the new mandate. The UIF, through Labour Activation Programmes (LAPs), concluded funding agreements with 48 entities and training institutions and provided training to 36 198 learners.

The training provided varies from specialised short-term skills programmes to three-year artisan training programmes conducted in conjunction with the manufacturing industry. We have instructed the UIF to review training interventions offered by these partners to ensure that their exit strategies result in gainful employment for learners, in line with the fulfilment of our expanded mandate.

We have also indicated to the Fund that investments done on behalf of the Fund by the Public Investment Corporation (PIC) should be geared towards projects that have potential to result in high employment and preserving jobs.

The Fund's investment portfolio consists of bonds, property, listed equity, money markets instruments and unlisted equity or Social Responsible Investments (SRIs). The Fund has allocated up to 24% of its portfolio to SRIs and through these investments 51 797 jobs have been sustained.

Prudent financial management has ensured that the Fund is successful in meeting its operational requirements and continues to pay claims and fund job creation and preservation initiatives. Key factors have been the Fund's ability to collect revenue as well as the registration of new companies which resulted in increased contributions from R 19,5 billion the previous year to R 20,5 billion in the year under review.

However, the poor economic performance of the country has affected the net assets of the Fund with a reduction from R154 916 939 in the previous year to R142 994 880 during the 2019/20 financial year. This is largely due to poor performance in certain asset classes in the investment portfolio of the Fund.

The UIF has identified the following strategic objectives to pursue over five years (2019/20-2023/24):

- Ensure financial sustainability;
- Strengthen the institutional capacity of the Fund;
- Provide easy-to-use services through multiple access point;
- Improve service delivery;
- Collaborate with stakeholders to improve compliance with the various UIF Acts;
- Enhance employability of UIF beneficiaries, enable entrepreneurship and preserve jobs.

To achieve these objectives, the UIF developed performance measures for each financial year. In the 2019/20 financial year, there were 15 performance targets to be pursued by the UIF, and 11 of these have been achieved. This translates into a performance of 73%, which is a 10% improvement from the 63% achieved last year.

While we are pleased with this performance, we remain concerned with the qualified audit opinion of the Auditor-General. We are aware of the Fund's plan to address the deficiencies identified by the Auditor-General and we shall be monitoring its progress.

T Lamati

Director-General of Employment and Labour

4. Unemployment Acting Commisioner's Statement

Marsha Bronkhorst
Acting Unemployment Insurance Fund Commissioner

"The Fund reviewed the processing of claims and set targets to ensure quick delivery of UIF benefits to our beneficiaries."

The advent of the Covid-19 pandemic has had a devastating effect on the global economy and forced many companies to close down, with dire consequences to employees. In South Africa, the pandemic came at a time when our economy was already in the doldrums and the lockdown further placed our economy in a more dire situation, resulting in a devastating effect on businesses and workers.

The Covid - 19 TERS Online Application System was set up and started processing applications from 14 April 2020.

The healthy state of the Fund's financials enabled us to set aside a budget of R 40 billion for the Covid-19 TERS Benefit for a period of three months. The support for the Covid-19 TERS Benefit is aligned to Section 5 (b) of the Unemployment Insurance Amendment Act (Act 10 of 2016) which allows the Fund to provide financial support to schemes that aim to retain employment for workers.

Despite the establishment of the Covid-19 TERS Benefit at the tail-end of the financial year, the Fund made significant strides in attaining some of the objectives set at the beginning of the 2019/2020 financial year.

Changing Lives Drive

In order to drive change in the lives of vulnerable workers, the Fund reviewed the processing of claims and set targets to ensure quick delivery of UIF benefits to our beneficiaries. For the year under review, the Fund finalised 93% of Unemployment Benefit claims within 15 working days, thus bringing relief to 798 151 beneficiaries and their families.

The Fund also ensured that a total of 126 442 claims for Maternity and Adoption Benefits were finalised within 10 working days to assist new mothers and adoptive parents with much needed financial support. The UIF's benefits also extend to the dependents of a contributor who benefit when the contributor passes away. During the year under review, we finalised 14 539 claims within 20 working days, which translates to 95% against the target of 90%.

Service Delivery Improvement

Two years ago, the Fund instituted the Service Delivery Action Plan aimed at improving the rendering of UIF services to our clients. The implementation of the plan has resulted in the installation of free Wi-Fi as well as a Queue Management System at all labour centres to enable our clients easy access to our services.

We are aware that many clients are frustrated by the lack of constant feedback regarding the status of their applications. To improve in this area, the Fund has initiated the development of the Unstructured Supplementary Service Data (USSD) platform to promote self-service to our clients which will contribute further towards reducing long queues at labour centres. The USSD will enable clients to check the status of their claims, confirm registration with the Fund, as well as to locate their nearest labour centre. The extraordinary benefit of the USSD is that claimants and stakeholders will not incur any airtime costs as the service will be free.

These service delivery improvement efforts will also be complemented by the introduction of the UIF App that will be available for download on mobile devices. Through this App, clients will be able to apply for benefits and track status of their applications in real time. We believe that these initiatives will save our clients the costs of travelling to labour centres, thus putting more money in their pockets while also saving them the time of queuing at a labour centre.

Poverty Alleviation Schemes

Labour Activation Programmes

The expanded mandate of the Department of Employment and Labour, as the facilitator of job creation and preservation, created a need for the Fund to re-prioritise LAPs so that those which are less likely to create employment are discarded in favour of labour market friendly ones.

A total of 33 205 UIF beneficiaries were provided with learning opportunities under the Training of the Unemployed (TOU) programme and training interventions covered skills programmes, apprenticeships and learnerships. Most young people who participated in this programme were able to obtain employment in farming, performing arts and municipal services, among others, while others managed to start their own businesses in catering, beauty and nail technology, and civil and building construction. In total, 36 198 learners have participated in LAPs during the year under review.

During the year under review, there has been an exponential increase in the number of jobs saved under the TERS programme. In the previous financial year, 1 692 jobs were saved and this increased by 13% to 2 993. This was made possible by appointing a Single Adjudication Committee (SAC) that ensured expeditious approval of applications.

Social Responsible Investments

The Fund's participation in job creation is also achieved through various investment activities undertaken through the PIC. Currently, the Fund is using its investment portfolio to stimulate South Africa's economic growth. The investment instruments that contribute to this objective consist of 49%

of invested bonds, 28% of the listed equity, 5% of the money market instruments, 2% of the listed property equities and 6% of the unlisted property investments.

SRIs are a theme across other asset classes and could be listed or unlisted instruments. The decision to invest in SRIs is a tactical one made on a case-by-case basis. The maximum strategic asset allocation for SRIs is capped at 24%.

The bulk of UIF investments under this portfolio encompass economic infrastructure, social infrastructure, agriculture and environmental infrastructure. UIF investments through the PIC have sustained 51 797 jobs.

Audit Report Matters

The Fund received a qualified opinion for the 2019/20 financial year, which is largely due to non-submission of financial statements by the majority of investee companies for audit purposes. The financial year-end of most investee companies is not in sync with that of the Fund, and this poses a challenge for auditors because they are unable to conduct a complete audit due to outstanding financial information.

The Fund has embarked on a process to address these shortcomings in an attempt to improve the audit outcomes.On behalf of the UIF management and staff, I would like to express my humble appreciation for the support from the Minister of Employment and Labour, the Director-General, and the UIF Advisory Board who served as a pillar of strength for the continued excellent performance of the Fund.

It would be amiss of me not to refer to the untimely passing of the UIF Board Chairperson, Dr W Nzimande. He served the UIF, employers and employees with great passion and diligence and was, to me personally, a great source of wisdom. May his soul rest in eternal peace.

Ke a Leboga   *   Baie Dankie   *   Ngiyabonga

Marsha Bronkhorst

Acting Unemployment Insurance Fund Commissioner


The Royal

BOARD MEMBERS

Marsha Bronkhorst
Acting Unemployment Insurance Fund Commissioner

Dr Welcome Nzimande
(UIF Board Chairperson)

Mr Jan Mahlangu
(Investment Committee Chairperson)

Mr Mondli Mchunu
(Financial Advisory Committee Chairperson)

Mr Thulani Tshefuta
(Labour Activation Prorammes Committee Chairperson)

Ms Laura Kganyago

Mr David Maphotho

Adv Eric Nwedo

Adv Msuthu Matshani

Mr Tony Franks

Mr Dumisani Mthalane

Mr Mvuyisi Macikama

Mr Takalani Musekwa

5. 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 is consistent with the Annual Financial Statements (AFS) 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 AFS (Part F) 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 AFS 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 AFS.

The external auditors are engaged to express an independent opinion on the AFS.

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 2020.

Yours faithfully

Marsha Bronkhorst

Acting Unemployment Insurance Fund Commissioner

T Lamati

Director-General of Employment and Labour

6. Strategic Overview

6.1. Vision

A caring, accessible and customer centric UIF that contributes towards poverty alleviation.

6.2. Mission

Through multiple channels, we will deliver both financial and social relief, to the right person, at the right time, every time.

6.3. Values

Transparency

- We will be open to all stakeholders without reservation on dealings within the Fund.

Mutual Respect

- We will respect our colleagues and stakeholders and treat them as we want to be treated.

Client-Centred Services

- We will achieve total customer satisfaction by providing excellent and world-class service to our stakeholders.

Integrity

- We will communicate openly and honestly and build relationships based on trust.

Accountability

- We will own up to our responsibilities in relations to our behaviours, actions and results

Team Work

- We will involve each other, we will work together across the organisation, we will seek ideas and share solutions.

Caring for our people

- We treat employees with care, dignity, and respect. We grow our people for performance excellence.

Excellence:

- We will achieve a total customer satisfaction by providing excellent and world - class services to our stakeholders.

7. Legislative and Other Mandates

The UIF is a Schedule 3 A public entity in terms of the PFMA (1999, as amended).

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”.

Other Legislative Mandates

Unemployment Insurance Act (UIA, Act 63 of 2001, as amended)

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

Unemployment Insurance Contributions Act, 4 of 2002

Section 9 of the Unemployment Insurance Contributions Act (2002) empowers the Unemployment Insurance Commissioner to collect contributions from all employers who are not required to register as employers in terms of the fourth schedule to 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 Skills Development Act (Act 97 of 1998). These contributions, together with those collected by the South African Revenue Services (SARS) Commissioner, in terms of section 8 of the Unemployment Insurance Contributions Act (2002), are utilised to pay benefits and any other expenditure reasonably incurred relating to the application of the UIA (2001, as amended).

8. ORGANISATIONAL STRUCTURE

Vuledzani Mulindi
Director:
Internal Audit

Tshepiso Maphathane
Director: Risk Management

Mpumi Mnconywa
Chief Director:
Labour Activation
Programme

Maeleletse Nape
Director:
Labour Activation
Programme

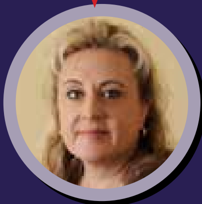
Pumla Duma
Director:
Labour Activation
Programme

Sindi Zungu
Director:
Labour Activation
Programme

Marsha Bronkhorst
Acting Unemployment Insurance Fund Commissioner

Adv. Mzwanele Yawa
Chief Director:
Corporate Services

Basimane Dingaan
Acting Chief Director:
Operations



Lezanne Briedenhann
Acting CFO

Makhosonke Buthelezi
Director:
Communications & Marketing

Malesela Makgamatho
Director:
Compliance

Lezanne Briedenhann
Director:
Reporting

Petro Roux
Director:
Human Resources Management and Development

Allan Ragavaloo
Director:
Provincial Support

Hlalisa Aderibigbe
Director:
Budget, Expenditure & Bank Recocilliations

Xola Monakali
Director:
ICT

Samantha Naicker
Director:
Declarations & Call Centre

Christine Fourie
Director:
Treasury Investment Actuarial Services

Andries Mathabela
Director:
Organisational Effectiveness

Ziyanda Fololo
Director:
Income

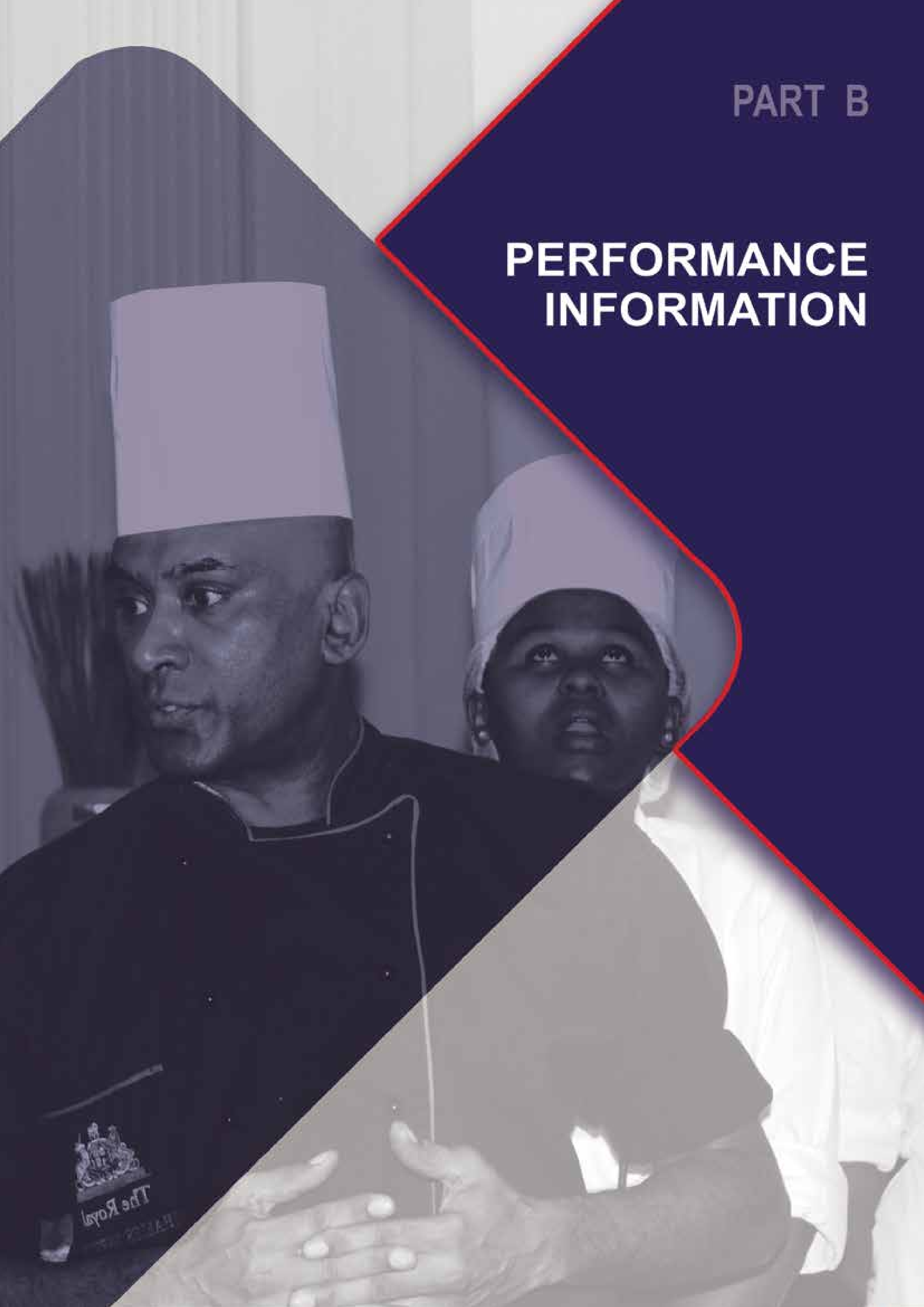
Lebo Van Wyk
Director:
Board Services & Security Management

Maria Ramoshaba
Director:
Supply Chain Management

Adv. Mazwiogwani Phathela
Director:
Legal Services

Tshiamo Molema
Acting Director:
Strategic Planning, Monitoring and Evaluation


UIF
UIF



PART B

PERFORMANCE INFORMATION

1. Auditor's Report:

Predetermined Objectives

The AGSA/auditor performs the necessary audit procedures on the performance information, refer to paragraph 23 on page 117 on the auditor's responsibilities.

Refer to page 114 of the Report of the Auditor's Report, published as Part F under Financial Information.

2. Situational Analysis

2.1. Service Delivery Environment

2.1.1 Outputs

i. Unemployment benefits

A total of 854 639 valid claims with complete information were received through various Labour Centres, of which 798 151 claims were finalised within 15 working days. This translates to 93% against the target of 90% within 15 working days.

ii. In-service benefits

A total of 136 897 valid claims with complete information were received through various Labour Centres, of which 126 442 claims were finalised within 10 working days. This translates to 92% against the target of 90% within 10 working days.

iii. Death benefits

A total of 15 337 valid claims with complete information were received through various Labour Centres, of which 14 539 claims were finalised within 20 working days. This translates to 95% against the target of 90% within 20 working days.

iv. Claims submitted through the uFiling claims portal

A total of 76 112 claims were submitted through the uFiling portal against an annual target of 30 000. The number was overachieved by 46 112. Beneficiaries are now submitting claims online thus eliminating a need to physically visit the UIF offices to submit applications.

v. Improved compliance (Registration of employers)

A total of 59 984 newly-registered employers were reported against the target of 70 000. The number was underachieved by 10 016.

2.1.2 Service Delivery Successes

a) Socially Responsible Investments (SRIs)

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 UIF allocates 24% of its investment portfolio to SRIs based on a social responsibility mandate which ensures that in addition to earning good financial returns, an investment should support positive, long-term economic, social and environmental outcomes that yield a good social return to the country. The PIC makes investments on behalf of the UIF as per the investment mandate. The bulk of UIF investments under this portfolio encompass economic infrastructure, social infrastructure, agriculture, and environmental infrastructure.

UIF investments through the PIC have sustained 51 797 jobs of which 41 132 are permanent, 4 211 were temporary/seasonal and 6 454 were unspecified whether they are permanent/temporary. Of these investments, renewable energy projects generated 177 mega watts (MWs) of energy and 135 Small and Medium Enterprises (SMEs) were supported. A total number of 3 099 houses were committed to be built of which 1 153 were completed and 1 965 are still under construction. Student accommodation of 180 beds is under refurbishment, 2 610 beds are under construction and 11 150 beds are currently under management.

Financial support to students in the form of student loans were allocated to 44 459 students to the value R547,000,000. Twenty-nine hospitals were funded leading to 3 623 hospital beds. A total of 9 farms were supported in the agricultural value chain.

b) Poverty Alleviation Schemes

Training of the Unemployed

- The UIF has signed 48 funding agreements. A total of 36 198 UIF beneficiaries were provided with learning opportunities.

TERS *(previously named TLS)*

- About 92% (23/25) of TLS applications were processed on receipt of recommendation rulings by the Single Adjudication Committee (SAC) for approval by the delegated authority within 15 working days.

c) Labour Activation Programme (LAP) success stories

Enterprise Development

- The UIF created various exit opportunities for learners who have the potential to become successful and sustainable business ventures, thereby contributing to job creation and stimulating growth of the local economies.

2.1.3 Challenges the UIF encountered and corrective measures

During the year under review, the UIF encountered a number of challenges relating to its performance. The table below outlines the challenges and the corrective measures taken:

NO	PERFORMANCE INDICATOR	CHALLENGES	CORRECTIVE MEASURE
1	Percentage of valid invoices paid within prescribed timeframe.	An invoice was misplaced thus resulting in the Fund's inability to meet the target.	An invoice was paid after 36 days during the first quarter. Disciplinary action was taken against the official.
2	Integrated Claims Management System (ICMS) implemented (Phase 1).	The Fund had intended to implement the ICMS by the end of the financial year. However, the handover to enable this work to proceed was disrupted by the lockdown as it was scheduled to take place from 23 to 27 March 2020.	The handover to be rescheduled after lockdown.
3	Number of newly-registered employers per year.	New employer registrations dropped due to the impact of Covid-19 and subsequent hard lockdowns that had a negative impact on the economy.	The UIF will embark on a communication campaign to educate employers about compliance to the UI Act (2001, as amended). Provincial advocacy sessions are also planned to drive new employer registrations.
4	Number of UIF beneficiaries provided with learning opportunities.	Implementation of projects was done in a phased approach to manage the risk of partners who may not be fully ready to roll-out big numbers. The plan was to move to the next phase if the first phase had progressed at a satisfactory level. The approved partnerships without funding agreements were put on hold subject to legal opinion.	Implementation of partnership is dependent on the legal opinion.

2.1.4 COVID-19 INTERVENTIONS

The country is experiencing inevitable consequences such as the slowing down of economic activities as a result of the limitations on the movement of people as part of government's nationwide lockdown in a quest to flatten the Covid-19 curve.

Business, social and academic activities have come to a grinding halt. This has a negative impact on the country's productivity which affects the country's economy negatively.

The country, generally, has high levels of poverty and unemployment. The severely affected during this period are mostly vulnerable people who rely on government social relief programmes and the so-called 'informal economy'.

The lockdown has necessitated a highly coordinated government response mechanism through the National Command Council and the Inter-Ministerial

Committee on Covid-19, supported by non-governmental organisations.

It is within this context that, on 26 March 2020, the Minister of Employment and Labour, Mr TW Nxesi MP, announced the establishment of the National Disaster Fund to bring relief to workers whose income and earnings were to be affected by the lockdown.

The UIF was tasked to establish the Covid-19 TERS to assist employers with wage subsidisation during the lockdown period. An initial budget of R 40 billion was announced to fund the scheme for a three month period. The National State of Disaster was extended between July and October 2020 and subsequently the Covid TERS benefits was also extended in line with the NSD extensions resulting in the payments of the TERS benefits surpassing R 50 billion. During this period more than 5.3 million workers were paid the TERS benefits.

2.2 Organisational environment

The position of the Chief Director: Corporate Services was filled in 1 April 2019. The Departmental Executive Authority changed during the 2019/20 financial year.

2.3 Key policy developments and legislative changes

The Fund introduced the TERS on 11 December 2019 to preserve jobs by funding distressed companies directly in relation to the TERS allowance. A distressed company is funded only if it meets the key requirements of the UIF.

The Paternity Benefit was introduced on 1 November 2019 for the purpose of gender equality and fairness.

3. Strategic Outcome Oriented Goals

Strategic outcome oriented goal	Progress
Improve revenue collection from employers.	5% increase in contribution revenue as compared to previous year. This was against the 5% target. • 2019: 19 565 214 • 2020: 20 548 164
Improve benefit payments to beneficiaries.	• 99% (3 287 380/3 309 029) of benefit payment documents were created within 6 working days from receipt. The following benefit claims were approved/rejected within the specified turnaround times: • 93% (798 151/854 639) of unemployment benefits were approved or rejected within 15 working days against the 90% target. • 92% (126 442/136 897) of in-service benefits were approved or rejected within 10 working days against the 90% target. • 95% (14 539/15 337) of deceased benefits were approved or rejected within 20 working days against the 90% target.
Participate in government initiatives of creating and sustaining decent employment.	92% (23/25) of TLS applications were processed within 15 working days against the 90% target. 36 198 beneficiaries were provided with learning opportunities against the 80 000 target.

4. Performance Information by Programme/Activity/Objective

4.1 Description of each Programme/activity/objective

Programme 1: Administration

Purpose: To provide management, strategic and administrative support to the Fund.

Office of the Commissioner
Provide strategic leadership and overall management regarding the administration and overall operations of the Fund.

Internal Audit
Independently focus on reviewing internal controls of the Fund; Reviewing risk management, governance processes and programs of the Fund.

Risk Management
Enterprise Wide Risk management; and Fraud investigations.

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.

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.

Communications
Provision of communication services;
Provision of marketing services; and
Advertising, branding and publications.

Organisational Effectiveness
Job design and evaluation;
Change Management; and
Business Process development and mapping.

Information and Communication Technology
Manage the Fund's projects; and
Develop and implement ICT governance model.

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.

Legal Services
To provide efficient and effective legal Services to the fund.

Board Service, Governance and Security Management
To manage Board services information, physical security and ensure effective code of good governance.

Chief Financial Officer
Provide financial governance on financial management and accounting services of the Fund.

Investment Management and Actuarial Services
To co-ordinate Investment management and Actuarial Services for the fund.

Supply Chain Management
Enhance supply chain management processes and systems to be in line with the regulatory framework and governance best practices.
Provision of integrated financial administration and supply chain management services records Management; and Assets facilities management.

Budget, Expenditure and Bank Reconciliation Creditor and expenditure management
Claims payments;
Reconciliation of bank accounts; and Integrated budget planning and management.

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.

Income Management
Management of revenue and debt collection processes; and
Management of payroll audits and enforcement.

Programme 2: Business Operations

Purpose: To collect contributions and pay benefits.

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.
- Registration of employers.

Programme 3: Labour Activation Programme (LAP)

Purpose: To enhance employability.

Chief Directorate: LAP

Provide strategic leadership and guidance on the implementation of the LAPs.

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

4.2 Strategic objectives, performance indicators planned targets and actual achievements

The performance of the strategic objectives was as follows:

Programme	Strategic Objectives	Indicators	Actual Achievement	Overall Achievement
1	Ensure financial sustainability.	3	2	66.6%
	Strengthen institutional capacity of the Fund.	1	1	100%
	Provide easy to use services through multiple access points.	1	0	0%
2	Improve service delivery	6	6	100%
	Collaborate with stakeholders to improve compliance with UIF Acts.	2	1	50%
3	Enhance employability of UIF beneficiaries, enable entrepreneurship and preserve jobs.	2	1	50%
	OVERALL PERFORMANCE	**15**	**11**	**73.3%**

N.B. The detailed report is per Strategic Objective on the table below:

4.3 Key performance indicators, planned targets and actual achievements

Programme 1: Administration								
Strategic Objective	**Performance Indicator**	**Actual Achievement 2016/2017**	**Actual Achievement 2017/2018**	**Actual Achievement 2018/2019**	**Planned Target 2019/2020**	**Actual Achievement 2019/2020**	**Deviation from planned target to Actual Achievement for 2019/2020**	**Comment on deviations**
Ensure financial sustainability.	Percentage of administrative expenditure (excluding Capex) as compared to revenue maintained.	11.1% (2038016/18239065x100)	11% (2 001 016/18 184 546x100).	13% (2 457 311/ 19 565 207).	≤15% by March 2020.	Achieved **12,6 %** **(2 713 278/ 20 548 628)**	No deviation. The target requires any percentage that is 15% or less.	None
	Percentage of valid invoices paid within prescribed timeframe.	N/A	N/A	100% of valid invoices were paid within 30 calendar days after receipt by the Fund.	100% within 30 calendar days by March 2020.	Not Achieved **99.9%** (6 654 / 6 655).	Target missed by 0.1%.	1 invoice was paid after 36 days during the first quarter.
	Percentage return on listed investments.	5.90% (R7 286 919 311 /123 522 767 644 x100) return on investment.	12.36% (R146 702 753 323 - R130 562 709 701) =16 140 043 622 / R130 562 709 701 X100.	No target.	Percentage return on listed investments ≥ the benchmark by March 2020.	Achieved **2.63%** Benchmark (-10.88) Performance (-8.25) return on listed investments.	No deviation. The target requires any percentage that is equal or more than the benchmark.	None

Programme 1: Administration

Strategic Objective	Performance Indicator	Actual Achievement 2016/2017	Actual Achievement 2017/2018	Actual Achievement 2018/2019	Planned Target 2019/2020	Actual Achievement 2019/2020	Deviation from planned target to Actual Achievement for 2019/2020	Comment on deviations
Strengthen institutional capacity of the Fund.	Percentage of vacancy rate maintained at ≤10%.	22.9%.	12.9% (74/574x100).	13.3 (80/602x100).	Vacancy rate maintained at ≤10% by March 2020.	Achieved. 7.1% (43 posts/602) 602 = establishment. 559 = filled post. 43 = vacant posts.	No deviation. The target requires any percentage that is 10% or less.	None
Provide easy-to-use services through multiple access points.	Integrated Claims Management System (ICMS) implemented (Phase 1).	N/A	N/A	Development, testing and deployment of release 1 reports not done.	45 finance reports developed as per the approved project plan and SAP requirements.	**Not achieved.** Request for handover submission has been approved by the National Treasury.	45 finance reports were not developed.	The system handover was not done by the previous service provider. There were delays in the procurement process which held back the handover process.

Programme 2: Business Operations

Strategic Objective	Performance Indicator	Actual Achievement 2016/2017	Actual Achievement 2017/2018	Actual Achievement 2018/2019	Planned Target 2019/2020	Actual Achievement 2019/2020	Deviation from planned target to Actual Achievement for 2019/2020	Comment on deviations
Improve service delivery.	Percentage of valid claims (Unemployment benefit) with complete information approved or rejected within specified timeframes.	89%	83%	94% (628 807/671 188).	90% within 15 working days. by March 2020.	**Achieved.** 93% (798 151/854 639) 15 working days.	Target exceeded by 3%.	Provincial Support monitoring provinces through visits and OPS Forums. Claims processing has been decentralised to more service points. Other provinces are assisting those that are not achieving the target (Gauteng supporting Limpopo). Limpopo is currently processing backlog claims.

Province	Created	Finalised	Finalised %
Eastern Cape	74 844	69 427	93%
Free State	42 292	40 869	97%
Gauteng	216 354	212 730	98%
Head Office	22 756	19 805	87%
KwaZulu-Natal	142 748	137 174	96%
Limpopo	74 930	59 164	79%
Mpumalanga	69 979	64 078	92%
North West	41 501	38 816	94%
Northern Cape	24 239	22 613	93%
Western Cape	144 996	133 475	92%
Grand Total	854 639	798 151	93%

Programme 2: Business Operations

Strategic Objective	Performance Indicator	Actual Achievement 2016/2017	Actual Achievement 2017/2018	Actual Achievement 2018/2019	Planned Target 2019/2020	Actual Achievement 2019/2020	Deviation from planned target to Actual Achievement for 2019/2020	Comment on deviations
Improve service delivery	Percentage of valid claims (In-service benefits; Maternity, Illness and Adoption benefits) with complete information approved or rejected within specified timeframes.	87%	71%	92%	90% within 10 working days by March 2020.	Achieved. **92% (126 442/136 897) within 10 working days.**	Target exceeded by 2%.	Provincial Support monitoring provinces through visits and OPS Forums. Claims processing has been decentralised to more service points. Other provinces are assisting those that are not achieving the target (Gauteng supporting Limpopo). Limpopo is currently processing backlog claims. Change request to insert receipt date of supporting documentation is currently in development to improve performance of Online Claims-Head Office.

Province	Created	Finalised	Finalised %
Eastern Cape	8 839	8 258	93%
Free State	5 022	4 790	95%
Gauteng	40 686	39 987	98%
Head Office	7 440	5 183	70%
KwaZulu-Natal	21 679	20 349	94%
Limpopo	9 029	7 703	85%
Mpumalanga	6 905	6 185	90%
North West	5 914	5 455	92%
Northern Cape	2 741	2 603	95%
Western Cape	28 642	25 929	91%
Grand Total	136 897	126 442	92%

Programme 2: Business Operations								
Strategic Objective	**Performance Indicator**	**Actual Achievement 2016/2017**	**Actual Achievement 2017/2018**	**Actual Achievement 2018/2019**	**Planned Target 2019/2020**	**Actual Achievement 2019/2020**	**Deviation from planned target to Actual Achievement for 2019/2020**	**Comment on deviations**
Improve service delivery.	Percentage of valid claims (Deceased benefit) with complete information approved or rejected within specified timeframes.	89%	75	92%	90% within 20 working days by March 2020.	**Achieved.** 95% (14 539/15 337) within 20 working days.	Target exceeded by 5%.	Provincial Support monitoring provinces through visits and OPS Forums. Claims processing functions have been decentralised to move service points.

Province	Created	Finalised	Finalised %
Eastern Cape	2 015	1 882	93%
Free State	1 270	1 222	96%
Gauteng	3 294	3 205	97%
KwaZulu-Natal	3 172	3 088	97%
Limpopo	977	825	84%
Mpumalanga	1 067	993	93%
North West	965	925	96%
Northern Cape	497	463	93%
Western Cape	2 080	1 936	93%
Grand Total	15 337	14 539	95%

Programme 2: Business Operations

Strategic Objective	Performance Indicator	Actual Achievement 2016/2017	Actual Achievement 2017/2018	Actual Achievement 2018/2019	Planned Target 2019/2020	Actual Achievement 2019/2020	Deviation from planned target to Actual Achievement for 2019/2020	Comment on deviations
Improve service delivery	Percentage of benefit payment documents created after receipt within specified time frame.	N/A	99%	99%	95% within 6 working days by March 2020	**Achieved.** 99% (3 287 380/3 309 029)	Target exceeded by 4%	Payment forms taken manually and captured directly on Siyaya. Provincial Support monitoring provinces performance through visits and OPS Forums.

Province	Created	Finalised	Finalised %
Eastern Cape	272 541	271 702	100%
Free State	170 525	170 462	100%
Gauteng	995 611	992 996	100%
Head Office	74 185	66 666	90%
KwaZulu-Natal	569 557	568 494	100%
Limpopo	211 847	211 255	100%
Mpumalanga	212 903	208 855	98%
North West	135 576	133 620	99%
Northern Cape	68 496	66 606	97%
Western Cape	597 788	596 724	100%
Grand Total	3 309 029	3 287 380	99%

Programme 2: Business Operations

Strategic Objective	Performance Indicator	Actual Achievement 2016/2017	Actual Achievement 2017/2018	Actual Achievement 2018/2019	Planned Target 2019/2020	Actual Achievement 2019/2020	Deviation from planned target to Actual Achievement for 2019/2020	Comment on deviations
Improve service delivery.	Percentage of new companies created with a registration document (UI54) within specified timeframes.	N/A	98%	99%	95% within 1 working day by March 2020.	**Achieved** **96%** (57 394/59 984) within 1 working day.	Target exceeded by 1%.	Allocation of work is done on first-in-first-out basis; Monitoring of allocation of work is done twice in a day; Marketing of u-Filing to increase online registration.

Province	Created	Finalised	Finalised %
Eastern Cape	1 252	1 221	98%
Free State	1 376	1 355	98%
Gauteng	2 190	2 155	98%
Head Office	27 879	26 685	96%
KwaZulu-Natal	3 469	3 451	99%
Limpopo	2 375	2 364	100%
Mpumalanga	854	850	100%
North West	903	893	99%
Northern Cape	631	627	99%
uFiling	16 724	15 488	93%
Western Cape	2 331	2 305	99%
Grand Total	59 984	57 394	96%

Programme 2: Business Operations

Strategic Objective	Performance Indicator	Actual Achievement 2016/2017	Actual Achievement 2017/2018	Actual Achievement 2018/2019	Planned Target 2019/2020	Actual Achievement 2019/2020	Deviation from planned target to Actual Achievement for 2019/2020	Comment on deviations
Improve service delivery.	Percentage of applications with complete information issued with compliance certificates, tender letters or non-compliance letters within specified timeframes.	N/A	N/A	79%	90% within 10 working days by March 2020.	**Achieved** 93% (8098 / 8 677) within 10 working days.	Target exceeded by 3%.	Requests for the compliance certificates are prioritized according to the dates received in order to achieve the turnaround times.
Collaborate with stakeholders to improve compliance with UIF acts.	Number of newly registered employees by the Fund.	N/A	N/A	838 922	600 000 by March 2020.	**Achieved** 797 563	Target exceeded by 197 563.	Campaigns held with stakeholders to educate employers on UIF legislation. Increased registration of employers resulting in registration of more employees.
Collaborate with stakeholders to improve compliance with UIF acts.	Number of newly registered employers per year.	58 531	66 198	64 577	70 000 by March 2020.	**Not Achieved** 59 984	Target missed by 10 016.	Registration on employers dropped drastically in the month of December due to the employer shut down period and the shutdown of the UIF systems during the DEL shut down period. The unit will have a marketing campaign on registrations through the assistance of Communication. Provincial advocacy session are also planned to drive new employer registrations.

Programme 3 : Labour Activation Programme

Strategic Objective	Performance Indicator	Actual Achievement 2016/2017	Actual Achievement 2017/2018	Actual Achievement 2018/2019	Planned Target 2019/2020	Actual Achievement 2019/2020	Deviation from planned target to Actual Achievement for 2019/2020	Comment on deviations
Enhance Employability of UIF Beneficiaries, Enable, Entrepreneurship and Preserve Jobs.	Number of UIF beneficiaries provided with learning opportunities.	6000	N/A	3 823	80 000 by March 2020.	**Not Achieved** 36 198	Target missed by 43 802.	Implementation of projects was done on a phased approach to manage the risk of partners who may not be fully ready to roll out big numbers. The plan was to move to the next phase if satisfied with the progress on the first phase. The approved partnerships without funding agreement were put on hold subject to legal opinion.
Enhance Employability of UIF Beneficiaries, Enable, Entrepreneurship and Preserve Jobs.	Percentage of Training Lay-off Scheme (TLS) processed on receipt of recommendation ruling by Single Adjudication Committee (SAC) for approval by the delegated authority within specified time frames.	100%	100%	100%	90% within 15 working days by March 2020.	**Achieved** 92% (23/25) within 15 working days.	Target exceeded by 2%.	Compliance team is working on assisting non-compliant companies.

NB: Percentage of valid claims with complete information approved or rejected within specified time frames.

The calculation on turnaround times for these applications include the claims that were finalised within the period. The data drawn from the system for these claims came as a negative turnaround time, which were all converted to zero. This is because the system overrides any previous date after updating.

4.4 Strategy to overcome areas of underperformance

The unit will initiate a marketing campaign on registrations through the assistance of Communication and Marketing Directorate. Provincial advocacy sessions are also planned to drive new employer registrations. The target for the indicator on the number of UIF beneficiaries provided with learning opportunities has been reduced, based on the current level of performance and the UIF is in the process of filling all vacancies reflected on the LAP structure. Implementation of ICMS will resume later as the handover process was halted due to the lockdown. The handover of the system was not done by the previous service provider hence, there were delays in the implementation. The target on the payment of suppliers within 30 days was missed by 0.1%. One invoice which was misplaced was paid after 36 days during the first quarter of the 2019/2020, thus causing the Fund to miss the target of 30 days. Management will ensure that this does not occur in future.

4.5 Changes to planned targets

There were no changes in the targets; however, there were missing words on one indicator for Programme 2: Business Operations, Strategic objective 4: Improved Service Delivery in the Strategic Plan. The submission was prepared and approved by the Executive Authorities to include the missing words. The Annual Performance Plan reflected the complete wording. The wording was adjusted as follows:

The Strategic Plan enhancement of the indicator is as follows:

Old indicator	Enhanced indicator
1. Percentage of new companies created within specified timeframe.	1. Percentage of new companies created with a registration document (UI54) within specified timeframes.

Note that the 2019/20 Risk Mitigation Plans were not correctly phrased as action plans, but statements, which resulted in the need to correctly phrase them. This was also part of the submission referred to above. The correction is as follows;

Strategic Objective 1: Ensure financial sustainability.

Strategic risk register			
Risk No.	**Risk title**	**Residual ranking**	**Planned response action (mitigating factors)**
1.	High possibility of the fund not being able to meet financial obligations.	High	- Diversified Investment Strategy (Asset and Liability Modelling is done annually). - Monitor performance of investment on a periodic basis. - Utilise Actuarial Report to guide strategic investment decisions for the Fund. - Implement amendments of amended Unemployment Insurance Act.
2.	Fraud and Corruption.	High	- Improve internal controls around the UI19 and verification process. - Profile/vetting of officials processing UI claim. - Improve the implementation of the fraud detection and prevention strategies.
3.	Inadequate Stakeholder engagement (internal and external)	Medium	- Review and implementation of a communication strategy. - Strengthen the working relations with IES during communication campaigns.

Strategic Objective 2: Strengthen institutional capacity of the Fund

Strategic risk register			
Risk No.	**Risk title**	**Residual ranking**	**Planned response action (mitigating factors)**
4.	High possibilities of not achieving the target of reducing the vacancy rate.	High	- Online Recruitment System to be deployed (long-term solution). - Vacancy Rate Report to be presented to Exco monthly. - Implement the approved organisational structure.

Strategic Objective 3: Provide easy to use services through multiple access points

Strategic risk register			
Risk No.	**Risk title**	**Residual ranking**	**Planned response action (mitigating factors)**
5.	ICMS not implemented.	High	- Develop and implementation of ICT strategy for the Fund. - Effective ICT Steering Committee.

Strategic Objective 4: Improve service delivery

Strategic risk register			
Risk No.	**Risk title**	**Residual ranking**	**Planned response action (mitigating factors)**
6.	Inability to change from legacy system and manual processes.	High	- Implement SAP Roadmap.

Strategic Objective 5: Collaborate with stakeholders to improve compliance with UIF Acts

Strategic risk register			
Risk No.	**Risk title**	**Residual ranking**	**Planned response action (mitigating factors)**
7.	Inability to change from legacy system and manual processes.	High	- Implement SAP Roadmap.

Strategic Objective 6: Enhance employability of UIF beneficiaries, enable entrepreneurship and preserve jobs.

Strategic risk register			
Risk No.	**Risk title**	**Residual ranking**	**Planned response action (mitigating factors)**
8.	Possibility of not achieving LAP targets.	High	- Revised LAP target in the Strategic Plan and Annual Operational Plan. - Develop Funding Model for LAP. - Appointment of additional capacity for LAP. - Stakeholder engagements with other government institutions.

4.6 Linking performance with budgets

a) Summary of expenditure

Item	2019/2020 Budget R'000	2019/2020 Actual Expenditure R'000	2019/2020 (Over) / Under Expenditure R'000	2018/2019 Budget R'000	2018/2019 Actual Expenditure R'000	2018/2019 (Over) / Under Expenditure R'000
Benefits payments	20 600 000	15 181 148	5 418 852	9 734 875	14 648 255	-4 913 380
Labour Activation Programmes (Schemes)	1 147 949	949 349	198 600	945 358	120 073	825 285
Administration	4 325 835	3 487 198	838 637	3 361 571	2 475 340	886 231
Total	**26 073 784**	**19 617 695**	**6 456 089**	**14 041 804**	**17 243 668**	**-3 201 864**

Item	2019/2020 Budget R'000	2019/2020 Actual Revenue R'000	2019/2020 (Over) / Under R'000	2018/2019 Budget R'000	2018/2019 Actual Revenue R'000	2018/2019 (Over) / Under R'000
Revenue collected	20 566 068	20 548 165	17 903	20 031 526	19 565 214	466 312
Total	**20 566 068**	**20 548 165**	**17 903**	**20 031 526**	**19 565 214**	**466 312**

c) Summary of other income

Item	2019/2020 Budget R'000	2019/2020 Actual Income R'000	2019/2020 (Over) / Under R'000	2018/2019 Budget R'000	2018/2019 Actual Income R'000	2018/2019 (Over) / Under R'000
Other income	24 248	20 274	3 974	1 678	21 504	-19 826
Investment revenue	10 655 240	11 668 084	- 1 012 844	10 240 800	10 526 020	-285 220
Fair value adjustment	0	22 178 897	-22 178 897	0	-8 185 498	8 185 498
Income from equity accounted investments	0	7 565	-7 565	0	93 509	-93 509
Impairment on other financial assets	0	-1 046 495	1 046 495	0	-1 362 446	1 362 446
Impairment on investments in associates	0	-2 065 571	2 065 571	0	-1 219 689	1 219 689
TOTAL	**10 680 748**	**30 742 701**	**-20 061 953**	**10 242 478**	**-125 260**	**10 367 738**

d) Summary of change in reserves

Item	2019/2020			2018/2019		
	Budget	Actual	(Over) / Under Expenditure 173	Budget	Actual	(Over) / Under Expenditure
	R'000	Change R'000	R'000	R'000	Change R'000	R'000
Change in benefits payable	12 166 176	3	12 166 173	-992 358	-12 823 361	11 831 003
Change in Unearned premium reserve	1 531 143	0	-32 101 004	-6 235 817	-1 831 199	-4 404 618
Total	**-10 635 033**	**33 632 144**	**-44 267 177**	**-7 228 175**	**-14 654 560**	**7 426 385**

Summary of financial Information

Summary of income, expenses and reserves

Item	2019/2020			2018/2019		
	Budget	Actual	(Over) / Under	Budget	Actual	(Over) / Under
	R'000	R'000	R'000	R'000	R'000	R'000
Total revenue	31 245 556	32 236 523	-990 967	30 274 004	30 112 738	161 266
Administration expenditure	3 540 563	-2 701 926	-839 898	-3 361 571	-2 475 340	-886 231
Benefit Expenditure	-20 600 000	-15 181 148	-5 418 852	-9 734 876	-14 648 255	4 913 379
Unemployment Alleviating Schemes	-1 147 949	-949 349	-198 600	-945 358	-120 073	-825 285
Outstanding claims reserves	12 166 176	3	12 166 173	-992 358	0	-992 358
Unearned premium reserve	-1 531 143	0	-1 531 143	-6 235 817	0	-6 235 817
Fair value adjustment	0	22 178 897	22 178 897	0	-8 185 498	8 185 498
Transfer of IT assets to the Department	0	-22 712	22 712	0	0	0
Income from equity accounted investments	0	11 922 061	-7 565	0	93 509	-93 509
Impairment on other financial assets	0	-1 046 495	1 046 495	0	-1 362 446	1 362 446
Gain /losses on the disposal of property plant and Equipment	1 260	-20 053	-18 793	0	1 340	-1 340
Impairment on investments in associates	0	-2 065 571	2 065 571	0	-1 219 689	1 219 689
Net Surplus for the year	**16 593 337**	**-11 922 060**	**28 474 030**	**9 004 024**	**2 196 286**	**6 807 738**

The overall performance information of the Fund from 01 April to 31 March 2020 is at 73% of targets were achieved. 75% of the budget was spent for the financial year 2019/20

Programme 01 - Administration						
	2019/2020			2018/2019		
	Budget	Actual	(Over) / Under	Budget	Actual	(Over) / Under
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 01 - Administration						
Improve Financial Management	2 884 079	1 856 677	721 105	3 176 165	1 056 251	602 461
Total	**2 884 079**	**1 856 677**	**721 105**	**3 176 165**	**1 056 251**	**602 461**

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 2019/20 and achieved 67% of the set targets

Programme 02 - Business Operations						
	2019/2020			2018/2019		
Programme 02 - Business Operations						
Improve service delivery	**22 344 909**	**16 809 167**	**5 535 742**	**7188 276**	**1 417 655**	**280 176**
Total	**22 344 909**	**16 809 167**	**5 535 742**	**7188 276**	**1 417 655**	**280 176**

The programme purpose is to collect contributions and pay benefits. To carry out this objective, Programme 02 spent 92% of the allocated budget for the financial year 2019/20 and achieved 88% of the set targets.

	2019/2020			2018/2019		
Programme 03 - Fund poverty alleviation schemes						
Labour Activation Programmes	1 151 093	951 851	199 242	121 507	1 434	3 594
Total	**1 151 093**	**951 851**	**199 242**	**121 507**	**1 434**	3 594
Total Administrative budget	**26 380 7878**	**19 617 695**	**6 456 089**	**10 485 948**	**2 475 340**	**886 231**

The programme purpose is to provide labour market programmes . To carry out this objective Programme 03 spent 83% of the allocated budget for the financial year 2019/20 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 83% of the allocated budget

Investment revenue

The Fund received 6.05% more revenue on its investments than budgeted for. Due to stressed global economic markets and emerging markets expected to tick down, the asset manager revised its full-year domestic growth forecast downward on the back of disappointing high-frequency data; severe load shedding; a continuation in weak consumer trends; and delayed investment.

The Fund, therefore, implemented a conservative budget approach with regards to investment return for the 2019/2020 financial year. However, the investment portfolio return managed to outperform the benchmark by 2.62% for 12 months and therefore the actual investment return exceeded the initial budgeted amount.

Benefit payments

The IT systems to implement operational and financial processes for the payment of top-up benefits / reassessments have been developed. Actual payments in this regard have not been made. Only New Act benefits were paid for new applications with effect from 1 January 2019.

Changes in benefits payable

The downward revision was a result of the actuarial valuation conducted at 31 March 2020. An increase incurred in the (transfer to) outstanding claims provision, instead of a reduction (transfer from) on the outstanding claims provision that was estimated during the previous actuarial valuation.

Unemployment Alleviation Schemes

Delays in implementation resulted from the new mandate of the Department of Employment and Labour. The Fund's new focus is on projects that will result in employment / jobs. The Fund has convened a new Committee to Labour Activation Programme National Adjudication Committee that will adjudicate all new projects. The Fund has increased its budget in this regard accommodating the new proposals.

Depreciation, amortisation and impairments

Depreciation is 75% less than the budget amount due to the capital IT projects that were not finalised during the financial year under review. These IT projects include infrastructure upgrades in labour centres.

Employee cost

The Fund had a vacancy rate of 7.1% at the end of March 2020, resulting in under expenditure.

Administrative costs

The Fund considers all cost effective options before incurring expenditure to comply with the cost containment measures according to the circular issued by National Treasury. The Fund saved 15.59% against the following main items:

- venues and facilities;
- entertainment/catering;

- advertising and printing; and
- stationery.

The 15.59% under budgeted expenditure include external IT services relating to the SAP Implementation Release 1 and system handover by Accenture that was budgeted for amounting to R33 million and R1 million respectively. The release and hand-over were not executed since the SAP Implementation was dependent on a system handover that did not realise due to delays in the approval process by National Treasury. Included in administrative cost is commission paid to SARS with regards to the collection of Unemployment Insurance Contributions. 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 Consumer Price Index and Gross Domestic Product to determine the likely rate of growth in the revenue of the Fund.

Operating expenses

The Fund saved/underspent 35.3% against the following main budgeted items:

An underspend of R159 million with regards to the Fund's investment portfolio management fees. The fees are levied monthly by the Fund's asset manager, the PIC, per asset class and based on the daily market value of the investment portfolio. Trading activity and market value in the portfolio are subject to market conditions and fluctuates daily.

Due to the unpredictability of daily trading activity and the investment portfolio market value, there will always be a difference between the budgeted amount for investment management fees and the actual amount paid.

In line with the circular from National Treasury on cost containment measures, the Fund saved R3 million on consumables and R3 million on communications that includes cell phone and telephone charges and postage.

Fair value adjustments

Fair value adjustments reflect market movement on investment instruments. Due to the unpredictability of market movement fluctuations, the Fund does not budget for fair value adjustments. At 31 March 2020, the Fund had a net fair value loss on its investment portfolio of R22 005 million.

Impairment of other financial assets

The Fund does not budget for impairments on financial assets.

Impairment on investments in associates and interests in joint ventures

The Fund does not budget for impairments on investments.

Technical reserve

The variation was a result of the actuarial valuation conducted at 31 March 2020.

Revenue

The downward revision of the contributions received budget was from an optimistic economic estimate amount of R21.06 billion to a pessimistic estimate of R19.6 billion due to the late implementation of the UI Amendment Bill, consensus to increase the contribution ceiling was not reached, and unfavourable economic growth in the country.

Benefit payments

The budget for benefit payments was increased with R10.3 billion to align the expenditure with the previous financial year expenditure trends.

Changes in benefits payables

The Fund revised up the benefit payable provision to R12.2 billion to cater for retrospective benefits related to the UI Amendment Act, the provision was based on the final actuarial valuations.

Administrative cost

The budget for administrative cost increased to cater for the R7 million in computer services for maintenance of ICT services.

Operating expenses

Included in the revised budget for operating cost was an increase in management fees expenditure to the value of R9 million based on the Fund's final valuation.

Employee cost

The Fund increased the budget for additional Labour Activation Programmes posts in the provinces to the value of R80.8 million.

Technical reserves

The Fund revised the budget for the unearned premium reserve down with R77.3 million in line with its actuarial valuation report that is based on expected economic conditions.

Capital expenditure

The budget for capital expenditure was revised down due to sale of the investment properties. Originally the budget was projected for refurbishments and upgrades.

5. Revenue

Reasons for revenue under collection

The estimates for revenue is based on a revenue indicator developed for the Fund, which utilizes a combination of projected CPI and GDP to determine the likelihood growth in revenue. Actual revenue collected for 2018/19 and 2019/20 was slightly lower as compared to the estimated revenue reason being the increase in unemployment rate and unfavourable economic conditions in the country.

Measures taken during the course of the year

The Revenue Management Directorate embarked on a recovery plan for outstanding contributions and partnered with the Compliance Directorate to compel employers to comply with the Unemployment Insurance legislations.

Impact of under collection on service delivery

The revenue collected compared to estimated revenue was -2.3% and 0.1% in the 2018/19 and 2019/20 financial years, respectively. This did not have a negative impact on service delivery.

		2018/2019			2019/2020	
Sources of revenue	Estimate	Actual Amount Collected	(Over)/Under Collection	Estimate	Actual Amount Collected	(Over)/Under Collection
Revenue	**R19,598,360,000.00**	**R19,199,910,687.30**	**R 398,449,312.70**	**R20,179,106,000.00**	**R20,155,495,241.26**	**R23,610,758.80**
Penalties	R 254,926,000.00	R 212,291,838.49	R 42,634,161.51	R 223,119,030.00	R 216,974,558.30	R 6,144,471.70
Interests	R 178,240,000.00	R 155,893,328.55	R 22,346,671.45	R 163,843,000.00	R 177,949,857.95	(R 14,106,857.95)
Refunds	-	(R 2,881,859.17)	R 2,881,859.24	-	(R 2,255,087.78)	R 2,255,087.78
Total	**R 20,031,526,000.00**	**R 19,565,213,995.17**	**R 466,312,004.90**	**R20,566,068,030.00**	**R 20,548,164,569.73**	**R 17,903,460.30**

6. Capital Investments

The PIC manages all the Fund's properties. This service includes (but is not limited to) acquisition of property, outsourcing contracts to partners, brokerage of agreements, collection of rent, refurbishment, property development and facility management. Capital expenditure commitments are not presented to the Fund or its Board for approval neither does the Fund sign these commitments. The PIC internal procurement and approval processes are followed in rendering this service to the Fund. The Fund pays PIC a management fee for this service.

Infrastruture Projects Buildings	31 March 2020							
	Purchase Price	Additions	Refurbishment	Acc Depr	Impairments	Carring Amount	Fair Value Adjustments	Valuation
ERF 895 (a portion of ERF 252) Bisho	41,350.00	23,255,920.42	-	-	-	23,297,270.42	- 10,797,270.42	12,500,000.00
Portion 5 (remainder extent) of ERF 43, Thohoyandou	1,939,890.36	17,885,808.15	8,923,300.00	-	-	28,748,998.51	- 19,548,998.51	9,200,000.00
ERF 1112, Marshalltown, City of JHB	74,897,609.90	-	-	-	-	74,897,609.90	- 15,697,609.90	59,200,000.00
ERF 222, Annadale, Polokwane (Boabab)	10,118,493.71	10,289.19	5,599,997.00	-	-	15,728,779.90	- 4,128,490.71	11,600,000.00
ERF 7339, Bendor, Ext. 86, Polokwane	4,060,328.47	-	-	-	-	4,060,328,47	- 2,585,328.47	1,475,000.00
WF Nkomo Site	7,875,000.00	-	-	-	-	7,875,000.00	-	-
WF Nkomo Building	48,016,163.32	7,011,041.95	8,472,186.07	- 12,802,900.39	-	50,696,490.95	-	52,000,000,00
Sunnyside Campus Site	54,078,213.00	-	-	-	- 9,033,213.00	45,045,000.00	-	48,800,000.00
Sunnyside Campus	-	9,972,012.24	119,106,062.66	-	-	129,078,074.90	-	-
Total	**201,027,048.76**	**58,135,071.95**	**142,101,545.73**	**- 12,802,900.39**	**- 9,033,213.00**	**379,427,553.05**	**- 52,757,698.01**	**194,775,000.00**

Infrastruture Projects Buildings	31 March 2019							
	Purchase Price	Additions	Refurbishment	Acc Depr	Impairments	Carring Amount	Fair Value Adjustments	Valuation
ERF 895 (a portion of ERF 252) Bisho	41,350.00	21,557,060.35	-	-	-	21,598,410.35	- 9,198,410.35	12,400,000.00
Portion 5 (remainder extent) of ERF 43, Thohoyandou	1,939,890.36	-	17,885,808.15	-	-	19,825,698.51	- 11,825,808.15	8,000,000.00
ERF 1112, Marshalltown, City of JHB	74,897,609.90	-	-	-	-	74,897,609.90	- 12,297,609.90	62,600,000.00
ERF 222, Annadale, Polokwane (Baobab)	10,118,493.71	-	10,289.19	-	-	10,128,782.90	1,571,217.10	11,700,000.00
ERF 7339, Bendor, Ext. 86, Polokwane	4,060,328.47	-	-	-	-	4,060,328.47	- 4,060,328.47	-
WF Nkomo Site	7,875,000.00	-	-	-	-	7,875,000.00	-	-
WF Nkomo Building	48,016,163.32	-	7,011,041.95	- 12,372,919.99	-	42,654,285.28	-	-
Sunnyside Campus Site	54,078,213.00	-	-	-	- 8,573,213.00	45,505,000.00	-	48,800,000.00
Sunnyside Campus	-	9,972,012.24	-	-	-	9,972,012.24	-	-
Total	**201,027,048.76**	**31,529,072.59**	**24,907,139.29**	**- 12,372,919.99**	**- 8,573,213.00**	**236,517,127.65**	**- 35,810,939.77**	**143,500,000.00**

ERF 895 (a portion of erf 252), Bisho - 2 February 1985

The building was inherited from the Bisho Government after amalgamation. The building has been newly renovated to "B" Grade office standards. The property is fully occupied by a single tenant, the Department of Roads and Public Works on a five-year lease which commenced on 1 January 2019. The current Gross rental is R125.01/m^2, escalating at 6.5% per annum. A gross monthly market rental of R 115.00 /m^2 were assumed in the valuation.

Portion 5 (remainder extent) of Erf 43, Thohoyandou - 2 July 1991

The building was inherited from the Venda Government after amalgamation and probably built more than 15 years ago as a three storey office building. The existing building requires extensive redevelopment to bring the building to appropriate standards. The building is in the process of being redeveloped to “B” Grade office standards. During the amalgamation process Portion 4 and 5 of Erf 43 Thohoyandou reflected on the audited annual financial statements of the Fund, however only the physical title deed for Portion 5 of Erf 43 Thohoyandou could be obtained. A legal firm has been appointed to obtain the title deed for Portion 4 of Erf 43 Thohoyandou from Thulamela Local Municipality and/or Department of Public Works. The previous valuation included the adjacent Portion 4 of Erf 43 Thohoyandou which has been excluded from this valuation due to the dispute with regards to the title deed. The formed valuation conducted on the property utilised the residual valuation method based on the Discounted Cash Flow Method of valuation with provision for costs to complete.

Erf 1112, Marshalltown, City of Johannesburg 4 June 2018

This property is an old office building, offering basement parking with offices above, in Johannesburg CBD. The building requires extensive redevelopment which is still in in the initial stages. The subject property is fully vacant. The property has been valued as is.

Erf 222, Annadale, Polokwane - 7 September 2018

The property has been improved with 6 triple storey residential blocks currently utilised as student accommodation. The improvements as a whole have been predominantly above average condition and in a well-maintained condition. There is currently a lease in place with the Tshwane University of Technology to use the Property as student accommodation for its students.

Erf 7339, Bendor, Extension 86, Polokwane - 4 June 2018

The property has a single storey residential block currently accommodating a total of 7 town house units with garages. These town houses are vacant and will be demolished and replaced with student accommodation. This development is estimated for completion during December 2021. The Property is planned to be improved with 2 triple storey residential blocks utilised as student accommodation.

WF Nkomo - Erf 3384, Pretoria, Reg. Div. J.R. Gauteng.

The property, a four storey office block which has been vacant for over 4 years, will be converted into a multi-level parking garage providing for 482 parking bays.

The former creche and open parking area to the rear has been cleared for the development of a new “A” Grade office building of 16738m2 which will connect with the parking. The new parking ratio is thus approximately 3 bays per 100m2 of offices.

The project is approximately 10% underway and is expected to be completed in June 2021. The current COVID-19 lockdown may delay completion by up to two months.

Sunnyside Campus - Erf 834 portion 50, Sunnyside, Pretoria and Erf 82 and Erf 83 Trevenna, and Erf 1431 and Erf 1432 Sunnyside, Pretoria

Erf 82 and Erf 83 Trevenna, and Erf 1431 and Erf 1432 Sunnyside comprises of four stands which form a unit for future consolidation and development. On the date of the valuation the property is vacant with fences for security purposes to prevent illegal squatting.

Due to the fact that the property comprises vacant land and is thus undeveloped, the property was valued using the direct comparable approach, where the valuers have located recent sales of other vacant land properties, taking into account direct and indirect factors which would influence the market value.

Erf 834 portion 50, Sunnyside compromise a vacant corner stand located in the north/south commercial corridor of Trevenna. The site is vacant with a perimeter fence. The Fund bought the properties which are adjacent to each other to develop a 55,000 sqm “Labour Campus” to accommodate the Fund, Compensation Fund and the Department of Employment and Labour.

The Compensation Fund has expressed interest in acquiring their tower in the planned Sunnyside Labour Campus development. National Treasury has granted approval for the Compensation Fund to participate. A letter of introduction was sent to the Department of Employment and Labour, however the process has not been concluded.

At a macro level, the South African Property Market remains under pressure. Key drivers to the down turn in the property market is (1) lowered investor confidence(sentiment) largely due to political influences which are contributing to the devaluing of the Rand against international currencies, (2) policies which has caused a panic in the realm of young professionals of skilled labour, who are opting for “greener pastures” internationally causing a run on skilled workforce in South Africa, (3) the global negative impact of the COVID-19 (Corona) virus pandemic and (4) the down grade of the South African economy.

Taking all these market related factors into account market values adjustments on all the properties of the Fund have been adjusted downwards.

Erf 834 portion 50: The effective date of the valuation was 31 March 2020. 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 value. 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 R23 million as at 31 March 2020.

Erf 82 and Erf 83 Trevenna, and Erf 1431 and Erf 1432 Sunnyside: The effective date of the valuation was 31 March 2020. 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 R26 million as at 31 March 2020.

PART C

GOVERNANCE


DANIEL

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 PFMA (1999, as amended) 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.

1.2 Portfolio Committees

During the 2019/20 financial year, the UIF was requested to appear before the Portfolio and Select Committees according to the following table:

TYPE OF COMMITTEE	APPEARANCE	PURPOSE
Portfolio Committee	4 March 2020	2nd quarter performance.
Portfolio Committee	04-05 Feb 2020	Orientation workshop to focus on the core operations of the Department of Employment and Labour, including its entities.
SCOPA	26 November 2019	Review of 2018-2019 financial statements, deviations, expansions, irregular, fruitless and wasteful expenditure of the Compensation Fund, UIF.
Portfolio Committee	20 November 2019	Briefing on the First Quarterly Performance Report (QPR1) 2019/20 of the DEL and its entities. Briefing on the LAP of the UIF.
Portfolio Committee	9 October 2019	Briefing by the DEL on the Annual Reports of the UIF.
Portfolio Committee	21 August 2019	3rd quarter performance.

1.3 Executive Authority

The Minister of Employment and 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 1 November 2017. The appointment was for a three-year period ending on 31 October 2020. The Board Chairperson was reappointed in 2019 for a three-year term which ends on 31 October 2021. During 2019, one new Sate member was appointed from SARS for a three-year term which ends on 31 October 2022. However, the member resigned in February 2020. The Board is appointed to advise the Minister of Employment and Labour on issues related to administration of the UIF as a social security instrument. The Minister held several meetings with the UIF Board during the 2019/20 financial year to discuss the overall UIF matters (including social responsibility investments and the responsibility of the Board).

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

- The 2019/20 MTEF Revised Budget submitted on 24 October 2019.
- The 2020/21 MTEF Proposed Budget submitted on 24 October 2019.
- The 2019/20 Annual Performance Plan first drafts submitted on 31 October 2019.
- The 2019/20 Annual Performance Plan final drafts submitted on 31 January 2020.

1.4. The Accounting Authority

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

1.5. The Advisory Board

In terms of section 47 of the UIA (2001, as amended), the Minister of Employment and Labour must establish the Unemployment Insurance Board. All members were appointed in terms of section 49 (2) of the Act which outlines that each constituency must be represented by three members and three State representatives on the Board. For the most part of the reporting year, 2019/20 the Board was constituted of 12 members and a Chairperson – however, one State member resigned during Feb 2020.

UIF Board key highlights/achievements

- The UI Board has participated in the launching and visits to LAP nationally to fully understand the operation, assess implementation, impact to society and benefit of unemployment LAP projects and to advise the Minister accordingly.
- Board Constitution and Committee Charters were approved by the delegated authority.
- Implementation of new Governance Framework.
- UI Act promulgation was facilitated and its implementation is monitored.
- The implementation of the high social impact projects.
- Development of UIF Board members was conducted. Members of UIF Board attended international conferences, workshops, training sessions and study tours during 2018 and 2019.
- Joint Boards, Investment Committees (IC) and EXCOs with the PIC and Productivity South Africa were established in order to address relevant strategic outcomes and to advise the Honourable Minister for Employment and Labour on matters of concern.
- Maintained and monitored stakeholder management - conducted Sector Education and Training Authorities (SETAs) workshop as well as LAP and PIC visits throughout the country.

1.5.1 The role of the Board is a follows:

In terms of section 48 of the UIA (2001, as amended), 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:-

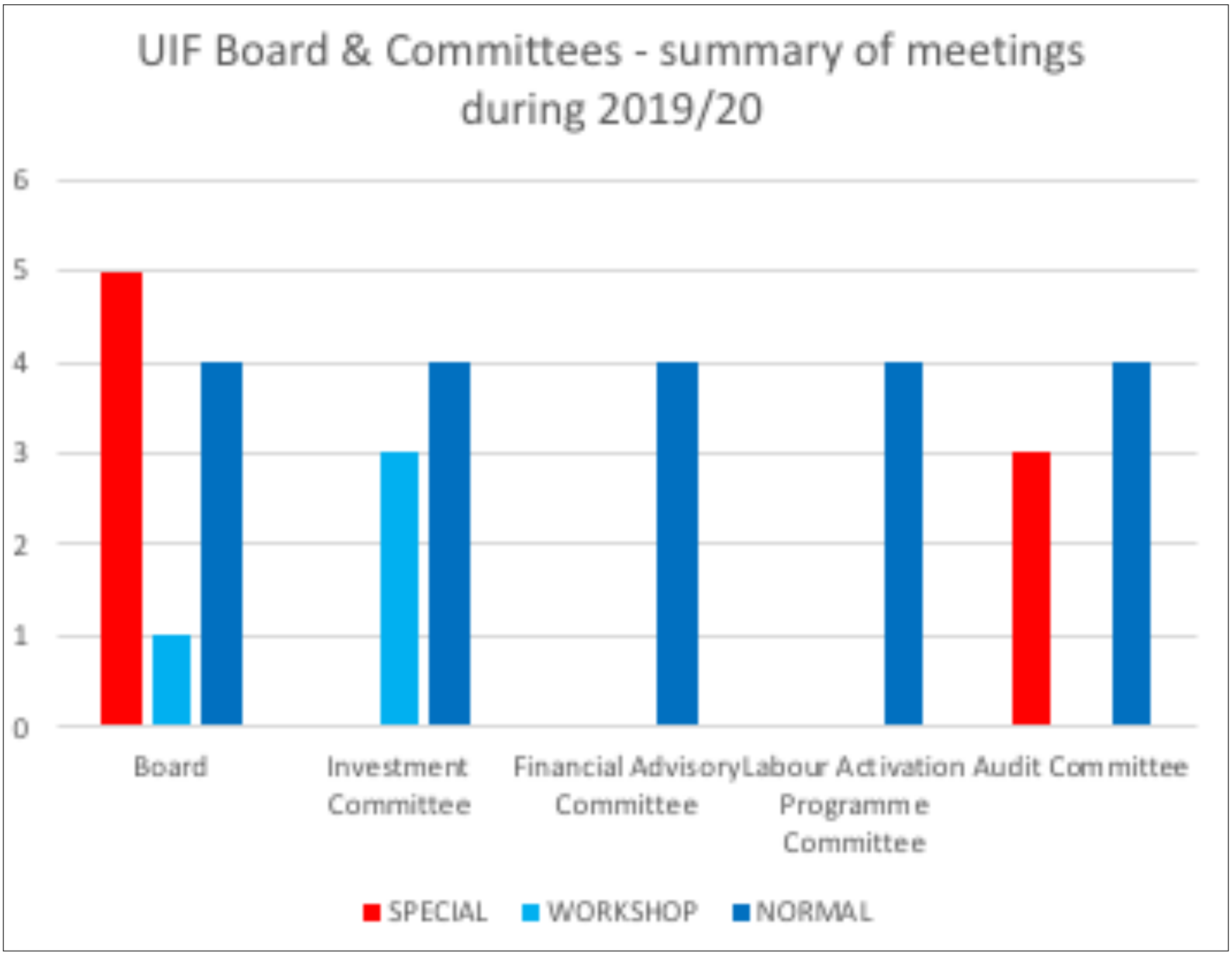
- The provisions of the UIA (2001, as amended) and its constitution contemplated in section 50;
- Any directions issued by the Minister of Employment and Labour;
- Any guidelines determined by the Director-General of Employment and Labour.

1.5.2 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 reviewed charters adopted in 2019/20 included the workplan for the Board and all Committees. The adherence of the Board and Committees to charters was monitored through quarterly evaluations which were conducted by the UIF Board and the Governance Directorate. The UIF Board and Governance Directorate facilitate the internal yearly assessment and produce the respective report of the Board and its Committees. The Board and Committee Charters are aligned and compliant with the UIA (2001, as amended) and the Board Constitution. The main objective of the Board's Governance and Compliance functions was to assist the Board and its Committees in adopting the most appropriate governance standards for the Fund.

The Board held four scheduled Board meetings, five special meetings and one workshop in an effort to deliver on their mandate.

The following is a summary of the all Board and Committee meetings during 2019/20:



BOARD MEMBER DETAILS							MEETINGS ATTENDED					TOTAL MEETINGS ATTENDED
	Surname	First Name (s)	Date Appointed	Date Term Ended	Qualifications	Competencies/area of expertise	Board	IC	FAC	LAPC	AC	
Dr	Nzimande	Welcome	01-Feb-19	31-Jan-22	Honorary PhD (visual &performing arts); B Admin; MDP (Management Development Programme) – UKZN; LDP (Leadership Development; Programme) – GIBS.	Management and leadership.	7	-	-	-	-	7
Mr	Mchunu	Mondli	01-Nov-17	31-Oct-20	Bachelor of Laws (LLB Law); Admitted Attorney of the High Court of South Africa; Certificate -International Leadership Development Programme Certificate (ILDP) - Gordon Institute of Business Science (GIBS); Certificate - Executive Education - GIBS (ILDP) Leonard N. Stern School of Business New York University; Certificate of Proficiency in Translation - University of KwaZulu-Natal (Howard College). Baccalaureus Iuris (B. Iuris); Bachelor of Laws; Certificate Programme in Industrial Relations; Master of Laws (LLM. Labour Law).	Business leadership; Employee relations; labour laws in South Africa, Lesotho, Eswatini, Botswana, Namibia, Zambia, Ghana, Kenya and Nigeria. Pension/ retirement funds. Law.	8	5	4	3	-	20
Mr	Matshani	Msuthu	01-Nov-17	31-Oct-20	Baccalaureus Iuris (B. Iuris); Bachelor of Laws; Certificate Programme in Industrial Relations; Master of Laws (LLM. Labour Law).	Law	5	-	3	4	-	12

BOARD MEMBER DETAILS							MEETINGS ATTENDED					TOTAL MEETINGS ATTENDED
	Surname	First Name (s)	Date Appointed	Date Term Ended	Qualifications	Competencies/area of expertise	Board	IC	FAC	LAPC	AC	
Adv	Nwedo	Eric	01-Nov-17	31-Oct-20	Admitted Advocate of the High Court of South Africa & Accredited Mediator: Masters in Labour Law and Employment Relations (RAU); BA Honours in Labour Relations (BA Hons) (RAU); Bachelor of Laws Degree (LLB) (Unisa); B.Proc (Univen); Certificate in Negotiation Dynamics & Lobbying, Wits Business School; Certificate in the ILO Decent Work Programme, International Institute of Labour Studies (Geneva, Switzerland); Certificate in handling disciplinary hearings (IMSSA); Certificate in presenting CCMA arbitration cases (GIMT); Certificate in Resolving Workplace Disputes through Mutual-Gains Approach (Conflict Dynamics); Certificate in Mediation Course Arbitration Foundation of Southern Africa (AFSA).	Law, General Litigation, Mediation, Governance and Risk, Employee benefits and Pensions Fund law.	7	7	-	-	6	20

BOARD MEMBER DETAILS							MEETINGS ATTENDED					TOTAL MEETINGS ATTENDED
	Surname	First Name (s)	Date Appointed	Date Term Ended	Qualifications	Competencies/area of expertise	Board	IC	FAC	LAPC	AC	
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 Monitoring and Evaluation.	Grant Management; Development Support; Financial Management; Negotiation Skills; Project Management and Monitoring and Evaluation management.	9	7	-	3	-	19
Mr	Mahlangu	Jan	01-Nov-17	31-Oct-20	Certificates CCMA, Financials and Financial Accounting.	Financial Management; Law, Accounting.	8	6	3	2	-	19
Mr	Franks	Tony	01-Nov-17	31-Oct-20	Legal Labour Law Certificate; IMMSA Arbitration Certificate; CCMA Certificate; HRM Certificate; Project Management Training.	Labour Law; Project Management and Human Resources Management.	2	-	3	-	-	5
Ms	Kganyago	Laura	01-Nov-17	31-Oct-20	Project Management.	Community Development Programmes & Training.	8	-	4	4	7	23

BOARD MEMBER DETAILS							MEETINGS ATTENDED					TOTAL MEETINGS ATTENDED
	Surname	First Name (s)	Date Appointed	Date Term Ended	Qualifications	Competencies/area of expertise	Board	IC	FAC	LAPC	AC	
Mr	Tshefuta	Thulani	01-Nov-17	31-Oct-20	Certificate in Effective Stakeholder Management from University of Pretoria; Post-Graduate Diploma on International Executive Development Programme with GIBS and Crammer Graduate School of Business at Rollins University - USA; Post-Graduate Diploma on Public Development and Management specializing on Monitoring and Evaluation with Wits University; currently studying Master of Governance & Management in Monitoring and Evaluation with Wits University.	Leadership and Governance, Strategic Management, Stakeholder Relations and Strategic Partnerships, Programme and Project Management, Skills Development, Labour Market, Economic Development, Social Policy Monitoring and Evaluation.	9	6		4	-	19

BOARD MEMBER DETAILS							MEETINGS ATTENDED					TOTAL MEETINGS ATTENDED
	Surname	First Name (s)	Date Appointed	Date Term Ended	Qualifications	Competencies/area of expertise	Board	IC	FAC	LAPC	AC	
Mr	Mthalane	Dumisani	01-Nov-17	31-Oct-20	Matric.	Experience in management, evaluation and knowledge management, monitoring and evaluation. Good analytical skills and knowledge in planning. Strong financial accounting and management.	8	6	4		-	18
Mr	Macikama	Mvuyisi	01-Nov-17	31-Oct-20	B. Comm: Accounting (UWC) Postgraduate Diploma in Tax Law (UCT).	Financial and Tax Management; Payroll Management; Social Development; Public Finance Management (CFO of a Provincial Department); Strategic Management of National Skills Fund.	5	5	4	3	-	17

BOARD MEMBER DETAILS							MEETINGS ATTENDED					TOTAL MEETINGS ATTENDED
	Surname	First Name (s)	Date Appointed	Date Term Ended	Qualifications	Competencies/area of expertise	Board	IC	FAC	LAPC	AC	
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 - Louw Du Toit and Associates in association with Pepperdine University, USA.	Business Leadership, General Business Management Compensation Management Human Resources Management Customer Services.	8	2	1	3	-	14
Mr	Morajane	Cameron	01-Mar-19	29 Feb 2022 Resigned Feb 2020.	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.	-	-	-	-	-	-

BOARD MEMBER DETAILS							MEETINGS ATTENDED					TOTAL MEETINGS ATTENDED
	Surname	First Name (s)	Date Appointed	Date Term Ended	Qualifications	Competencies/area of expertise	Board	IC	FAC	LAPC	AC	
Dr	**Dala**	**Prittish**	**18-Dec-18**	**Until permanent appointmt appointment**	PhD (Information Technology); Masters (Information Technology) and BSc Hons (Computer Science); Bachelor of Information Technology; Certified Information Systems Auditor (CISA); Certified Information Security Manager (CISM); Certified Information Systems Security Professional (CISSP); Lead Auditor ISO 27001 (LA ISO 27001); Certified in the Governance of Enterprise Information Technology (CGEIT); Certified in Risk and Information Systems Control (CRISC); Certified Ethical Hacker (CEH) and Computer Hacking Forensic Investigator (CHFI).	ICT and Auditing; Information Technology, Information Security, Privacy, Information Technology Audit, Internal Auditing, Risk Management, Governance, Compliance, Forensics and Research.	**6**	**-**	**-**	**-**		12

BOARD MEMBER DETAILS							MEETINGS ATTENDED					TOTAL MEETINGS ATTENDED
	Surname	First Name (s)	Date Appointed	Date Term Ended	Qualifications	Competencies/area of expertise	Board	IC	FAC	LAPC	AC	
Mr	Maruping	Teboho	UIF Commissioner		Masters in Information and Knowledge Management, University of Stellenbosch, 2012.	Business Analysis, Operational Analysis, Metrics Design and Operations, Programme Management, Business Process Innovation and Improvement, Research and Knowledge Management, Innovation, Value Creation, Business Intelligence, Organisational Excellence, Lean Six Sigma and Lean Manufacturing Business Scorecard Development, Mentoring and Coaching, Job Interview Preparation,	8	3	3	4	6	**24**

Board and Committee Meetings Details 2019/20

		TYPE OF MEETING			
	NAME OF COMMITTEE	NO. OF MEMBERS	WORKSHOP/ SPECIAL	NORMAL	TOTAL OF ALL MEETINGS
1	Board	13	6	4	10
2	Investment Committee	8	3	4	7
3	Financial Advisory Committee	8	0	4	4
4	Labour Activation Committee	8	0	4	4
5	Audit Committee	4	3	4	7
	TOTALS	**41**	**12**	**20**	**32**

1.5.3 Board Committees

The Board continued to demonstrate its support and commitment to the Enterprise Risk Management (ERM); Investments, audit and financials and recognise 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 Board has established four 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 the LAP 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 regard to the refusal of their claims applications. One NAC meeting was held. They are supported by Regional Appeals Committees (RACs) 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.

1.5.4 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 UIA (2001, as amended) and the Minister of Employment and Labour has determined the category classification.

1.5.4.1 Non-executive members for UIF Board and Board Committees (past and present) fees

			2020		
	Board Members		Fees for services	Expense allowances	Total
1	Kganyago L	Reappointed: 01 November 2017	76 331,33	6 871,25	83 202,58
2	Mahlangu J	Reappointed: 01 November 2017	2 138,62	46,21	2 184,83
3	Mthalane D	Appointed: 01 November 2017	89 019,46	30 240,97	119 260,43
4	Nwendo NR	Appointed: 01 November 2017	3 888,00	14 262,22	18 150,22
5	Nzimande WM	Reappointed: 25 January 2017	70 986,00	-	70 986,00
6	Tshefuta T	Reappointed: 01 November 2017	3 888,00	2 104,66	5 992,66
7	Maphotho D	Reappointed: 01 November 2017	41 475,00	6 559,51	48 034,51
8	Matshani M	Reappointed: 01 November 2017	50 582,14	4 112,83	54 694,97
9	Mchunu M	Reappointed: 01 November 2017	15 277,44	4 403,47	19 680,91
TOTAL			**353 585,99**	**68 601,12**	**422 187,11**
Audit Committee					
CF Terhoeven			139 830,00	1 077,93	140 907,93
Dala P		Reappointed: 18 December 2018	528 274,97	3 463,11	531 738,08
Botha D			-	-	-
TOTAL			**668 104,97**	**4 541,04**	**672 646,01**

Risk Committee

Skeepers N	Appointed: 01 october 2018	369 337,42	6 165,53	375 502,95
De Kock C	Appointed: 01 October 2018	197 008,02	10 590,15	207 598,17
		-	-	-
TOTAL		**566 345,44**	**16 755,68**	**583 101,12**

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

			2020		
N0.	Board Members	Region	Fees for services	Expence allowances	Total
1	Barichievy BA	Regional	11 983,08	476,51	12 459,59
2	Boboko A	Regional	3 888,00	4 100,96	7 988,96
3	Bokaba E	Regional	2 928,62	-	2 928,62
4	Booi M	Regional	3 888,00	1 090,22	4 978,22
5	Brandmuller AP	Regional	9 381,65	1 126,31	10 507,96
6	Diraditsile MV	Regional	2 148,43	112,63	2 261,06
7	Makapela MNC	Regional	2 138,62	46,21	2 184,83
8	Maleki MK	Regional	9 828,18	2 766,25	12 594,43
9	Mapena M	Regional	5 700,97	427,42	6 128,39
10	Maribe BM	Regional	3 025,80	134,28	3 160,08
11	Mleve S	Regional	15 277,44	4 403,47	19 680,91
12	Mofolo TM	Regional	3 610,98	535,00	4 145,98
13	Mokhobo M	Regional	5 521,04	434,27	5 955,31
14	Mokoena T	Regional	8 664,00	2 541,44	11 205,44
15	Mpulu	Regional	7 625,82	584,09	8 209,91
16	Ngqaneka	Regional	10 289,82	-	10 289,82
17	Oelofse E	Regional	4 921,62	264,24	5 185,86
18	Seabi SM	Regional	3 888,00	2 104,66	5 992,66
19	Tibane M	Regional	5 004,00	1 360,60	6 364,60
20	Williams T	Regional	15 066,00	441,86	15 507,86
21	N Kula	Regional	3 888,00	8 386,18	12 274,18
22	Moiloanyane Modise	Regional	3 888,00	2 007,16	5 895,16
23	Mabuza TS	Regional	14 763,00	2 050,39	16 813,39
			157 469,07	**33 930,02**	**176 636,09**
			1 745 505,47	**123 827,86**	**1 854 570,33**

6. Risk Management

6.1. Introduction

The purpose of this report is to provide the Audit and Risk Committees and the Unemployment Insurance Commissioner with the performance of the Risk Management Directorate for the financial year 2019/20.

6.2. Risk Governance

The purpose of Risk Governance is to provide the Minister, Deputy Minister, the Director General and the Departmental Executive Committee (DEXCOM) of the DEL with the progress of the work performed by the Risk Management Committee of the Department for the year 2019/20.

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 monitoring of the risk management strategy in relation to the strategic risk profile of the Unemployment Insurance Fund.

6.3. Risk Committee

An independent chairperson chairs the Risk Management Committee. The Chairperson of the Risk Management Committee report progress on the risk management activities to the Audit Committee and National Risk Committee. This is done to create synergy across all departmental risk committees.

Committee	No. of meetings held	No. of members	Name of members
Risk Management Committee	4	12	Dr. N Skeepers (Chairperson) Mr. C de Kock (Independent Member) Mr. T Maruping (Unemployment Insurance Fund Commissioner) Ms. F Puzi (Chief Financial Officer) Adv. Mzie Yawa (Chief Director: Corporate Services) Ms J Kumbi Chief Director: Operations) Ms. M Mnconywa (Chief Director: LAP) Mr T Maphatane (Chief Risk Officer Mr X Monakali (Director: Information Communication and Technology) Mr. M Buthelezi (Director: Communication) Adv. Phathela (Director: Legal) Mr D Khumalo (Director: Monitoring and Evaluation)

6.4. Key Objectives of Risk Management

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

Section 51(1)(a)(I) of the PFMA (1999, as amended), 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".

6.5. 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 senior management of the Fund considers strategic risks when formulating strategic objectives. The Fund's approach towards effective risk management is underpinned by four 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.

(d) Risk Assessment and Monitoring

The UIF risk assessment process is performed annually. The risk assessment was conducted during the first quarter (01 April 2019 – 30 June 2019) according to the Department's strategic and operational plans. Sustainable monitoring process was conducted in the second quarter (01 July 2019 - 30 September 2019).

6.6. Effectiveness of risk management

The Internal Audit Directorate via the Audit and Risk Committee is responsible for providing the Accounting Officer with the independent and objective assurance on the effectiveness of risk management processes and systems.

Refer to the internal control section (section 8) for the opinion provided by Internal Audit in relation to risk management.

7. INTERNAL AUDIT

7.1. 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 **7.2.1 internal controls**, **7.2.2 risk management**, and **7.2.3 governance processes.** The function renders an independent appraisal role 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 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;
- Appropriateness of processes for the achievement of objectives.

According to the approved annual IA plan, internal audit was expected to complete 47 audits by 31 March 2020. A summary of the extent of execution of the annual IA plan is provided below:

Type of audits	Number
Financial Audits	2 / 2 (100%)
Regulatory/ Operational Audits	17 / 17 (100%)
Compliance	8 / 8 (100%)
Performance Information	5 / 5 (100%)
ICT Audits	6 / 7 (86%)
Cyclical Audits	3 / 3 (100%)
Performance Audits	0 / 1 (0%)
Follow-up Audits	3 / 3 (100%)
Consulting Services	1 / 1 (100%)
TOTAL	**45 / 47 (96%)**

96% (45/47) of the IA reports were presented to management and signed off by the Chief Audit Executive by the end March 2020. In addition, IA completed 1 ad-hoc project. The reasons for the non-completion of the 2 audits listed below is provided below:

No	Audit area	Constraints/challenges	Corrective action	Status
1.	Performance Audit - Labour Activation Programme Review	Gathering of evidence revealed a need to conduct a performance audit which required additional work to be performed to fully understand the programme resulting to additional time for the review. An additional week was added to conduct site reviews. National lockdown announced by the President, as a result some of the key resources got held up in critical meetings to plan for the shutdown.	Conclude the review with the audit evidence available and include scope exclusions for areas that we were unable to complete.	Reporting.
2.	Siyaya Application Control Review	Delays in receiving audit information from management and the unavailability of management for meetings (23 March 2020). National lockdown announced by the President, as a result some of the key resources got held up in critical meetings to plan for the shutdown.	Conclude the review with the audit evidence available and include scope exclusions for areas that we were unable to complete.	Reporting

7.2 Overall Internal Environment Assessment

The audits performed in terms of the 2019/20 as per the approved IA plan as highlighted above were designed to review the adequacy and effectiveness of key controls in place to mitigate significant risks that could hinder UIF's ability to achieve its strategic objectives. The controls are designed and implemented by management. In line with the requirements of Standard 2450 of the International Standards for the Professional Practice of Internal Auditing by the Institute of Internal Auditors (IIA) at the end of each audit engagement IA is required to provide a conclusion/opinion on the control environment of the business area where the audit engagement was performed. These audit conclusions/opinions are listed in individual Internal Audit Reports which were shared with Management and the Audit Committee and form the basis of IA's overall assessment of the internal controls, risk management and governance processes within the UIF as provided below.

7.2.1 Internal Controls

The opinion is based on an accumulative view of audits performed as allocated during the 2019/20 financial year. In our opinion, the overall internal control environment of UIF Needs Improvement. The following key controls deficiencies as a result of the audit engagements in the areas listed below were reported to management for their attention:

- **Provincial Operations:**
- Approval and payments of claims without proper verification and mandatory supporting documents;
- Claims with complete information on Virtual Office not registered/captured on the Siyaya system;
- Incorrect capturing of claims;
- Claims with complete information not approved and paid within the set turnaround time;
- Incorrect split percentage payment processed;
- Ineffective Enquiry management processes;
- Ineffective Queue management processes.
- **Supply Chain Management:**
- Supply Chain Management policies not reviewed and updated for the last 2 years;
- Poor contract management;
- Non-compliance with the National Treasury Instruction note;
- Bid process not always fair, equitable, transparent, competitive and cost effective;
- Recurring and increasing irregular expenditure;
- Inadequate management of assets.
- **Investment Management:**
- The Fund does not have mechanism to measure compliance with the investment strategy set out in the SLA;
- Previously raised audit findings not addressed by management;
- Evaluation on the effectiveness of the Investment Committee.
- **Operations and Revenue Management**
- No evidence of registration documents when an employer registers for UIF at SARS;
- Monthly reconciliations not conducted to confirm validity, accuracy and completeness of the third party (UIF) trust account.
- **Information and Communication Technology**
- The wireless security standards and guidelines have not been formally defined and there are

weak security configurations that the organisation should strengthen;

- System application allows for duplicate applications which increase the risk of registered number of employers;
- Disaster recovery service level agreement not enforced;
- Inadequate ICT service continuity plan;
- U-filling post implementation review gaps.

7.2.2 Risk Management

The opinion is based on an accumulative view of audits performed as allocated during the 2019/20 financial year in relation to risk management. In our opinion, risk management within the UIF **Needs Improvement.** The following key controls deficiencies in relation to risk management were reported to management for their attention:

- The risk appetite and tolerance levels for the organisation have not been set;
- Business continuity plan not fully established;
- Ineffective management of strategic and operation risk assessment documentation due to lack of evidence to confirm existence, validity and completeness;
- Risk management policy and strategy not timely approved;
- Most previously raised audit findings were not resolved by management.

7.2.3 Governance Processes

The opinion is based on an accumulative view of audits performed as allocated during the 2019/20 financial year in relation to governance processes. In our opinion, governance processes within the UIF Needs Improvement. The following key controls deficiencies in relation to governance processes were reported to management for their attention:

- **Governance Structures**
- Several governance documents are in draft and there are significant delays in approving them, often up to 6 months at a time;
- There is no evidence that the members of the Board and the Committees have been rotated in the last two terms;
- Some of the UI Board and Committee Members Internal and Individual performance evaluation have not been conducted;
- The Board and Committees minutes and resolutions are not circulated timeously as per the Charters' defined thresholds;
- Effectiveness of oversight structures.
- **Risk Governance**
- Draft compliance universe framework;
- None Implementation of the Combined Assurance Framework;

- Ineffective role of the UIF Risk Management at provincial, regional and labour centres.
- **ICT Governance**
- Poor ICT project governance;
- Ineffective ICT steering Committee.

7.3 Overall Conclusion of the Control Environment

To formulate the overall conclusion on the control environment the aggregated results of the 45 completed audit engagements. In terms of the 45 completed audit engagement 41 (91%) highlighted that the control environment needs improvement with due consideration of the significant matters highlighted above. This overall opinion is based only on the work performed based on the audit scope and objectives.

In our opinion, the control environment within the areas audited is rated as “Needs Improvement”, based on the findings raised which could negatively impact the accomplishment of good governance practices for certain business objectives should they recur and therefore management is advised to address with remedial actions within the existing levels of management and authority.

8. Internal Audit and Audit Committees

Key Activitiies and Objectives of the Audit Commitee

The Audit Committee is an advisory body that reports to the Accounting Authority through its chairperson. The Committee provides independent assurance and assistance to the Accounting Authority on control, governance and risk management. The Committee, in executing its mandate will ensure compliance with sections 51(1) (a) (ii), 76 (4) (d) and 77 of the Public Finance Management Act as well as Treasury Regulation 27.1 will carry out the following primary responsibilities:

- Review the annual financial statements, and consider whether they are complete, consistent with prescribed accounting and information known to Committee members;
- Review the risk management framework for identifying, assessing, monitoring and managing significant risks;
- Review the adequacy and effectiveness of the internal control system, including information technology security and control;
- Review the UIF's compliance with the performance management and reporting systems;
- Review the Internal Audit Charter, budget, activities, staffing, skills and organizational structure of the Internal Audit;
- Review the external auditors' proposed audit scope, approach and audit fees for the year; and
- Review whether Management has considered legal and compliance risks as part of the UIF's risk assessments.

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:

	Surname	First Name (s)	Date appointed	Date term ended	Qualifications	Competencies/ area of expertise	Role	AC
Dr	Dala	Prittish	Feb 2017	N/A	PhD (Information Technology); Masters (Information Technology) and BSc Hons (Computer Science); Bachelor of Information Technology; Certified Information Systems Auditor (CISA); Certified Information Security Manager (CISM); Certified Information Systems Security Professional (CISSP); Lead Auditor ISO 27001 (LA ISO 27001); Certified in the Governance of Enterprise Information Technology (CGEIT); Certified in Risk and Information Systems Control (CRISC); Certified Ethical Hacker (CEH) and Computer Hacking Forensic Investigator (CHFI).	ICT and Auditing; Information Technology; Information Security; Privacy; Information Technology Audit; Internal Auditing; Risk Management; Governance; Compliance; Forensics and Research.	Acting Chairperson (from Dec 2018). Independent non-executive.	7
Mr	Terhoeven	Carel	March 2019	N/A	M.Com (Taxation); CA(SA) and RA.	Auditing.	Independent non-executive	6
Dr	Skeepers	Natalie	March 2018	N/A	PhD (Engineering Management); M.Phil HIV/AIDS management; MSc in Health Safety and Environment and BTech Environmental Health.	Engineering Management;	Independent non-executive and Chairperson of the Risk Management Committee	7

	Surname	First Name (s)	Date appointed	Date term ended	Qualifications	Competencies/ area of expertise	Role	AC
Adv	Nwedo	Eric	Nov 2017	N/A	Admitted Advocate of the High Court of South Africa & Accredited Mediator: Masters in Labour Law and Employment Relations (RAU); BA Honours in Labour Relations (BA Hons) (RAU); Bachelor of Laws Degree (LLB), (Unisa); B.Proc (Univen); Certificate in Negotiation Dynamics & Lobbying, Wits Business School, Certificate in the ILO Decent Work Programme, International Institute of Labour Studies (Geneva, Switzerland); Certificate in handling disciplinary hearings (IMSSA); Certificate in presenting CCMA arbitration cases (GIMT); Certificate in Resolving Workplace Disputes through Mutual-Gains Approach (Conflict Dynamics); Certificate in Mediation Course Arbitration Foundation of Southern Africa (AFSA).	Law; general Litigation; Mediation; Governance and Risk; Employee Benefits and Pension Fund law.	Nominated by the Board to the Committee.	6
Ms	Kganyago	Laura	Nov 2017	N/A	Project Management.	Community Development Programmes & Training.	Nominated by the Board to the Committee.	7

9. Compliance Universe

The UIF is in the process of finalising the compliance universe, which was presented to the Audit Committee for comments during the financial year.

The compliance universe is inclusive of all acts, which are applicable to the UIF environment. However, the list is very lengthy and may pose a challenge with regard to monitoring compliance with all identified legislation. The risk-based approach has been used to prioritise and select legislation which the UIF will focus on monitoring during the period 2019/20. Legislation which is considered to have a significant impact and magnitude shall been given priority in terms of regular monitoring and reporting above the other pieces of legislation.

The Ethics and Transformation Committee will be established in the 2020/21 financial year. The UIF has included this target as part of its Annual Operational Plan for the 2020/21 financial year.

10. Fraud prevention, detection and investigation

The Fraud Investigations 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 in the current financial year. Areas of improvement were identified as a result risk projects were undertaken to curb the scourge of fraud.

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	2	2	0	100%
Disputed Declaration	1	1	0	100%
Fraud Related	16	13	3	81%
Duplicate Banking Details	4	4	0	100%
TOTAL	**24**	**21**	**3**	**87%**

During the 2019/20 financial year, the unit received 24 cases, of which 1 case was carried over from the previous financial year. A total number of 21 cases were finalised and 3 are outstanding. Overall, the finalisation rate is 87% level.

11. 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.

12. 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 DEL 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.

13. Health Safety and Environmental Issues

The UIF, 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.

14. Company/Board Secretary

In terms of the UIA (2001, as amended) 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.

15. Standing Committee on Public Accounts (Scopa) Resolutions

The following are the UIF SCOPA resolutions adopted in financial year 2019/20:

- The UIF must develop a plan to address internal controls deficiencies and a mechanism to monitor the implementation of the plan.
- Through the Nedlac selection processes, gender equity should be promoted at the UIF Advisory Board.
- The UIF Board must report to the Ministry on a regular basis and to the Portfolio Committee on a quarterly basis.
- The DEL, through the Minister of Employment and Labour, must conduct a skills audit on the members of the Board of Directors and present the skills audit report to the Portfolio Committee.

Social Responsibility

The item is addressed in paragraph 2.1.2 (a).

16. Audit Committee Report

The Unemployment Insurance Fund (UIF) Audit Committee (AC) is pleased to present its report for the financial year ended 31 March 2020.

Audit Committee Responsibility

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.

The Effectiveness of Internal Control

An assessment of the findings identified by the Internal Audit (overall assessment of the control environment) as well as the management and audit reports presented to the AC by Auditor-General

South Africa (AGSA), reveals that the control environment requires improvement. In particular, the AC is concerned with the lack of improvement in the internal control, risk management and governance environment. This is primarily as a result of management not adequately addressing the root cause of the findings identified by the internal and external auditors as well as the non-implementation of recommendations provided by governance oversight structures such as the AC, RMC and the Board.

An audit action plan was in place, however, the management structures and monitoring thereof was ineffective as independent assurance by internal and external auditors identified that specific audit findings were not adequately resolved.

Accordingly, the AC can report that the system of internal control, governance and risk managment was generally inadequate and ineffective and has identified the following key areas of concern that should be addressed:

- Quality of the annual financial statements and performance information;
- Capacity and skills within the Finance department;
- Investments (due diligence, disclosure, service level agreement monitoring and enforcement and compliance);
- Supply chain and contract management;
- Irregular expenditure;
- Asset management;
- Policies and procedures;
- Record keeping;
- ICT and cyber security;
- Delays in the implementation of the SAP system;
- Enterprise risk management (Risk management, business continuity management, compliance and combined assurance);
- COVID-19 Temporary Employee Relief Scheme (processes, payments, impact on the liquidity and solvency of the Fund);
- Labour activation programme (LAP); and
- Audit action plan and the non-implementation of recommendations by various assurance providers (internal audit, external audit, AC, RMC and the Board).

Furthermore, the AC noted with concern the recurring audit findings as well as the lack of cons quence management relating to irregular expenditure and finalised forensic investigations.

The AC is satisfied with the work performed by Internal Audit in terms of control, governance and risk management as per the approved risk-based audit plan. At the end of the financial year, 96% of the approved risk-based audit plan was reported as complete.

In-Year Management and Monthly/Quarterly Reports

UIF has reported to the National Treasury in accordance with the requirements of the PFMA. However, the AC noted with concern that quarterly reports were not submitted to the Executive Authority as required by Treasury Regulation 30.2.1. The AC as well as assurance providers provided management with recommendations to improve the quality of performance information and financial management reporting.

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 by a service provider engaged by management) as well as the independent assurance from Internal Audit which included a scope limitation in relation to the unlisted investments. During the review the AC raised specific concerns in relation to the financial position, high risk of recurring audit findings, quality of the unaudited annual financial statements and unlisted investments (reliance on a deviation from the GRAP standards and additional disclosure due to the lack of reliable information as well as the significant increase in impairments associated with the unlisted investments);
- Reviewed changes in accounting policies and practices;
- Reviewed the 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 with concern the qualified audit opinion by the AGSA on the annual financial statements. The audited annual financial statements may be read together with the audit report of the AGSA.

We would like to express our appreciation to the Executive Authority, Accounting Authority, Board and Management as well as all the assurance providers for their continued support. In addition, the AC urges the UIF to prioritise and address the recommendations by the various assurance providers, underpinned by a culture of accountability and the successful implementation of the "fit for purpose" project, in order to improve the overall governance, risk management and internal control environment which will contribute significantly to the achievement of an improved audit outcome.

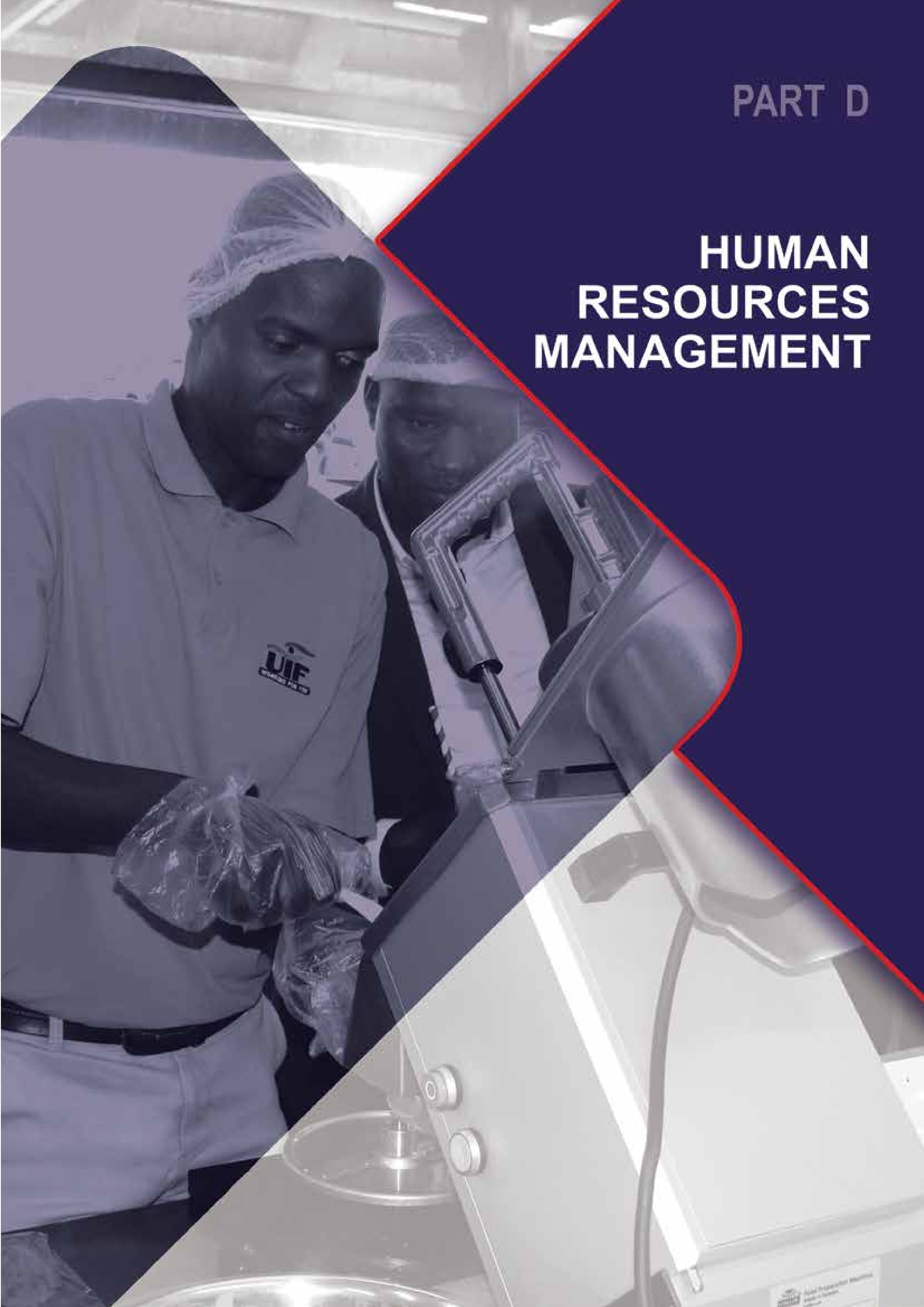
P.Dala

Dr. P. Dala

Audit Committee Chairperson

PART D

HUMAN RESOURCES MANAGEMENT



1. Introduction

The primary objective of the Human Resource Management (HRM) and Organisational Effectiveness (OE) Directorates is to provide strategic support to the UIF to enable the Fund to fulfil its mandate. This is achieved through the implementation of initiatives and interventions aimed at continuously developing the organisation, managing change, providing relevant human capital, optimising employee well-being, managing performance, maintaining processes, managing harmonious employer-employee relations as well as the enhancement of employees skills.

1.1 The key strategic human resource priorities

The key focus areas for the Directorates were:

- Reducing and maintaining a low vacancy rate;
- Employment of people from designated groups;
- Workplace exposure through the implementation 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;
- Management of business processes and standard operating procedures;
- Implementing organisational development and design interventions;
- Management of performance.

1.2 Staff establishment

At the end of March 2020, the establishment of the Fund comprised of 602 permanent posts. The percentage of posts filled was 92.9% and 7.1% was vacant. The vacancy rate was reduced by 6.2% from the previous financial year.

The Fund placed a high priority on employment equity in support of government transformation initiatives. 53.8% employees on the UIF establishment were women, whilst 46.2% were men. 52% of senior management posts were filled by women. People with disability represented 2.9% of the total number of employees.

1.3 Organisational Effectiveness

The Directorate: OE implemented the employee engagement strategy, which included the on boarding of newly-appointed employees as well as conducting interviews for exiting employees in order to determine the reasons behind staff turnover. The feedback obtained will assist the UIF to reposition itself to be the employer of choice. The objective is to ensure that the UIF employees 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 UIF. Lastly, the Directorate: OE supported the Fund with the development and streamlining of business processes, the development of standard operating procedures as well as the provision of organisational development and design interventions.

1.4 Performance Management

The performance management system was used for identifying and rewarding satisfactory performing employees, while underperforming employees were also identified for support and development purposes. Nine percent (9%) of employees were awarded with bonuses to appreciate their excellent performance for the 2019/20 performance cycle.

1.5 Skills Development

The UIF implemented learning and development opportunities for all employees as part of the Human Resources Development Strategy for the 2019/20 financial year. As part of this process, a total number of 393 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.

1.6 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. During the 2019/20 financial year six grievances were received of which 66% were resolved. One misconduct case was received and is still in process.

1.7 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.

1.8 Key challenges

- Finalisation of grievance and misconduct cases within stipulated timeframe;
- Challenges with the online performance management system;
- Non-adherence to stipulated timeframes for the submission of performance agreements and assessments.

1.9 Key strategic focus for 2020/21

- Maintaining a low vacancy rate and addressing the turnaround time for the filling of vacancies;
- 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;
- Management of business processes and standard operating procedures;
- Implementing organisational development and design interventions;
- Management of performance.

2. Human Resources Oversight Statistics

The personnel cost reflected in the following two tables, is an oversight of the total cost for the employees on the UIF'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	18 832 420	1 461 633	7.76%	3 623	403.43

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	1 557	0.11	1	1557
Senior Management	41 810	2.86	35	1195
Professional qualified	285 834	19.56	367	779
Skilled	475 844	32.56	1 006	473
Semi-skilled	647 393	44.29	2 078	312
Unskilled	9 196	0.63	136	68
TOTAL	**1 461 633**	**100.00**	**3 623**	**403**

The information contained in the following tables, provides an oversight of human resources statistics pertaining to the employees on the Unemployment Insurance Fund's head office establishment, **excluding** staff members in provincial offices and officials paid a split percentage.

Performance Rewards

Programme//activity/objective	No of employees (excluding interns)	Number of employees rewarded per level	Expenditure for performance rewards
Top Management	1	0	0
Senior Management	23	0	0
Professional qualified	146	14	940 201
Skilled	186	23	942 648
Semi-skilled	194	22	728 132
Unskilled	9	0	0
TOTAL	**559**	**59**	**2 610 981**

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	282 264	4 183	1.4%	393	10 644

Employment and vacancies

Programme/activity/ objective	2018/19 No. of Employees	2019/20 Approved Posts	2019/20 No. of Employees	2019/20 Vacancies	% of vacancies
UIF	522	602	559	43	7.1

Programme/activity/ objective	2018/19 No. of Employees	2019/20 Approved Posts	2019/20 No. of Employees	2019/20 Vacancies	% of vacancies
Top Management	1	1	1	0	0.0
Senior Management	22	24	23	1	0.2
Professional qualified	146	158	146	12	2.0
Skilled	178	200	186	14	2.3
Semi-skilled	166	210	194	16	2.6
Unskilled	9	9	9	0	0.0
TOTAL	**522**	**602**	**559**	**43**	**7.1**

The Fund has managed to reduce the vacancy rate by 6.2% from the previous financial year to an acceptable level of 7.1%. Efforts were made to ensure that posts were filled within 90 days of being vacant.

Employment changes

Salary Band	Employ-ment at beginning of period	Appoint-ments	Promo-tions (Internal)	Termina-tions	Employment at end of the period
Top Management (SR15)	1	0	0	0	1
Senior Management (SR13-14)	22	2	0	1	23
Professional qualified (SR9-12)	146	7	3	8	146
Skilled (SR7-8)	178	9	2	7	186
Semi-skilled (SR4-6)	166	40	10	3	194
Unskilled (SR1-3)	9	0	0	0	9
TOTAL	**522**	**58**	**15**	**19**	**559**

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	1	0.2
Resignation	11	2.0
Dismissal	0	0.0
Retirement	1	0.2
Ill health	1	0.2
Promotion / Transfer	5	0.8
TOTAL	**19**	**3.4**

The turnaround rate was 3.4% at the end of the financial year. The majority of officials (2%) resigned, citing better remuneration as the main reason for the resignation.

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	0
Written Warning	0
Final Written warning	0
Dismissal	0
Disciplinary action in process	1

Equity Target and Employment Equity Status

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	100	63.1	0	1.3	0	1.2	0	4.7
Senior Management	41.7	41.4	0	1.3	4.2	2.9	0	4.7
Professional qualified	44.9	44.5	1.3	1.8	2.6	2.5	2.6	5.2
Skilled	39.9	41.9	0.5	1.4	0.3	1.4	1.3	5.5
Semi-skilled	58.7	51.3	0	1.3	1.3	1.2	1.3	5.2
Unskilled	0.0	29.7	0	1.3	0	1.2	0	4.7
TOTAL	**47.5**	**45.3**	**0.3**	**1.4**	**1.4**	**1.7**	**1.1**	**5.0**

Levels	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	24.1	0	1.0	0	0.8	0	3.7
Senior Management	37.5	39.1	0	1.0	4.2	0.8	12.5	8.7
Professional qualified	35.9	36.3	2.6	1.9	1.3	1.2	9.0	6.8
Skilled	41.8	37.7	2.1	1.9	1.6	1.1	12.5	9.1
Semi-skilled	36.0	34.0	1.3	1.5	0	1.3	1.3	4.2
Unskilled	0	24.1	0	1.0	0	0.8	0	3.7
TOTAL	**25.2**	**32.6**	**1.5**	**1.4**	**1.2**	**1.0**	**5.9**	**6.0**

Levels	Disabled Staff		
	Male	Female	
	Current	Current	Target
Top Management	0	0	2.8
Senior Management	0	0.2	2.8
Professional qualified	0.4	0	2.8
Skilled	0.5	0.7	2.8
Semi-skilled	0.5	0.5	2.8
Unskilled	0	0	2.8
TOTAL	**1.4**	**1.4**	

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


Vulcan

PART E

REPORT ON BUSINESS OPERATIONS AND OTHER SUPPORT SERVICES

1. Business Operations

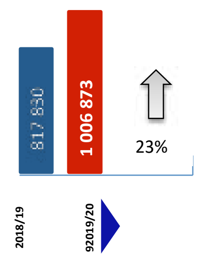
The Operations Directorate of the Fund continues to enable the Fund to fulfil its mandate through the provision of the following functions:

- 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 centres 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 has processing of claims capacity within the various provinces.

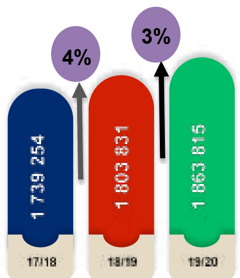
Labour Processing Offices

Claims

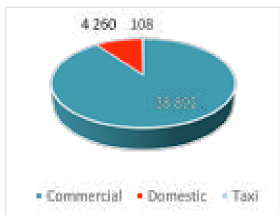


Benefits	Received	Approved	Approval Rate
Adoption	49	24	49%
Maternity	118 642	109 126	92%
Illness	18 206	16 330	90%
Death	15 337	15 336	100%
Ordinary	851 089	798 669	94%
Reduced Time	3 550	2 633	74%

Employers

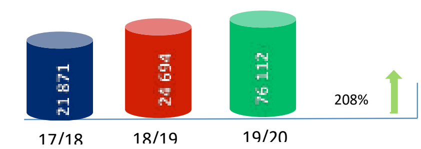


New Employers 19/20



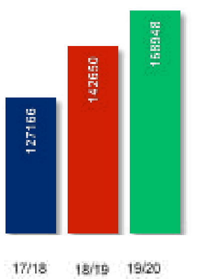
Total Employers registered 2019/20

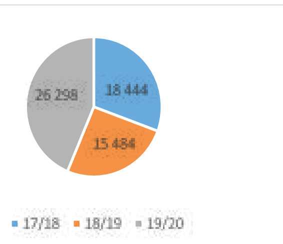
uFiling Claims



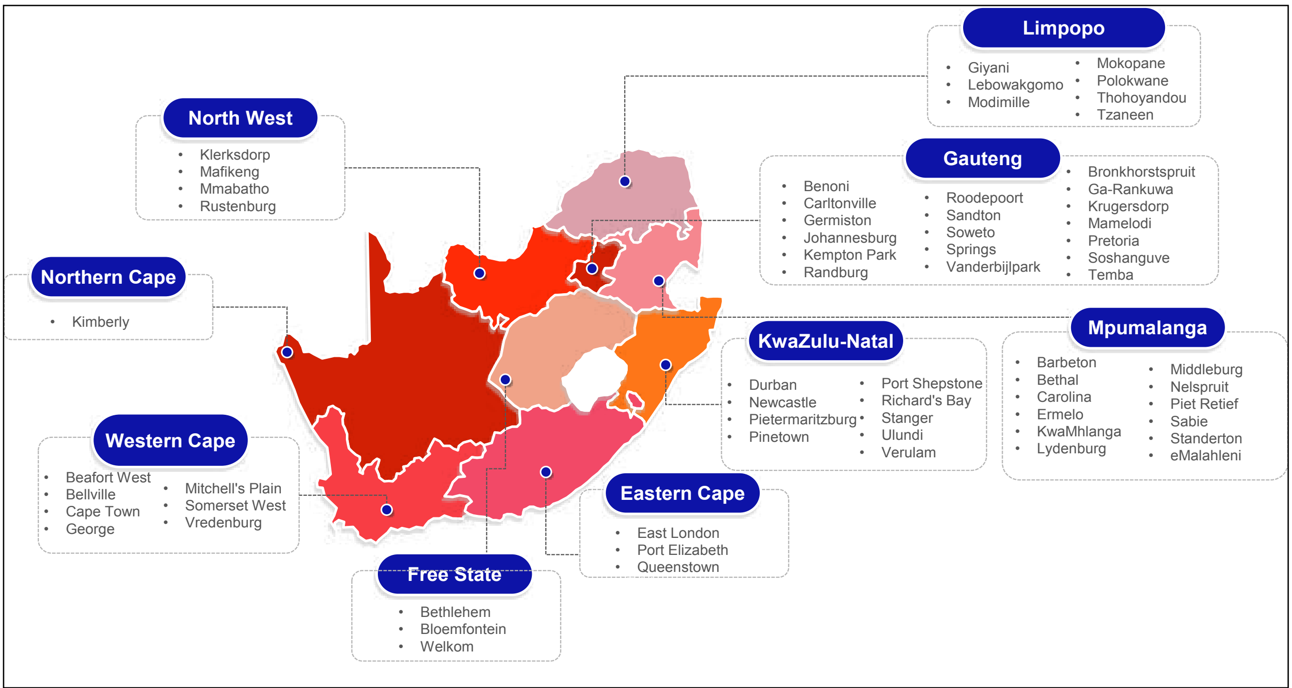
Target	Received	Variance
30 000	76 112	153% above target

Total uFiling Employers





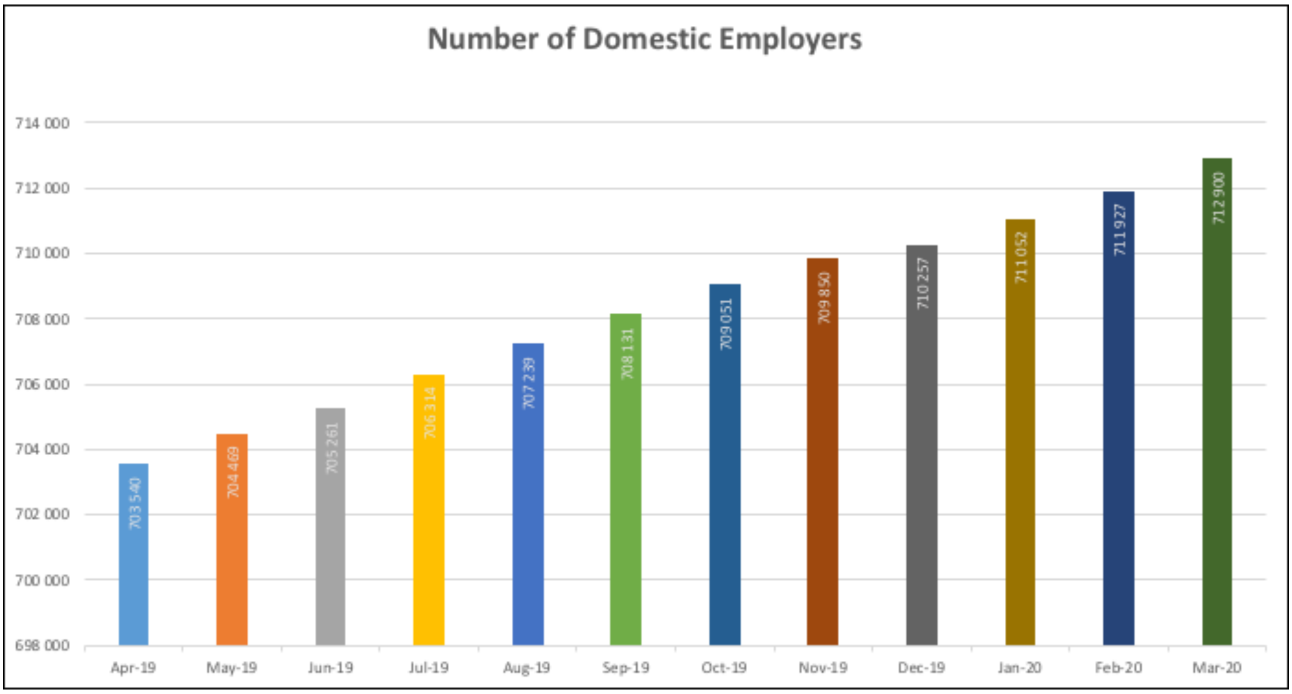
Employers using uFiling to declare and pay contributions

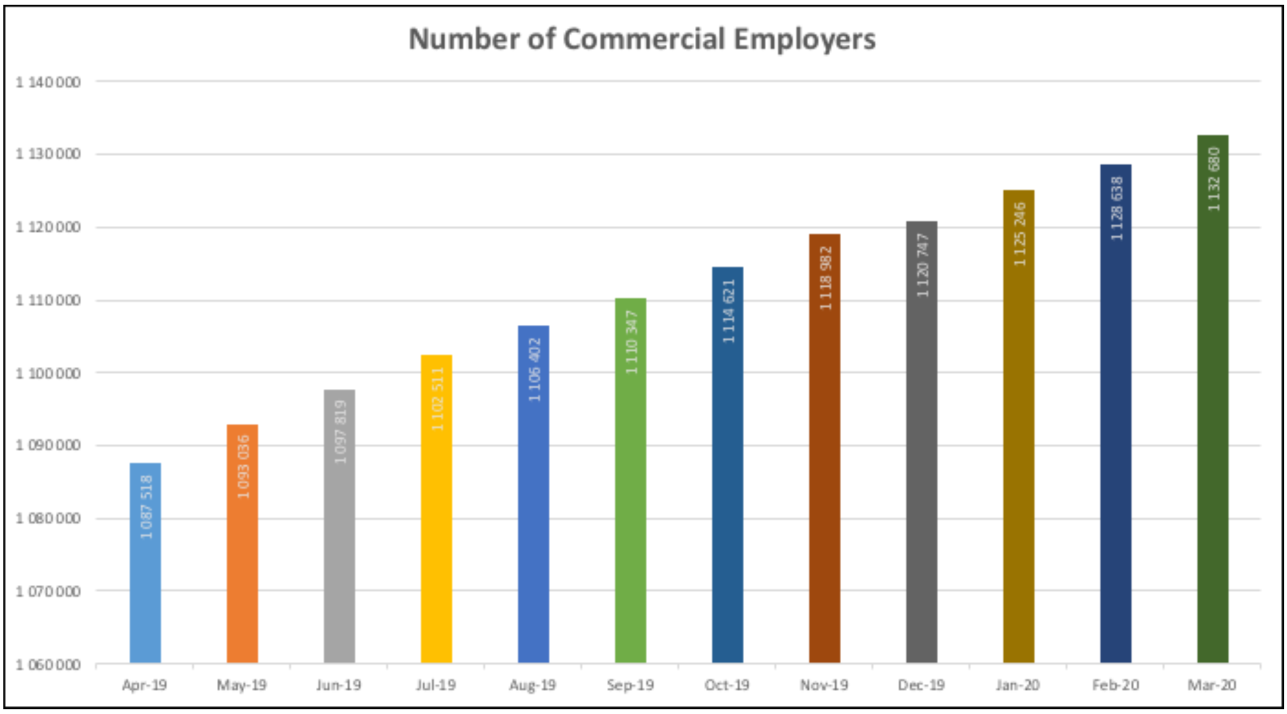


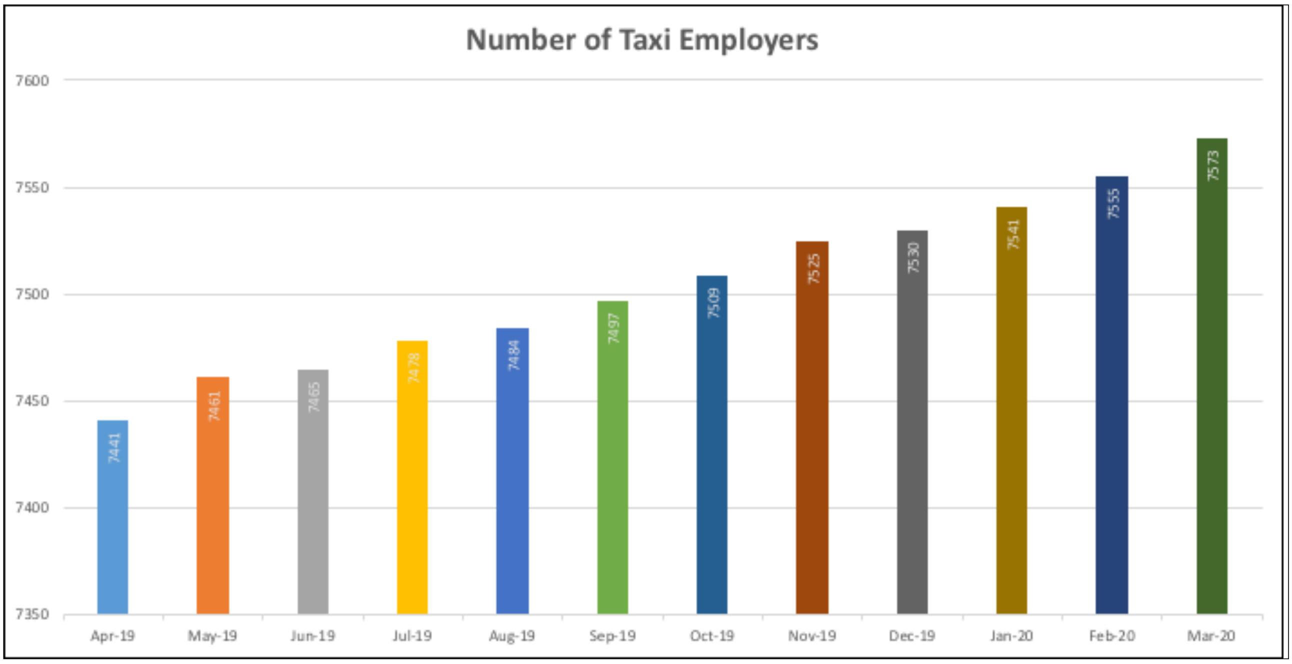
1.1 Registration of Employers

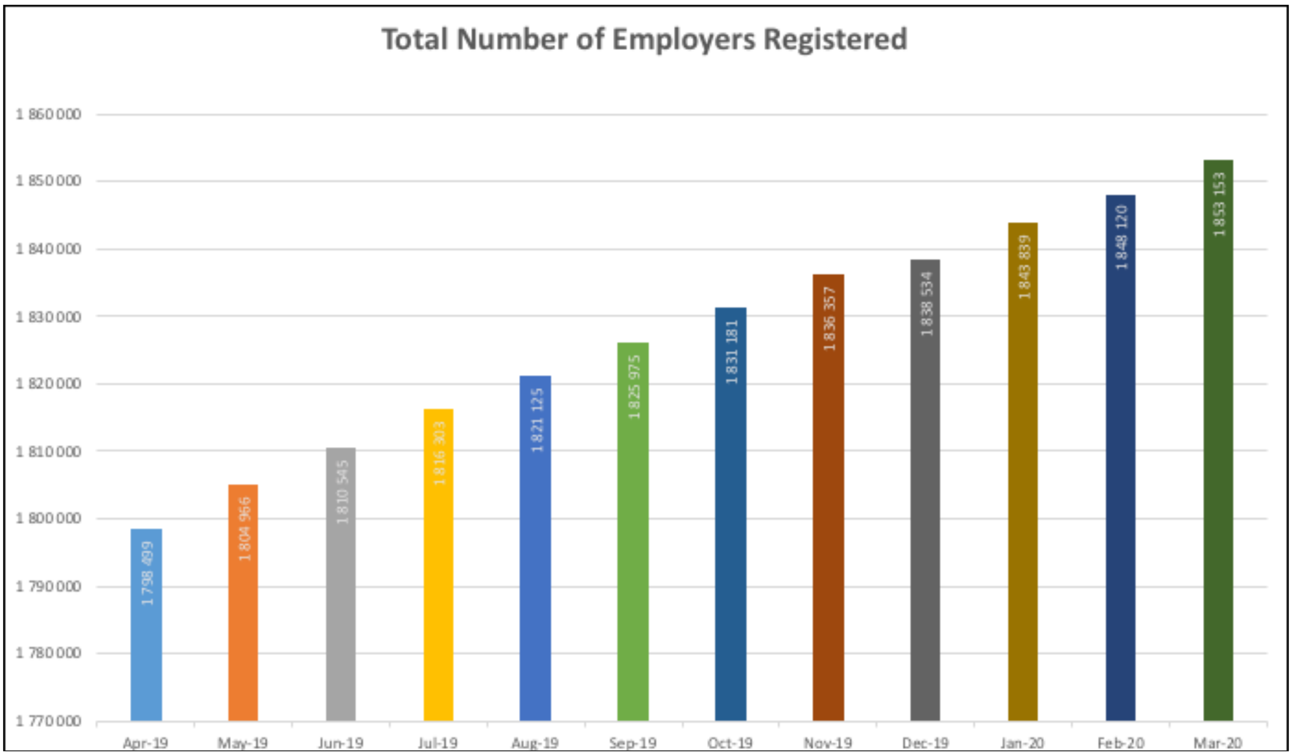
A total of 1 863 815 employers are currently registered with the Fund. These are categorised mainly as commercial employers, domestic employers and taxi employers. The bulk of the employers registered are in the commercial sector. Since 2003, domestic households have continued to register themselves 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 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)



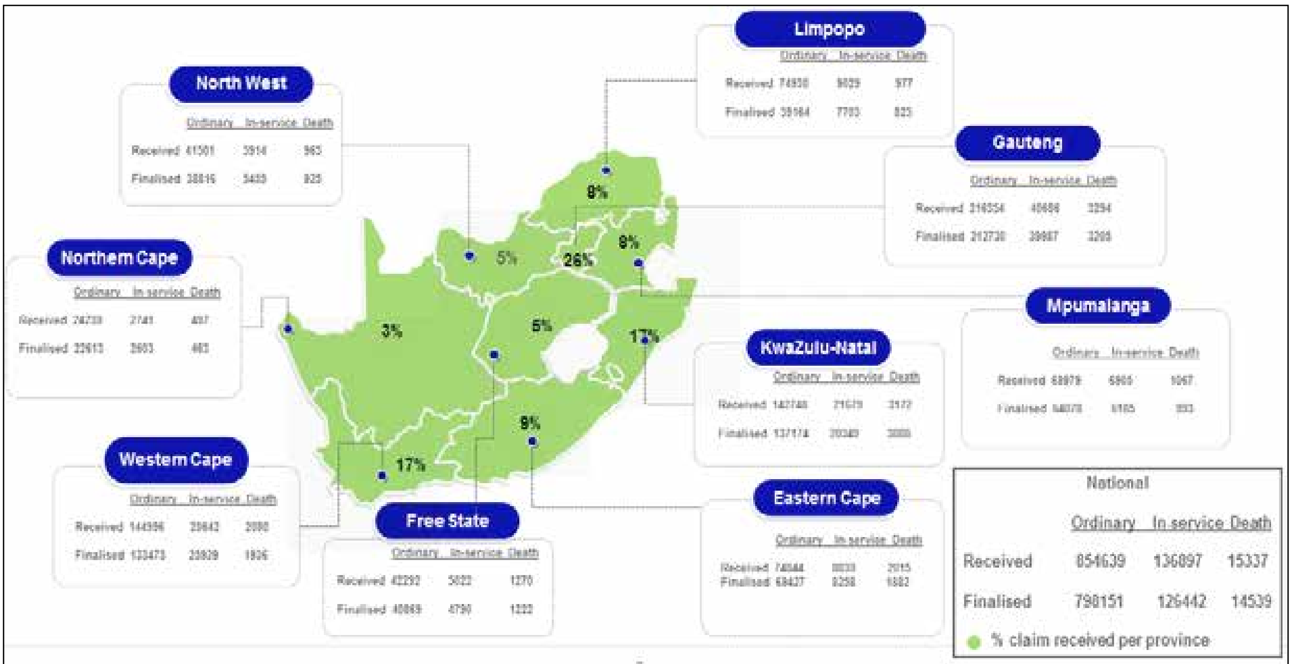

Number of Commercial Employers
1 140 000
1 130 000
1 120 000
1 110 000
1 100 000
1 090 000
1 080 000
1 070 000
1 060 000
1 087 518
1 093 036
1 097 819
1 102 511
1 106 402
1 110 347
1 114 621
1 118 982
1 120 747
1 125 246
1 128 638
1 132 680
Apr-19
May-19
Jun-19
Jul-19
Aug-19
Sep-19
Oct-19
Nov-19
Dec-19
Jan-20
Feb-20
Mar-20


Number of Taxi Employers
7600
7550
7500
7450
7400
7350
7441
7461
7465
7478
7484
7497
7509
7525
7530
7541
7555
7573
Apr-19
May-19
Jun-19
Jul-19
Aug-19
Sep-19
Oct-19
Nov-19
Dec-19
Jan-20
Feb-20
Mar-20



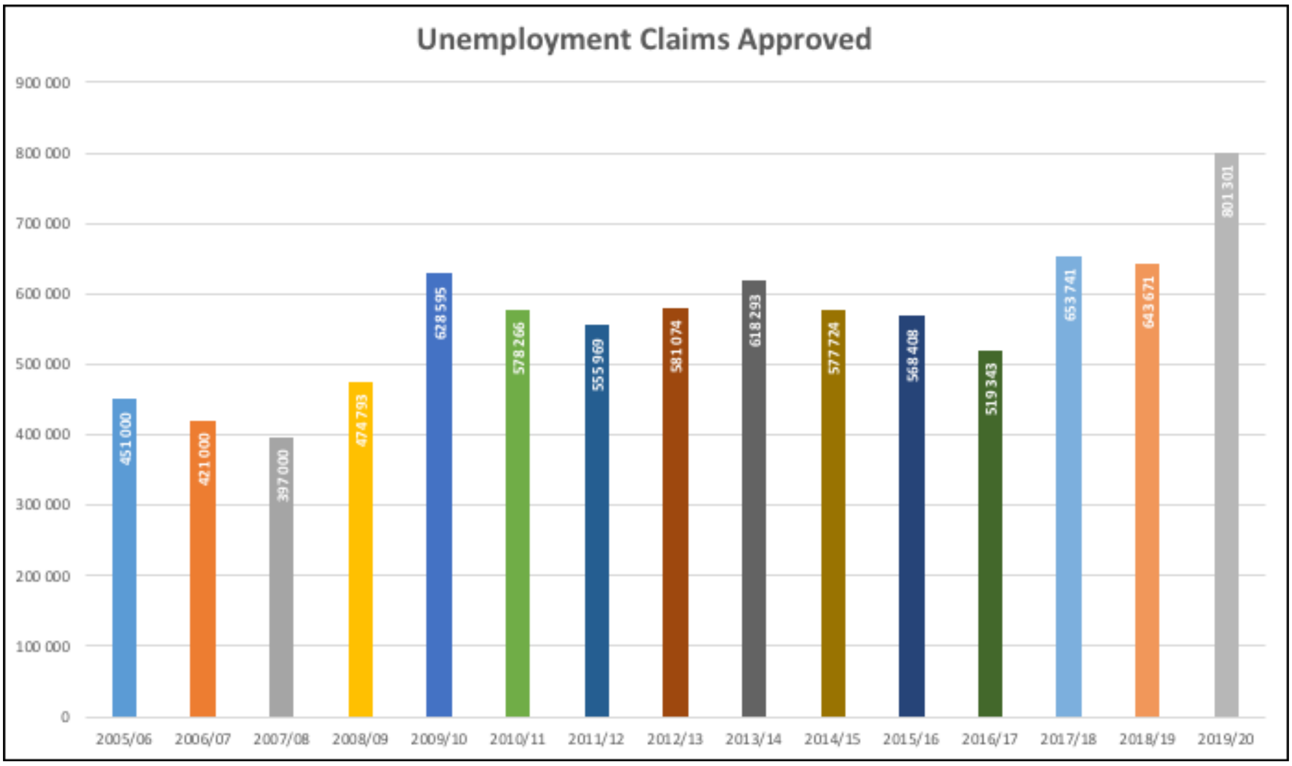
1.2 Assessment of Claims and Payment of Benefits

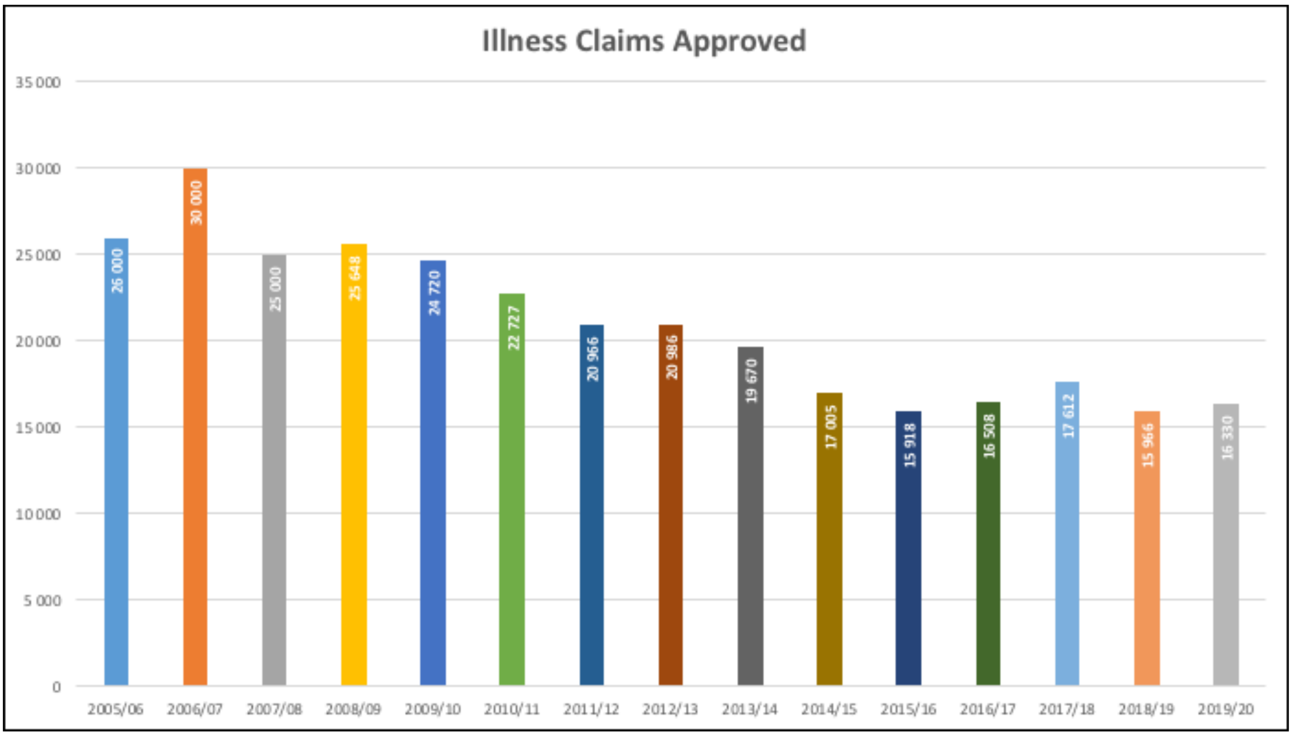
The Fund provides benefits to workers who lost their jobs as a result of unemployment, illness, maternity, adoption leave or when the spouse, or life partner or children in the event of the death of a contributor. A total of 1 006 873 claims was received compared against the 817 873 received in the previous financial year. This reflects an increase of 189 130 claims (23%). A total of 939 132 claims were approved, which translates to 93% approval rate and rejected 67 741 (7%).

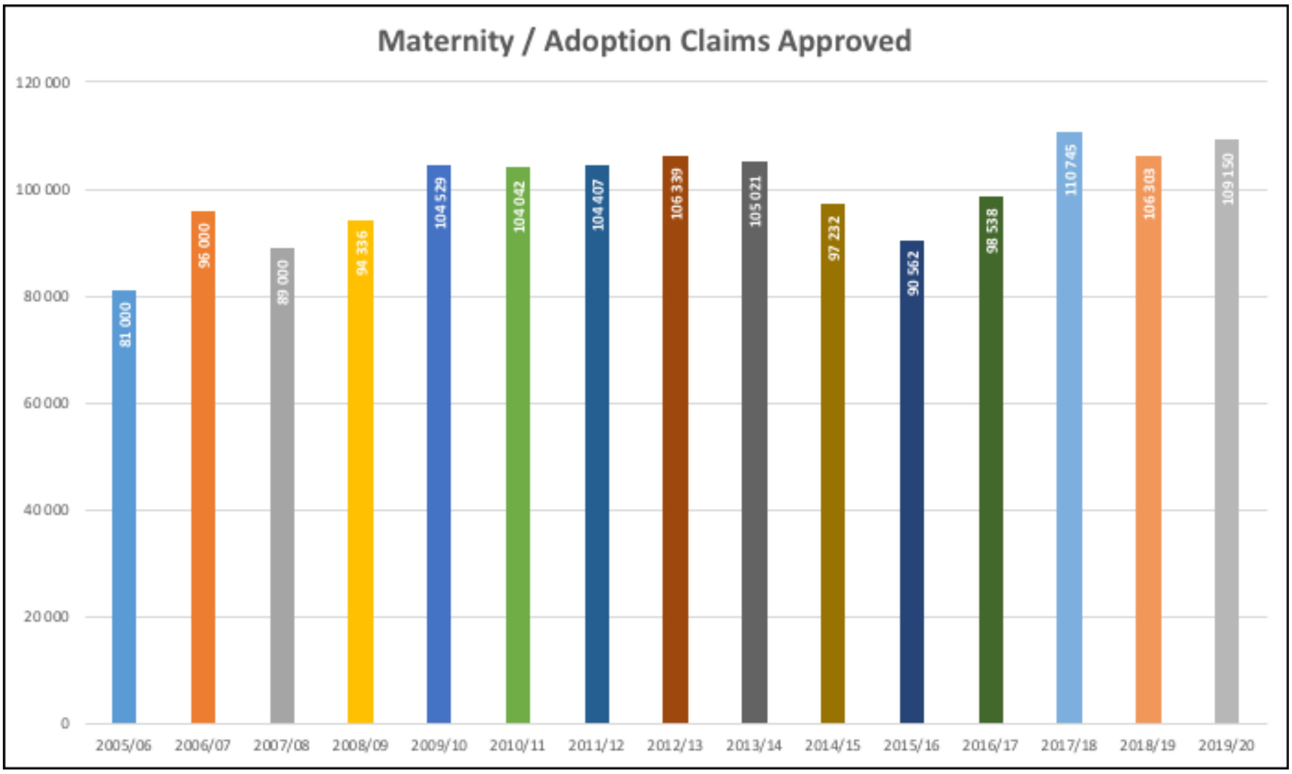


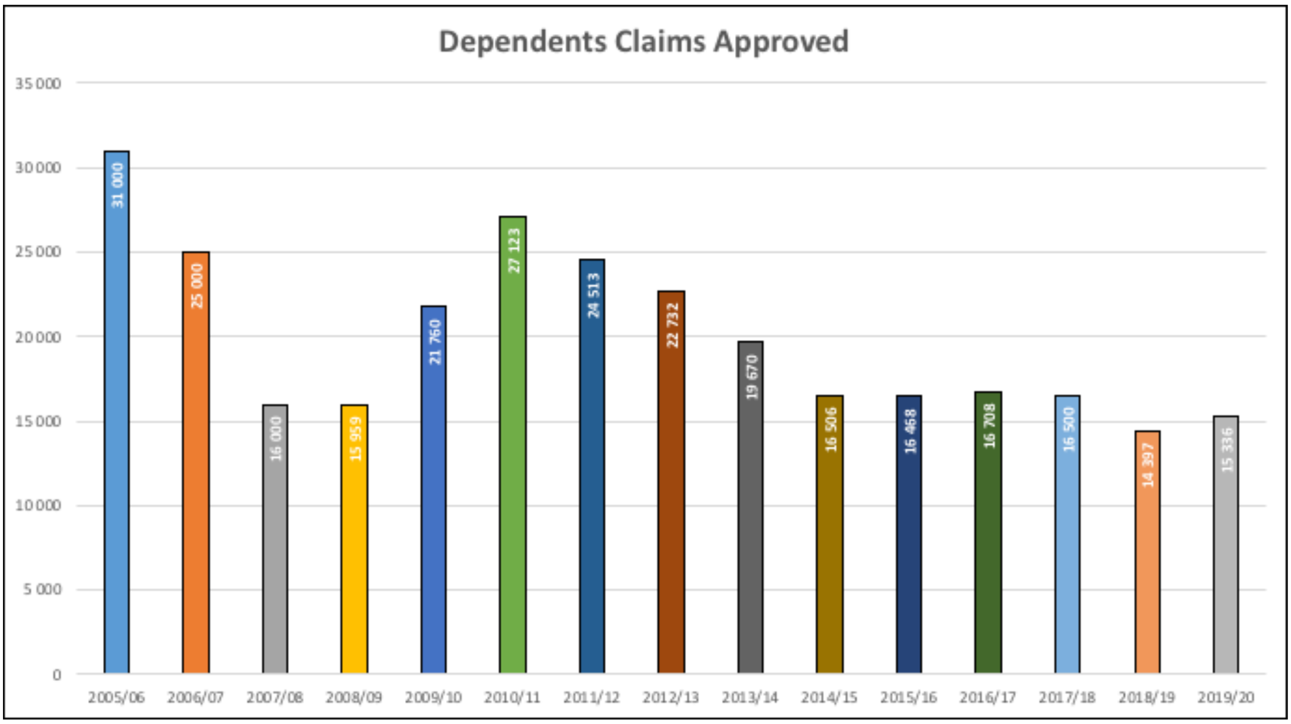
1.3 Total number of Claims Approved

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**
2019/20	801 302	16 330	109 150	15 336	**939 132**




Illness Claims Approved
35 000
30 000
25 000
20 000
15 000
10 000
5 000
0
26 000
30 000
25 000
25 648
24 720
22 727
20 966
20 986
19 670
17 005
15 918
16 508
17 612
15 966
16 330
2005/06
2006/07
2007/08
2008/09
2009/10
2010/11
2011/12
2012/13
2013/14
2014/15
2015/16
2016/17
2017/18
2018/19
2019/20


Maternity / Adoption Claims Approved
120 000
100 000
80 000
60 000
40 000
20 000
0
81 000
96 000
89 000
94 336
104 529
104 042
104 407
106 339
105 021
97 232
90 562
98 538
110 745
106 303
109 150
2005/06
2006/07
2007/08
2008/09
2009/10
2010/11
2011/12
2012/13
2013/14
2014/15
2015/16
2016/17
2017/18
2018/19
2019/20

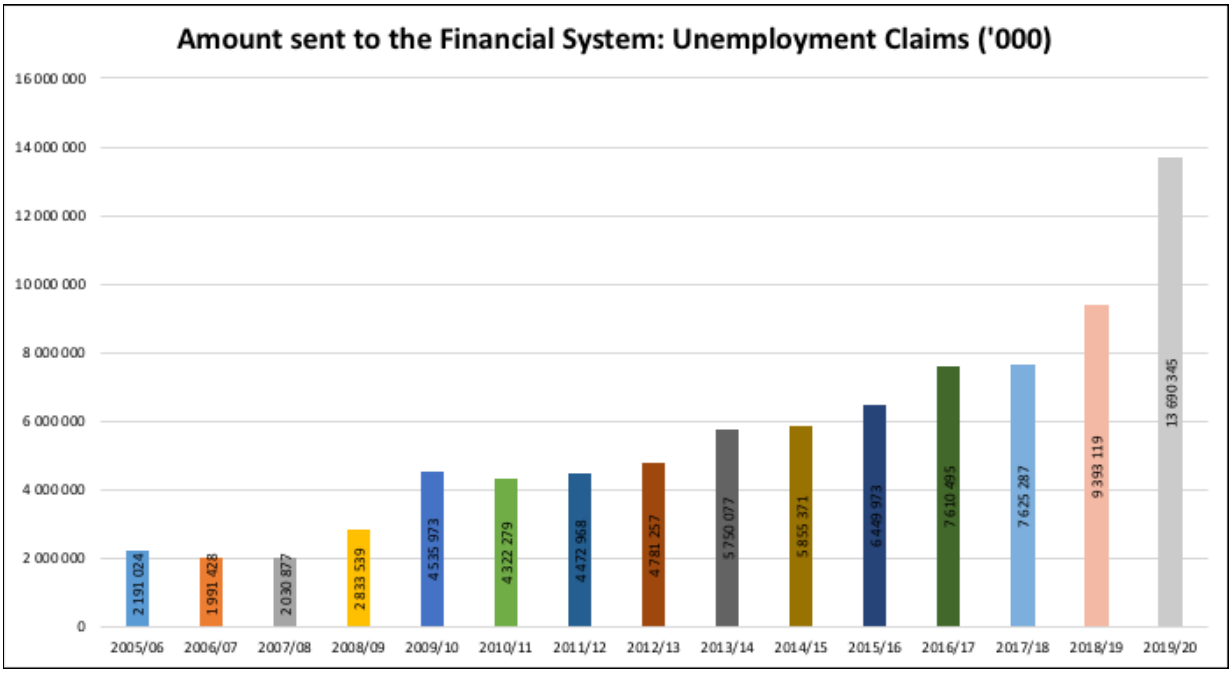


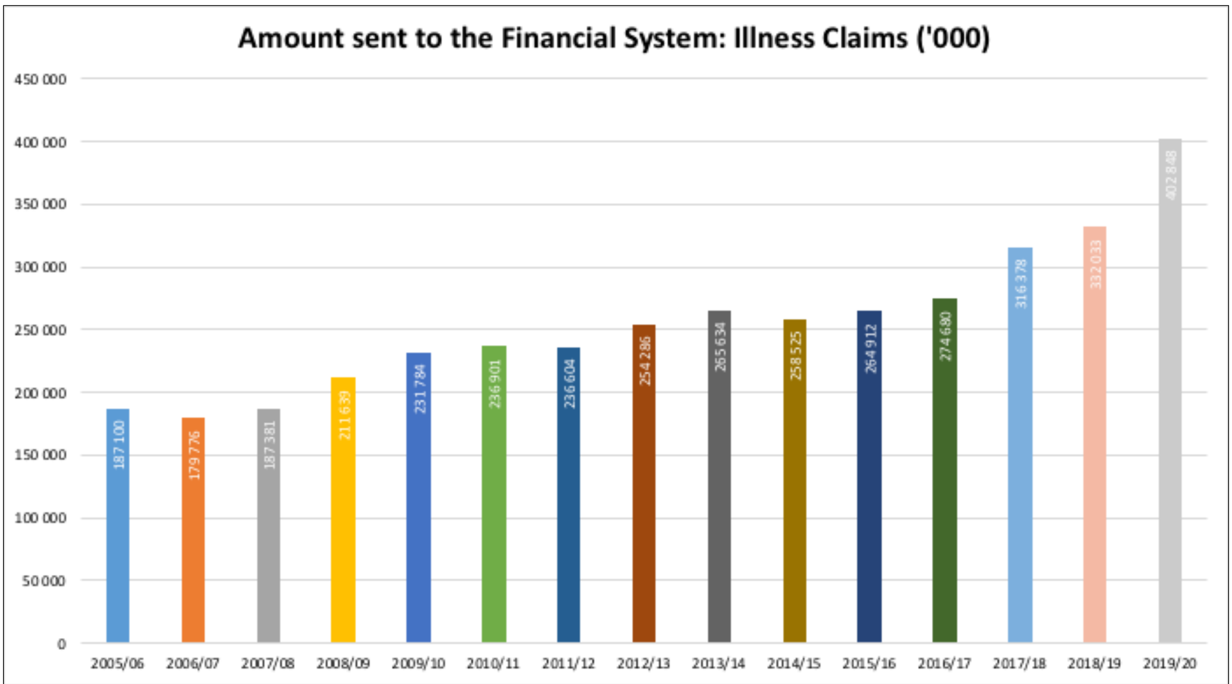
1.4 Total Monetary value of Benefits sent to Financial System ('000)

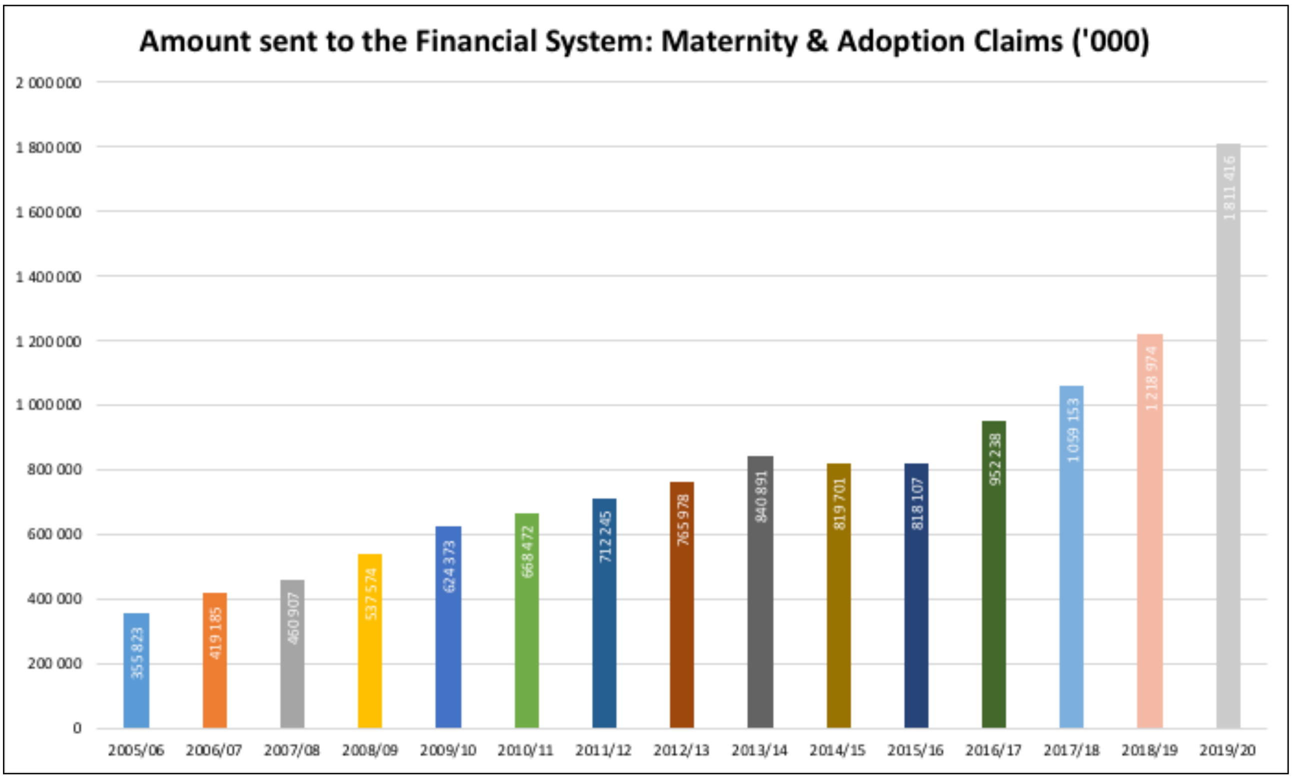
Year	Unemployment	Illness	Maternity / Adoption	Dependents	Total
2005/06	2 191 024	187 100	355 823	199 478	**2 933 425**
2006/07	1 991 428	179 776	419 185	247 462	**2 837 851**
2007/08	2 030 877	187 381	460 907	242 295	**2 921 460**
2008/09	2 833 539	211 639	537 574	263 866	**3 846 618**
2009/10	4 535 973	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**
2019/20	13 690 345	402 848	1 811 416	433 283	**15 181 145**

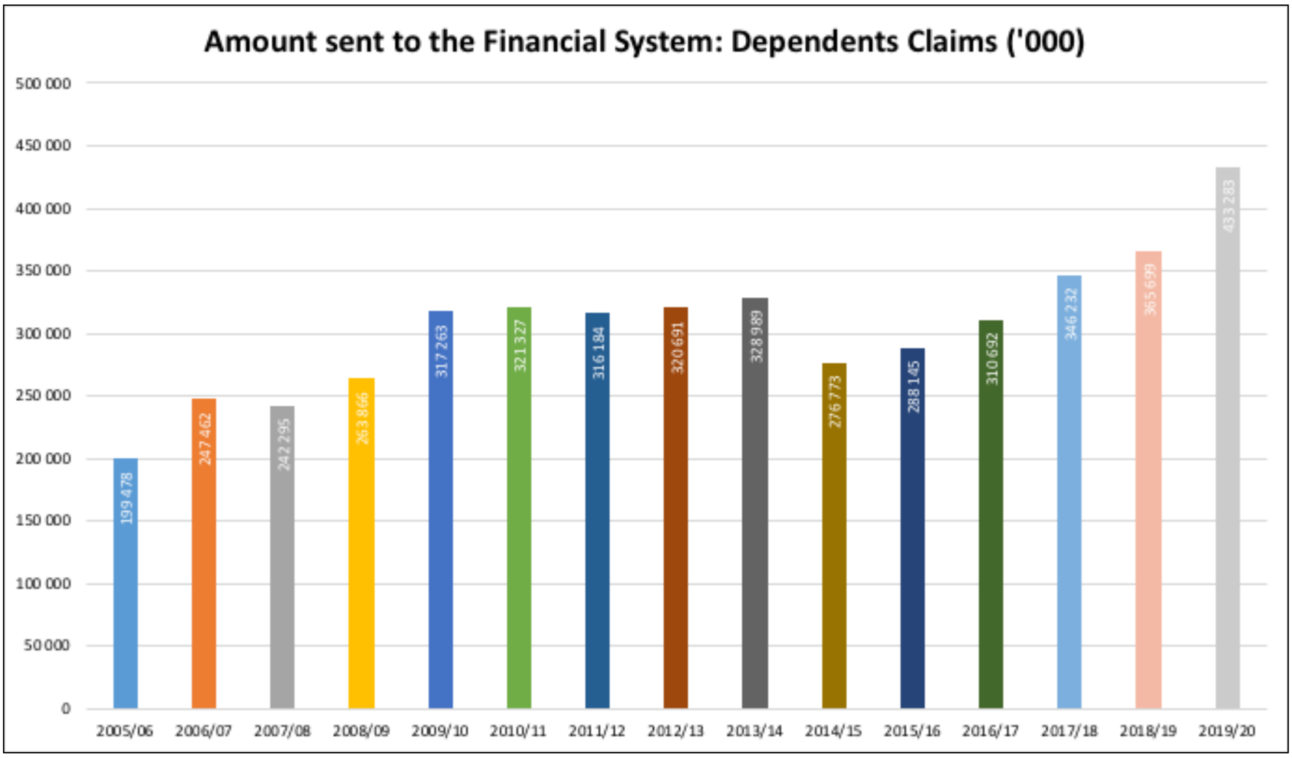
1.5 Total monetary value of Benefits sent to Financial System 2019/20

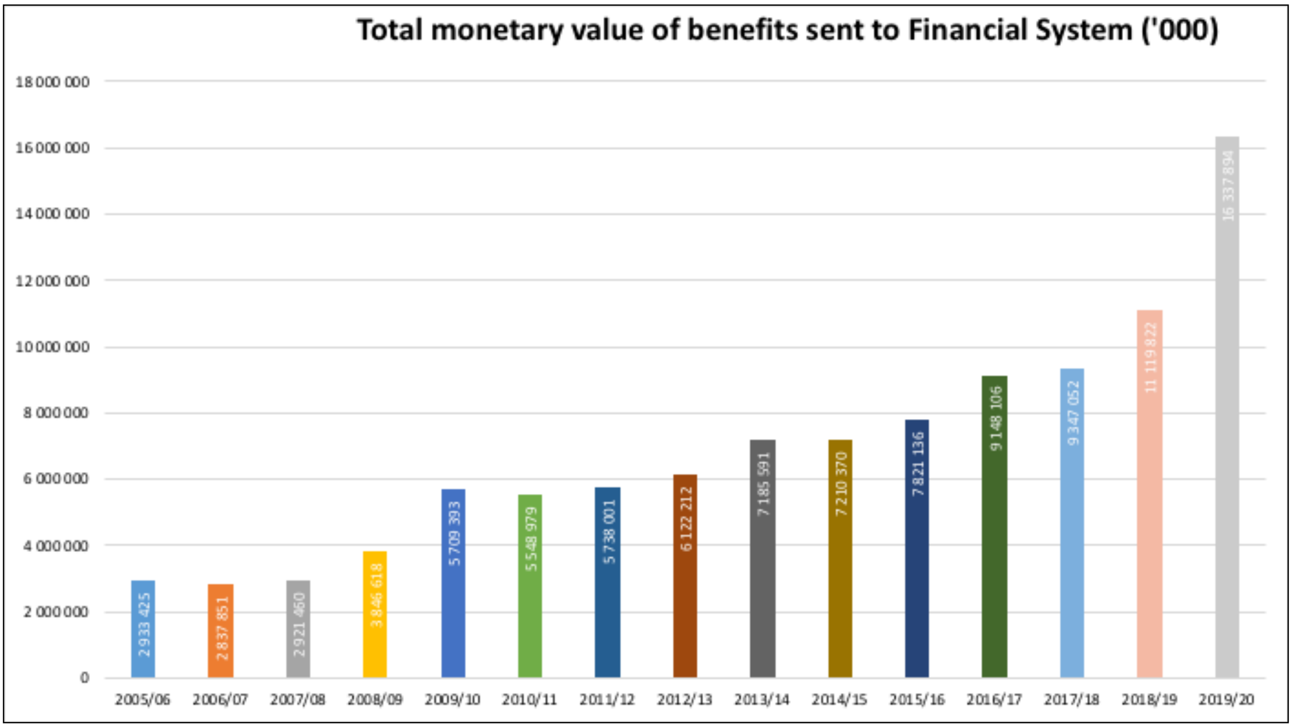
Benefit payments	Total
Adoption	R533 412,79
Reduced Time	R18 461 566,26
Illness	R402 848 238,65
Death	R433 283 856,42
Maternity	R1 810 883 010,46
Unemployment	R13 671 883 560,74
Grand Total	**R16 337 893 645,32**





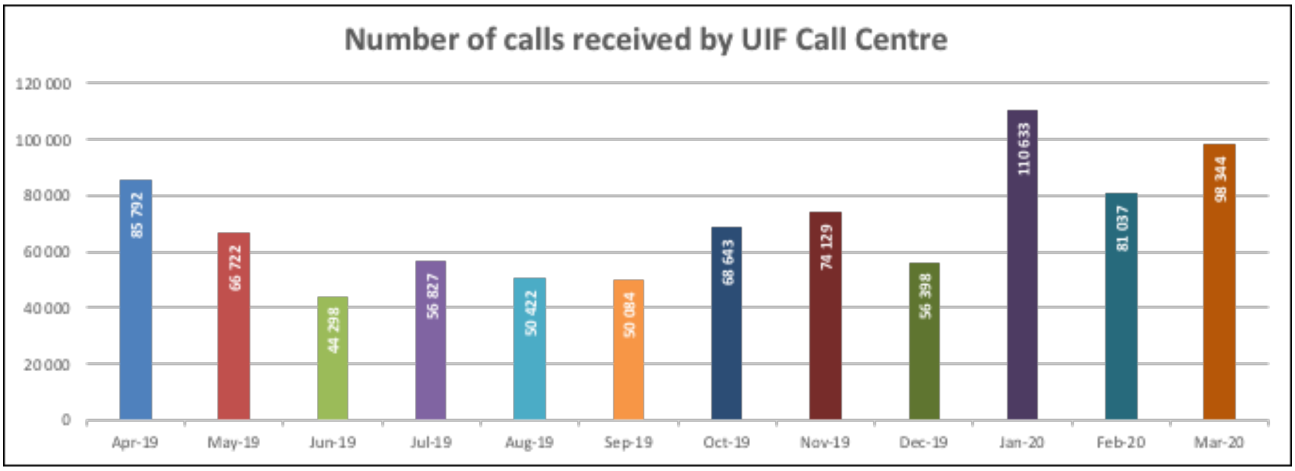

Amount sent to the Financial System: Maternity & Adoption Claims ('000)
2 000 000
1 800 000
1 600 000
1 400 000
1 200 000
1 000 000
800 000
600 000
400 000
200 000
0
355 823
419 185
460 907
537 574
624 373
668 472
712 245
765 978
840 891
819 701
818 107
952 238
1 059 153
1 218 974
1 811 416
2005/06
2006/07
2007/08
2008/09
2009/10
2010/11
2011/12
2012/13
2013/14
2014/15
2015/16
2016/17
2017/18
2018/19
2019/20


Amount sent to the Financial System: Dependents Claims ('000)
500 000
450 000
400 000
350 000
300 000
250 000
200 000
150 000
100 000
50 000
0
199 478
247 462
242 295
263 866
317 263
321 327
316 184
320 691
328 989
276 773
288 145
310 692
346 232
365 699
433 283
2005/06
2006/07
2007/08
2008/09
2009/10
2010/11
2011/12
2012/13
2013/14
2014/15
2015/16
2016/17
2017/18
2018/19
2019/20



1.6 UIF Call Centre

The Fund's Call Centre is one of the cornerstones of its operational success. It has a total staff complement of 40 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 843 329 calls from UIF clients compared to 382 434 in 2019. This represents an increase of 121% of calls received. A breakdown of the calls received per month is highlighted in the graph below.



2. Communication and Marketing

The Communication and Marketing Directorate is responsible for marketing the services and products of the Fund; communicating the developments taking place within the Fund in order to keep the beneficiaries, stakeholders and the public informed; educating clients and stakeholders, increasing brand awareness and enhancing and protecting the image of the UIF.

The Directorate utilises various communication and marketing tactics such as advertising campaigns, exhibitions, media publicity, business briefing sessions and seminars to increase brand awareness, promote the positive image of the Fund, and educate stakeholders and clients about the UIF's offerings.

The section also embarks on provincial communication campaigns to promote the UIF's services within the provinces, and the campaigns include mall activations, advocacy sessions, seminars, community outreach events, and door-to-door visits to businesses. During the 2019/2020 financial year, the section conducted 56 provincial communication campaigns, surpassing the annual target of 50 outlined in the work plan. Through these campaigns, the provincial offices of the DEL were able to bring services to clients and assist them on the spot, thus saving them time and money to travel to the labour centres.

The UIF recognises the influential role that stakeholders play in promoting the work of the Fund. During the year under review, the Fund continued to reach out to affiliates of various professional bodies such as SAGE Payroll, Pay Day Software System, South African Institute of Charted Accountants (SAICA), South African Institute of Professional Accountants (SAIPA) and other related through 48 briefing sessions.

The Fund, through various exhibitions, was able to assist 7 287 clients with queries varying from claims applications, new registrations, declarations, and compliance certificates. The Fund also conducted various advertising campaigns to create awareness about uFiling system, UIF Benefits, Compliance with the Unemployment Insurance (2001, as amended) and the Unemployment Insurance Amendment Act (2016). Advertorials were also placed with Sunday newspapers to educate the public about the role of UIF in job creation through LAPs and SRIs.

As part of its programme, the Directorate conducts quarterly media networking sessions with community media around the country to strengthen relations and share information. During the year, the Directorate conducted interviews with numerous prominent television and radio stations which include ENCA, Newsroom Afrika, SABC Television, Ukhozi FM, Lesedi FM, SAFM, Power FM and 702.

Within the UIF, the section has produced eight internal newsletter as per the work plan to inform staff about key developments within the organisation, and has enabled management to interact with staff through four staff Lekgotlas (meetings) that were held during the 2019/2020 financial year.

3. Labour Activation Programmes (LAPs)

The UIF established the LAP to enhance employability of the unemployed, enable entrepreneurship and preserve jobs by integrating the unemployed people back to the labour market. Currently, LAP is implementing the following programmes: Training of the Unemployed (TOU), Enterprise Development (ED) Temporary Employer/Employee Relief Scheme (TERS) and Turnaround Solutions (TAS).

In discharging its labour activation mandate, the UIF has embarked upon a strategy aimed at reducing the concerning statistics on: (i) the growing rate of unemployment; (ii) the phenomenon of youth not employed nor in education or training; and (iii) the length of time people who lose their jobs remain unemployed. The strategy has yielded demonstrable socio-economic impacts as reflected in paragraphs below.

In the 2019/20 financial year, implementation of the strategy has meant a more focused approach on programmes that will deliver on job creation and/or the creation of new entrepreneurs. This approach is in line with the Department's expanded mandate as a facilitator of job creation. The implementation of this policy shift has necessitated a re-prioritisation of the LAP interventions such that, the interventions least likely to yield successful exist into the labour market in the current economic climate would be discarded in favour of the more labour market friendly programmes. Admittedly, this has resulted in a reduced number of beneficiaries in respect of TOU for this financial year. However, there has been an exponential increase in the number of jobs saved under the TERS programme.

4. LAP Objectives

The key objectives of LAP are as follows:

- Collaborate with relevant stakeholders (whether government or private institutions) to develop and implement initiatives and programmes that will result in the creation of sustainable, decent jobs for the unemployed and/or create a critical mass of entrepreneurs.
- Retain workers in jobs through a variety of initiatives.
- Re-integrate UIF beneficiaries into the labour market.
- Enhance the employability of workers.
- Develop measures to reduce the unemployment of UIF beneficiaries.

5. LAP Achievements 2019/20

During the 2019/20 financial year the Chief Directorate: LAP received a total budget of R1 147 949 000. to fund all the LAP interventions.

Reflected in the table below are the number of persons who benefited from the LAP programmes and the expenditure committed in relation to each scheme.

SCHEMES	PROGRAMMES	NUMBER OF BENEFICIARIES		EXPENDITURE	
		2018/2019	2019/2020	2018/2019	2019/2020
TOU	Skills Programmes, Apprenticeships and Learnerships	2131	33205	90 829	995 552
TLS/TERS	Social Plan Funding	1692	2993	120 073	949 349
TAS	Retention of Jobs	0	0	16 050	0
TOTAL		**3823**	**36198**	**226 952**	**1 944 901**

5.1. Training of the Unemployed

5.1.1. The total financial commitment is currently an amount of R2 183 044 000. This financial commitment relates to funding agreements concluded between the UIF and 46 public entities.

5.1.2. The above amount is not necessarily for the 2019/20 financial year as the funding agreements vary in duration, with certain of them having a term of up to 3 years.

5.2. Turnaround Solutions

5.2.1. The Scheme was not active during the 2019/2020 financial year, therefore no new jobs were saved through the scheme.

5.3. Temporary Employer-Employee Relief Scheme (TERS, previously named Training Lay-off Schemes)

5.3.1. In the 2019/20 financial year a total of 67 companies applied for TERS and of this number:

5.3.1.1. A total of 25 companies were approved, and 24 were rejected because they did not meet the application standards.

5.3.1.2. 92% (23/25) applications were approved within 15 working days. Companies in five provinces participated being: Western Cape, Gauteng and KwaZulu-Natal; Mpumalanga, Eastern Cape, North West and Limpopo.

5.3.1.3. Three withdrew their applications.

5.3.1.4. 15 were not recommended by the Adjudication Committee.

5.4. SUCCESS STORIES

We set out below examples of exit opportunities created for learners who have the potential to become successful and sustainable business ventures contributing to job creation and stimulating growth of the local economies.

5.4.1. KWAZULU-NATAL

Qualification: Mixed Farming

The programme is implemented in uMgungundlovu and Harry Gwala district municipalities for 450 learners (280 females and 170 males). It is conducted in partnership with the Radical Agrarian Socio-Economic Transformation (RASET) initiative which seeks to motivate rural and peri-urban communities to till their land to grow and package an assortment of fresh produce and meat products for government departments, especially in those in the social cluster to ensure that they claim their stake in the mainstream economy. A fresh Produce Processing Plant was established in Harry Gwala for cooperatives established for the learners by JL Dube Institute. The Department of Economic Development has committed to procure from these co-operatives in support of RASET.

Qualification: Game Farming

The programme was implemented in the Umgungundlovu District Municipality for 255 (135 females and 120 males). The programme is a “game changer” in that it trained the 250 enrolled learners in the art and science of rearing game and caring for the environment, while ensuring that they are producing organic meat products that are in high demand in the domestic and international consumer sector. The learners will be registered as cooperatives of ten people each, and will continue to receive support from JL Dube in partnership with the UIF until they are fully viable.

Qualification: Beauty & Nail Technology

The programme was implemented in the Umgungundlovu District (Pietermaritzburg) and EThekwini Metro for 190 learners (189 females and 1 male).

This programme targeted 380 learners to be trained in hair, beauty and nail technology. State-of-the-art salons and business premises were procured for the learners to undergo their practical training as well as operational space to conduct their business as cooperatives or as stand-alone enterprises. The salons are situated within the Meropa Beauty centre, Mahatma Ghandi Rd, Durban. This constitutes a significant boost to the township economy.

Qualification: Assistant Chef

The programme was implemented in the Harry Gwala (Emadungeni) and Umgungundlovu districts and the EThekwini Metro for 287 learners (287 females and 20 males). An industrial kitchen has been fitted with state-of-the-art equipment for the 28 cooperatives which is utilised for all their catering work and also for a monthly pop-up restaurant.

Qualification: Building & Civil Construction

The programme was implemented in the King Cetshwayo District Municipality for 280 learners (173 females and 107 males). The training was conducted at the KwaMkhwanazi Traditional Authority, in KwaDlangezwa under iNkosi Mkhwanazi. This programme represents a collaborative model between government and traditional leadership in providing solutions to challenges.

Upon completion of their training, the beneficiaries started building a road for the community. The plan is to build fruit and vegetable market stalls and a LAP skills centre which will be utilised by the all beneficiaries in KwaDlangezwa under iNkosi Mkhwanazi.

Qualification: Performing Arts

The programme was implemented in the King Cetshwayo, Umgungundlovu Districts and EThekwini Metro for 350 (216 females and 133 males). These performing arts learners will obtain a film production level 4 qualification. This qualification provides qualifying learners with the underlying performing arts knowledge, skills and values in order to become competent and professional practitioners of the performing arts; be employed or self-employed within the performing arts industry and can apply for further learning in specific areas of the performing arts. The qualifying learner will be skilled to present performances that engage the audience using appropriate elements of performance craft and technique, as well as to interpret and conceptualise performance using knowledge of the text, context, forms and approaches of the performing arts.

All 150 learners are registered with the most prestigious Telenovela in South Africa, working together with Seriti Films, the Telenovela is planned to air on Mzansi Magic. The organisation is involved in various filmmaking activities including acting, providing a camera crew, film production, script writing, sound, make-up and post-production activities. The learners are being mentored and supervised by Seriti Films from 02 March to 31 December 2020.

Qualification: Municipal Property Assessor

The programme was implemented in the eThekwini Metro for 199 (136 females and 63 males). This qualification prepared learners to operate as a Municipal Property Assessors. A Municipal Property Assessor (MPA) course provides a number of services and support services within a municipality. They coordinate the implementation of the Municipal Property Rates Act (MPRA, Act 6 of 2004) in order to ensure compliance, collect data on properties determine the market value of a single residential property and maintain the integrity of data within the municipality, in so far as rating interface related matters are concerned. The MPA operates in metropolitan and local municipalities. A qualified learner will be able to monitor compliance to, and coordinate the implementation of, the MPRA within a municipality; collect data on property such as determining the market value of a single residential property and provide support to the municipality and/or Municipal Valuer. The learner would also be able to monitor and maintain MPRA data/information integrity (Quality Assurance process). The learners were executing work for Eskom, through Data World.

5.4.2. WESTERN CAPE

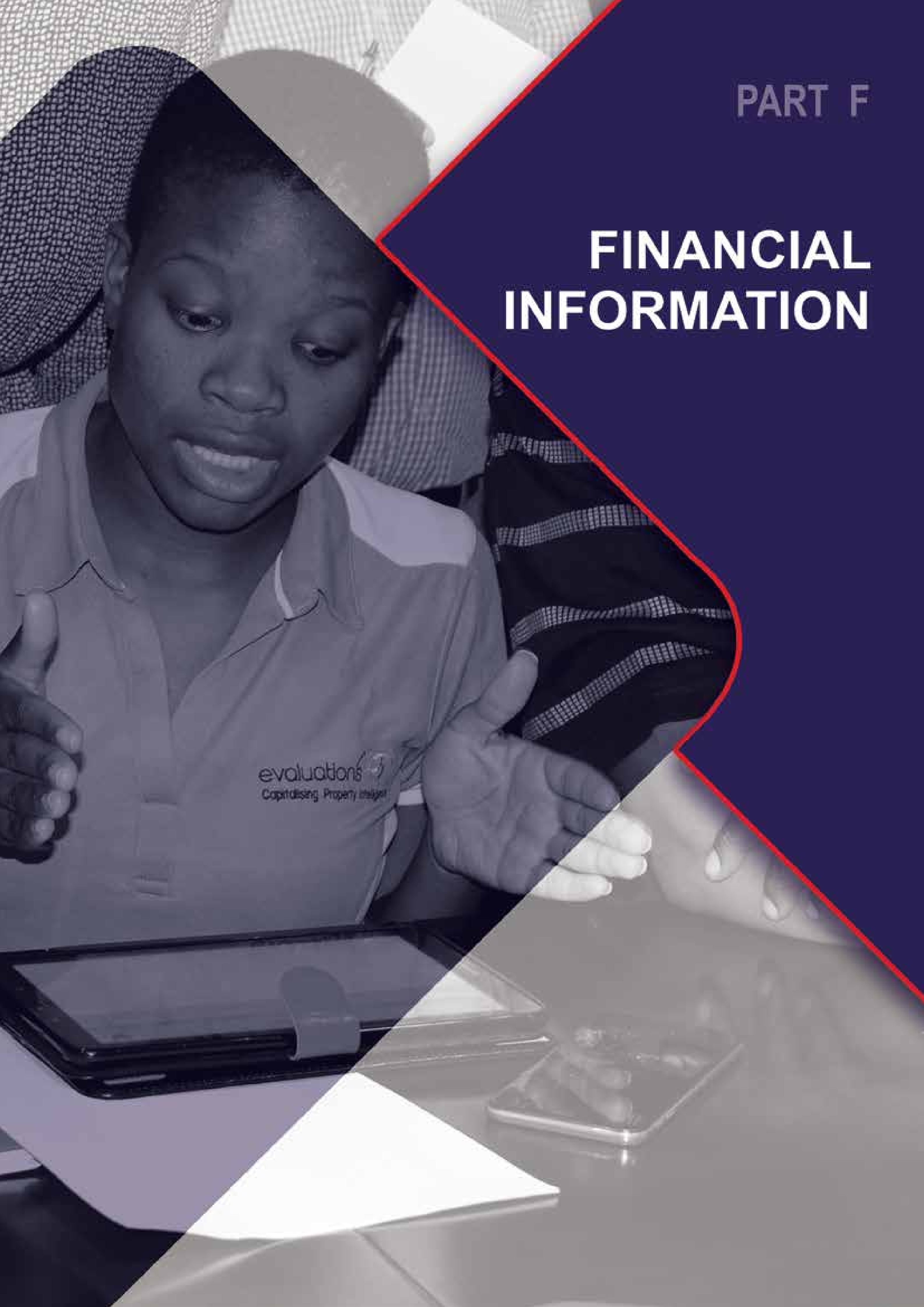
Assistant Chef learners were absorbed into their respective workplaces at Silver Dollar Spur, Panarottis, Capitol Caterers, Double Tree Hilton Hotel and Hussar Grill.

Upon completion of their waste management training, seven learners were permanently absorbed into employment by Waste Want for their Eerste River and Philipi sites. As part of this, one learner will be assisted with start-up capital and resources to open her own waste management venture.

15 learners were absorbed permanently as receptionists and administrative support personnel in various businesses and institutions within the Western Cape, including hotels, a primary school, the Philipi East South African Police Service and three clinics.

PART F

FINANCIAL INFORMATION



Unemployment Insurance Fund

Audited Annual Financial Statements
for the year ended 31 March 2020

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 122 to 266, which comprise the statement of financial position as at 31 March 2020, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and 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 possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Unemployment Insurance Fund as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for qualified opinion

Investments in associates, interest in joint ventures and other financial assets

3. The public entity did not equity account for investments as required by GRAP 7, *Investments in associates* and GRAP 8, *Interests in joint ventures*. This was due to inadequate processes of financial management that ensures all supporting evidence relating to investments is obtained and maintained. The public entity incorrectly applied the requirements of GRAP 1, *Presentation of financial statements* relating to the impracticability of applying a requirement of the accounting standards. I was unable to determine the extent of the misstatement on investments in associates, interests in joint ventures, income from equity accounted investments and interests, impairment of investments in associates, and impairment of interests in joint ventures, as it was impracticable to do so.

4. In addition, I was unable to obtain sufficient appropriate audit evidence to substantiate the amount recognised as investments in associates, interest in joint ventures and unlisted financial instruments, disclosed in notes 3, 11 and 12 to the financial statements. This was because the public entity did not implement effective internal control systems to verify the source data used to determine the fair value of the investments in associates, interests in joint ventures, unlisted financial instruments and the resultant impairment losses. The public 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 following items, stated in the financial statements as follows:

- Investments in associates, stated at R4 367 519 000 (2019: R3 393 031 000).
- Interests in joint ventures, stated at R67 718 000 (2019: R155 913 000).
- Unlisted investments, stated at R5 692 971 000 (2019: R5 979 618 000).
- Unlisted equity, stated at R417 585 000 (2019: R669 826 000).
- Unlisted financial instruments, stated at R234 400 000 (2019: R 0).

5. I also could not confirm by any alternative means whether any adjustments were necessary to the impairment of investments in notes 11, 12 and 30, and to income from equity accounted investments and interests in note 29, stated in the financial statements as follows:

- Impairment of investments in associates, stated at R1 977 376 000 (2019: R1 123 481 000).
- Impairment of interests in joint ventures, stated at R88 195 000 (2019: R96 208 000).
- Impairment of other financial assets, stated at R1 046 495 000 (2019: R1 362 446 000).
- Income from equity accounted investments and interests, stated at R7 565 000 (2019: R93 509 000).

6. Furthermore, the public entity did not correctly account for impairment on unlisted investments at amortised cost in accordance with GRAP 104, *Financial instruments*. The impairment on unlisted investments at amortised cost was calculated based on incorrect values at year end. Consequently, other financial assets were overstated by R1 359 451 906 and impairment on other financial assets was understated by the same amount.

7. Additionally, there was an impact on the surplus for the period and on the accumulated surplus. I also could not determine the effect on the prior period error as disclosed in note 42 of the financial statements.

Provisions, contingencies and subsequent events

8. The public entity did not account for liabilities in accordance with GRAP 1, *Presentation of financial statements*. The public entity did not provide for the incurred but not reported claims, and reported but not approved claims, at year-end. The total amount of these claims was incorrectly reported as contingent liabilities. This was also contrary to the update from the Accounting Standards Board to entities that undertake insurance type activities. I was unable to determine the extent of the misstatement on provisions stated at R25 873 000 (2019: R26 870 000), contingent liabilities stated at R7 582 011 000 (2019: R12 245 335 000) and benefit payments stated at R15 181 145 000 (2019: R 14 648 255 000), disclosed in notes 14, 19 and 33 as it was impracticable to do so. Additionally, there was an impact on the surplus for the period and on the accumulated surplus. I also could not determine the effect on the prior period error as disclosed in note 42 of the financial statements.

9. In addition, the public entity incorrectly disclosed technical reserves as contingent liabilities in contravention of GRAP 19, *Provisions, Contingent liabilities and Contingent Assets*. Consequently, contingencies were overstated by R81 055 555 000 in the current year and overstated by R42 760 087 000 in the prior year.

10. Furthermore, the public entity did not correctly disclose the decision to pay the covid-19 temporary employee/employer relief scheme (Ters) benefit, as required by GRAP 14, *Events after reporting date.* The decision to pay covid-19 Ters benefits was taken prior to year-end and not post year-end as disclosed in note 41 of the financial statements.

Benefit payments

11. The public entity did not correctly account for benefit payments in compliance with GRAP 1, *Presentation of financial statements.* The public entity accounted for benefit payments that occurred in the prior year as expenditure in the current year. Additionally, the public entity did not provide for these benefit payments in the prior year. Consequently, benefit payments was overstated by R4 627 678 918 in the current year and understated by the same amount in the prior year. Provisions were also understated by R4 627 678 918 in the prior year. Also, there was an impact on the surplus for the period and on the accumulated surplus.

Commitments

12. The public entity did not accurately disclose commitments in compliance with GRAP 1, *Presentation of financial statements.* The public entity incorrectly calculated the amount of commitments at year-end, which resulted in commitments disclosed in note 32 to the financial statements being misstated. I was unable to determine the extent of the misstatement on commitments stated at R2 440 788 000 as it was impracticable to do so.

Investment property

13. The public entity did not correctly account for fair value adjustments on investment property in compliance with GRAP 16, *Investment property.* The fair value loss on the investment property was calculated based on a prior year value rather than the current year value, which resulted in investment property and fair value adjustments, disclosed in notes 8 and 28 of the financial statements respectively, being misstated. I was unable to determine the extent of the misstatement on investment property and fair value adjustments stated at R194 775 000 and R183 125 000 respectively as it was impracticable to do so.

Context for the opinion

14. 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.

15. I am independent of the public entity in accordance with sections 290 and 291 of the *Code of ethics for professional accountants* and parts 1 and 3 of the *International code of ethics for professional accountants (including International Independence Standards)* of the International Ethics Standards Board for Accountants (IESBA codes), as well as 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 codes.

16. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matter

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

Material losses

18. As disclosed in note 25 to the financial statements, material losses of R69 547 000 (2019: R42 961 000) was incurred as a result of a write-off of irrecoverable trade debtors.

Responsibilities of the accounting authority for the financial statements

19. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA 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.

20. In preparing the financial statements, the accounting authority is responsible for assessing the public entity'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

21. 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.

22. 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

23. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

24. My procedures address the usefulness and reliability of 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 do not examine whether the actions taken by the public entity enabled service delivery. My procedures also do 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.

25. 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 programme presented in the annual performance report of the public entity for the year ended 31 March 2020:

Programme	Pages in the annual performance report
Programme 2 – business operations	35 - 40

26. 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.

27. The material findings in respect of the usefulness and reliability of the selected programme are as follows:

Programme 2 – business operations

28. For the indicators listed below, the predetermined method of calculation used when measuring the actual achievement did not accurately calculate the turnaround times in some instances, as it was incorrectly configured. This was due to insufficient measurement definitions and processes.

29. Furthermore, due to a lack of adequate systems and processes to enable consistent measurement of the actual achievement for the indicators, the achievements reported in the annual performance report differed from the supporting evidence provided.

Indicator description	Reported achievement
Percentage of valid claims (unemployment benefit) with complete information approved or rejected within specified time frames	93%
Percentage of valid claims (in-service benefits; maternity, illness and adoption benefits) with complete information approved or rejected within specified time frames	92%
Percentage of valid claims (deceased benefit) with complete information approved or rejected within specified time frames	95%

Other matter

30. I draw attention to the matter below.

Achievement of planned targets

31. Refer to the annual performance report on pages 29 to 45 for information on the achievement of planned targets for the year and explanations provided for the under and overachievement of a number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 29 to 30 of this report.

Report on the audit of compliance with legislation

Introduction and scope

32. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

33. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements

34. Financial statements were not submitted for auditing within two months after the end of financial year, as required by section 55(1)(c)(i) of the PFMA.

35. 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.

36. Material misstatements of the cash flow statement, statement of comparison of budget and actual amounts, principal-agent arrangement disclosures and related parties identified by the auditors in the submitted financial statements were corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified opinion.

Expenditure management

37. Prepayments were made before services were received, in contravention of treasury regulation 31.1.2(c).

Consequence management

38. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure, as required by section 51(1)(e)(iii) of

the PFMA. This was due to proper and complete records that were not maintained as evidence to support the investigations into irregular expenditure.

39. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against some officials who had permitted irregular expenditure of R86 870 456 in prior years, as required by section 51(1)(e)(iii) of the PFMA.

40. Disciplinary hearings were not held for confirmed cases of financial misconduct committed by some officials, as required by treasury regulation 33.1.1.

Strategic planning

41. Quarterly reports were not submitted to the executive authority as required by treasury regulation 30.2.1.

Other information

42. 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 the selected programme presented in the annual performance report that has been specifically reported in this auditor's report.

43. 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 on it.

44. 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 programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

45. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, 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

46. I considered internal controls 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 the annual performance report and the findings on compliance with legislation included in this report.

47. Management did not ensure that the financial statements and annual performance report were adequately reviewed and supported by complete and accurate supporting documents, resulting in material misstatements being identified during the audit.

48. Management developed an audit action plan to address the internal control deficiencies, however, the plan had not been adequately monitored to ensure effective implementation of corrective measures to address the internal control deficiencies. As a result, there were recurring findings.

49. Management did not implement proper record keeping to ensure that complete, relevant and accurate information was accessible and available in a timely manner to support financial and performance reporting. This resulted in unnecessary delays in completing the audit.

50. 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 prevent and/or detect material misstatements in the financial statements and performance report.

51. Management did not adequately review and monitor compliance with applicable laws and regulations, which resulted in non-compliance with legislation being identified during the audit.

Auditor-General

Pretoria

13 April 2021

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for the selected programme and on the public entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

   - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority
   - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Unemployment Insurance Fund to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters

that may reasonably be thought to have a bearing on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	The Unemployment Insurance Fund is classified as a Schedule 3 National Public Entity in terms of section 48 of the Public Finance Management Act (Act no. 1 of 1999).
Nature of business and principal activities	The Fund is a vehicle established in terms of the Unemployment Insurance Act (Act No. 63 of 2001), to which employers and employees contribute and from which employees who become unemployed or their beneficiaries, as the case may be, are entitled to benefits and in so doing to alleviate the harmful economic and social effects of unemployment.
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 Employment and Labour: T Lamati
Auditors	The Auditor-General of South Africa
Legislated fund manager	Public Investment Corporation
Fund managers appointed by the Public Investment Corporation	Mazi Capital (Pty) Ltd - assets managed R1 160million Mergence Investment Managers (Pty) Ltd - assets managed R1 128 million Robeco Asset Managers (foreign investors) - assets managed R6 470 million Sentio Asset Managers (Pty) Ltd - assets managed R1 128 million

Index

The reports and statements set out below comprise the audited annual financial statements presented to the Parliament:

AFS	Annual Financial Statements
ASB	Accounting Standards Board
GRAP	Generally Recognised Accounting Practice
IFRS	International Financial Reporting Standards
IFRS for SME	International Financial Reporting Standards for Small and Medium-Sized Entities
IAS	International Accounting Standards
IT	Information Technology
IPSAS	International Public Sector Accounting Standards
NRF	National Revenue Fund
PFMA	Public Finance Management Act (Act No.1 of 1999)
PIC	Public Investment Corporation
SARS	South African Revenue Service
TERS	Temporary Employer-Employee Relief Scheme
The Fund	Unemployment Insurance Fund
UI Act	Unemployment Insurance Act (Act No. 63 of 2001)
UI Contributions Act	Unemployment Insurance Contributions Act (Act No. 4 of 2002)

Accounting Authority's Responsibilities and Approval

The Accounting authority is required by the PFMA, to maintain adequate accounting records and is responsible for the content and integrity of the AFS and related financial information included in this report. It is the responsibility of the Accounting authority to ensure that the AFS 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 period then ended. The external auditors are engaged to express an independent opinion on the AFS and was given unrestricted access to all financial records and related data.

The AFS have been prepared in accordance with GRAP including any interpretations, guidelines and directives issued by the ASB.

The AFS are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting authority acknowledges that he is ultimately responsible for the system of internal financial control established by the Fund and places considerable importance on maintaining a strong control environment. To enable the Accounting authority to meet these responsibilities, the Accounting authority 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. While operating risk 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 and constraints.

The Accounting authority is of the opinion, based on the information, explanations and assurance 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 AFS. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The AFS 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, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Fund to continue as a going concern is dependent on several factors. These factors are included in note 40 of the AFS.

The AFS set out on pages **127 to 269** which have been prepared on the going concern basis, were reviewed by the Unemployment Insurance Board on 29 September 2020. The AFS were approved and signed by the Accounting authority on 30 September 2020 per the recommendation of the Unemployment Insurance Board.

T Lamati
Director-General
Department of Employment and Labour

Statement of Financial Position as at 31 March 2020

	Note(s)	2020 R'000	Restated 2019 R'000
Assets			
Current Assets			
Other financial assets	3	61 318 723	66 492 870
Receivables from exchange transactions	4	54 720	3 281
Receivables from non-exchange transactions	5	10 796	3 791
Statutory receivables from non-exchange transactions	6	1 895 789	1 696 711
Prepayments		134 479	117 495
Cash and cash equivalents	7	3 498 090	4 216 859
		66 912 597	**72 531 007**
Non-Current Assets			
Investment property	8	194 775	234 100
Property, plant and equipment	9	47 893	78 462
Intangible assets	10	92 760	123 365
Interests in joint ventures	11	67 718	155 913
Investments in associates	12	4 367 519	3 393 031
Other financial assets	3	81 090 625	88 925 265
		85 861 290	**92 910 136**
Total Assets		**152 773 887**	**165 441 143**
Liabilities			
Current Liabilities			
Operating lease liability		2 556	845
Payables from exchange transactions	13	734 456	518 266
Provisions	14	118	-
Benefits payable	15	22 744	14 499
Benefits payable - Outstanding claims liability	15	8 993 365	9 963 711
Bank overdraft	7	13	13
		9 753 252	**10 497 334**
Non-Current Liabilities			
Provisions	14	25 755	26 870
Total Liabilities		**9 779 007**	**10 524 204**
Net Assets		**142 994 880**	**154 916 939**
Reserves			
Technical reserves	16	88 637 566	55 005 421
Accumulated surplus	16	54 357 314	99 911 518
Total Net Assets		**142 994 880**	**154 916 939**

Statement of Financial Performance

	Note(s)	2020 R'000	Restated 2019 R'000
Revenue from non-exchange transactions	18	20 548 165	19 565 214
Benefit payments	19	(15 181 145)	(14 648 255)
Unemployment Alleviation Schemes	20	(949 349)	(120 073)
Gross surplus		**4 417 671**	**4 796 886**
Other revenue from exchange transactions	21	20 274	21 504
Auditors remuneration	22	(12 271)	(8 875)
Depreciation, amortisation and impairments	23	(53 288)	(51 472)
Employee costs	24	(1 461 633)	(1 338 029)
Administrative costs	25	(569 876)	(511 638)
Operating expenses	26	(604 858)	(565 326)
Operating surplus		**1 736 019**	**2 343 050**
Investment revenue	27	11 668 084	10 526 020
Transfer of IT assets to the Department of Employment and Labour	9	(22 712)	-
Gains/losses on the disposal of property, plant and equipment	9	(20 053)	1 340
Fair value adjustments	28	(22 178 897)	(8 185 498)
Income from equity accounted investments and interests	29	7 565	93 509
Impairment of other financial assets	30	1 046 495	1 362 446
Impairment of investments in associates and interests in joint ventures	11&12	(2 065 571)	(1 219 689)
(Deficit) / surplus for the year		**(11 922 060)**	**2 196 286**

Statement of Changes in Net Assets

Figures in Rand Thousand	Technical reserve R'000	Accumulated surplus R'000	Total net assets R'000
Opening balance as previously reported	40 928 889	104 924 451	145 853 340
Adjustments			
Change in accounting policy (refer note 42)	-	16 019	16 019
Prior year adjustments (refer note 42)	7 856 618	(1 005 324)	6 851 294
Balance at 01 April 2018 as restated	**48 785 507**	**103 935 146**	**152 720 653**
Changes in net assets			
Surplus for the year	-	2 196 286	2 196 286
Transfer to technical reserve	14 076 533	(14 076 533)	-
Transfer to accumulated surplus	(7 856 619)	7 856 619	-
Total changes	6 219 914	(4 023 628)	2 196 286
Restated balance at 01 April 2019	**55 005 421**	**99 911 519**	**154 916 940**
Changes in net assets			
Transfer to technical reserve	36 841 970	(36 841 970)	-
Transfer to accumulated surplus	(12 245 334)	12 245 334	-
Transfer to technical reserve - Additional unexpired risk reserve	9 035 509	(9 035 509)	-
Net income (losses) recognised directly in net assets	33 632 145	(33 632 145)	-
Deficit for the year	-	(11 922 060)	(11 922 060)
Total recognised income and expenses for the year	33 632 145	(45 554 205)	(11 922 060)
Total changes	33 632 145	(45 554 205)	(11 922 060)
Balance at 31 March 2020	**88 637 566**	**54 357 314**	**142 994 880**

Cash Flow Statement

	Note(s)	2020 R'000	Restated 2019 R'000
Cash flows from operating activities			
Receipts			
Cash receipts from contributors, tenants and other		20 312 636	19 552 950
Interest income from banks		1 026 521	1 439 437
		21 339 157	20 992 387
Payments			
Employee costs		(1 461 633)	(1 338 029)
Suppliers		(987 086)	(976 078)
Benefit payments		(17 092 595)	(11 095 917)
		(19 541 314)	(13 410 024)
Net cash flows from operating activities	31	**1 797 843**	**7 582 363**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(33 240)	(84 428)
Proceeds from sale of property, plant and equipment	9	236	7 999
Purchase of investment property	8	(143 800)	(138 484)
Purchase of intangible assets	10	(1 872)	(15 908)
Interests in joint ventures		-	7 748
Investment in associates		(2 944 300)	(1 532 385)
Investment in other financial assets		(10 033 480)	(13 912 340)
Dividends		2 054 344	1 657 895
Interest received on investments		8 585 500	7 428 255
Net cash flows from investing activities		**(2 516 612)**	**(6 581 648)**
Net increase/(decrease) in cash and cash equivalents		**(718 769)**	**1 000 715**
Cash and cash equivalents at the beginning of the year		4 216 846	3 216 131
Cash and cash equivalents at the end of the year	7	**3 498 077**	**4 216 846**

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Zero Basis

Figures in Rand Thousand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	
Statement of financial performance						
Revenue						
Revenue from exchange transactions						
Revenue from non-exchange revenue	20 937 795	(371 727)	**20 566 068**	20 548 165	**17 903**	
Other revenue from exchange transactions	3 154	21 094	**24 248**	20 274	**3 974**	
Investment revenue	10 590 281	64 959	**10 655 240**	11 668 084	**(1 012 844)**	44.1
Total revenue from exchange transactions	**31 531 230**	**(285 674)**	**31 245 556**	**32 236 523**	**(990 967)**	
Expenditure						
Benefit payments	(10 270 293)	(10 329 707)	**(20 600 000)**	(15 181 148)	**(5 418 852)**	44.2
Changes in benefits payable	(100 090)	12 266 266	**12 166 176**	3	**12 166 173**	44.3
Unemployment Alleviation Schemes	(1 002 079)	(145 870)	**(1 147 949)**	(949 349)	**(198 600)**	44.4
Auditors remuneration	(15 000)	-	**(15 000)**	(12 271)	**(2 729)**	
Depreciation, amortisation and impairments	(212 802)	-	**(212 802)**	(53 288)	**(159 514)**	44.5
Employee cost	(1 619 410)	(80 880)	**(1 700 290)**	(1 461 633)	**(238 657)**	44.6
Administrative costs	(639 964)	(35 615)	**(675 579)**	(569 876)	**(105 703)**	44.7
Operating expenses	(1 108 290)	172 661	**(935 629)**	(604 858)	**(330 771)**	44.8
Finance costs	(3)	-	**(3)**	-	**(3)**	
Total expenditure	**(14 967 931)**	**1 846 855**	**(13 121 076)**	**(18 832 420)**	**5 711 344**	
Operating surplus	**16 563 299**	**1 561 181**	**18 124 480**	**13 404 103**	**4 720 377**	
Transfer of IT assets to the Department of Employment and Labour	-	-	**-**	(22 712)	**22 712**	
Gains/losses on disposal of Property, plant and equipment	(1 260)	-	**(1 260)**	(20 053)	**18 793**	
Fair value adjustments	-	-	**-**	(22 178 897)	**22 178 897**	44.9
Income from equity accounted investments	-	-	**-**	7 565	**(7 565)**	
Impairment on other financial assets	-	-	**-**	(1 046 495)	**1 046 495**	44.10
Impairment on investments in associates and interests from joint ventures	-	-	**-**	(2 065 572)	**2 065 572**	44.11
Technical reserve	(1 608 450)	77 307	**(1 531 143)**	-	**(1 531 143)**	44.12
Capital expenditure	(1 057 938)	272 667	**(785 271)**	-	**(785 271)**	
	(2 667 648)	**349 974**	**(2 317 674)**	**(25 326 164)**	**23 008 490**	
Deficit for the year	**13 895 651**	**1 911 155**	**15 806 806**	**(11 922 061)**	**27 728 867**	
Actual amount on comparable basis as presented in the budget and actual comparative statement	**13 895 651**	**1 911 155**	**15 806 806**	**(11 922 061)**	**27 728 867**	

Accounting Policies

1. Presentation of Audited Annual Financial Statements

In terms of section 55(1) of the PFMA the Fund is required to comply with GRAP.

The AFS have been prepared in accordance with the GRAP, issued by the ASB in accordance with Section 91(1) of the PFMA.

These AFS have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. Figures in the Annual Financial Statements are rounded to the nearest thousand Rand, except for figures in the narrative information which are either indicated as absolute values or written in text to the nearest million Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period, except as otherwise indicated in Note 42 of the AFS.

1.1 Going concern assumption

These AFS have been prepared based on the expectation that the Fund will continue to operate as a going concern and that the Fund will continue in operation and meet its statutory obligations for the forseeable future.

Additional information is included in Note 40.

1.2 Significant judgments, estimates and assumptions

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

Outstanding benefits recognised in the technical reserve

The ultimate cost of incurred benefits is estimated using actuarial techniques, namely the Chain-Ladder and Bornhuetter-Ferguson 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 UI 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.

Premium reserves recognised in the technical reserves

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

Unexpired risk liabilities and assumptions used

The average claim amount paid in the 2020 financial year is currently approximately R15 164. The average salary used for benefit purposes (i.e. capped at a maximum value) of these claimants is R6 930 per month. Claims Handling Expenses (CHE) are approximately 11.14% (2019:14.68%) of the value of a claim.

The Pay-As-You-Go rate is set at an average of 4.11% up to 31 March 2022 due to the expected economic decline as a result of the COVID-19 epidemic, returning to previous levels of 2.248% thereafter (2019: 2.248%) of which 3.81% (2019: 1.947%) allows for the cost of benefits and 0.301% (2019: 0.301%) for claims handling expenses.

The run-off pattern of claims is assumed to remain stable. The explicit assumption about claims inflation was made since the inclusion of an explicit inflation assumption stabilises 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 quarterly from the 2012 financial year.

Accounting Policies

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 Department of Public Service and Administration utilising the net leave entitlement at reporting date multiplying it with the employee's remuneration (levels 1-10 and Middle Management Service 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.

1.3 Financial assets and liabilities

The Fund has the following financial assets and liabilities: investments in equities, capital market instruments, money market instruments which are classified as financial assets at fair value. Cash and cash equivalents, receivables are classified as financial assets at amortised cost and 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 Fund receives contribution revenue in accordance with the UI Contributions Act and pays Unemployment Insurance benefits including the recovery of benefits paid in error in accordance with the UI Act.

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 Standard of GRAP on Financial Instruments. The following items are accordingly presented in Note 5 and Note 18 to the AFS:

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

Classification of financial assets and liabilities

<u>Financial assets and financial liabilities at fair value</u>

Financial instruments held-for-trading

These include equities, capital market instruments, money market instruments and all derivatives (as relevant for the particular accounting period) 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 reporting 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 were 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.
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.

Accounting Policies

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.

Receivables

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.

Payables

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.

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 the Standard of GRAP on Financial Instruments.

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.

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 reporting 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 reporting 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.

Accounting Policies

The fair value of floating rate and overnight deposits with credit institutions is its 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 reporting 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, gains and losses arising from changes in fair value are included in surplus or deficit of the Statement of Financial Performance.

Gains and losses on subsequent measurement

Gains or losses arising from changes in the fair value of the financial assets at fair value category are presented in the Statement of Financial Performance within fair value adjustment losses / gains – net in the period in which they arise.

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.

An allowance for receivables impairment is made when there is objective evidence (the probability of insolvency or significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired and that the Fund will not be able to collect all the amounts due under the original term of the invoice. For more details on the factors that are considered for impairment and the impairment losses recognised, refer to notes 3, 4 and 5.

The amount of the allowance 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 receivable is written off against the allowance account for 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.

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.

Accounting Policies

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.

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.

1.4 Receivables from exchange transactions

Rent receivable

Rent receivable is measured at initial recognition at cost.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset 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 receivables 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.

Sundry receivables

Sundry receivable is measured at initial recognition at cost.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset 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 receivables 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.

Bank interest receivable

Bank interest receivable is measured at initial recognition at cost.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset 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 receivables 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.

Accounting Policies

1.5 Receivables from non-exchange transactions

Disallowances (benefits paid in error / overpayments)

Disallowances (benefits paid in error / overpayments) 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 UI 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 receivables are when they become unemployed, and/or default or delinquent in payments more than 150 days are considered indicators that the disallowances receivable 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 receivables 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 Receivables – Contributions

Legal claims receivables are initially measured at cost when employer information becomes available that the contribution receivable registered as a company has been liquidated, an insolvent individual has been sequestrated or an estate of a deceased contributor has been lodged with the Master of the Supreme Court. Recovery of the legal claims receivables is in terms of the UI Act.

Legal claim debt is written off against the receivables account when informed that the distribution account has been finalised 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 receivables
- Unknown receivables

Known receivables

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 receivables are specific characteristics of the known receivable, the age of the debt and default on any payment arrangements should be considered as indicators that the known receivable 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 receivables account. Subsequent recoveries of amounts previously written off are credited against other income in the Statement of Financial Performance.

Unknown receivables

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

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 receivables account. Subsequent recoveries of amounts previously written off are credited against other income in the Statement of Financial Performance.

1.6 Statutory receivables

Statutory receivables arise 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 Fund on reporting date through the National Revenue Account. The funds do not earn interest and the amount is payable to the Fund as per the UI 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 NRF to the 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.

1.7 Prepayments

Prepayments represent amounts paid that relate to future reporting periods.

It is recognised initially upon payment of the amount and expensed when it falls due.

Prepayments are measured at the amount paid less amounts relating to the present reporting period.

1.8 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services; or for
- administrative purposes; or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Fund, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Accounting Policies

1.8 Investment property (continued)

The Fund separately discloses expenditure to repair and maintain investment property in the notes to the AFS (see note 8).

The Fund discloses relevant information relating to assets under construction or development, in the notes to the AFS: the cumulative expenditure recognised in the carrying value of investment property, the carrying value of investment property that is taking a significantly longer period of time to complete than expected, and the carrying value of investment property where construction or development has been halted (see note 9).

1.9 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, 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.

Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Item	Depreciation method	Average useful life
Buildings	Straight-line	50 years
Furniture and fixtures	Straight-line	6 - 14 years
IT equipment	Straight-line	3 - 12 years
Land	Straight-line	Indefinite
Leasehold improvements	Straight-line	3 - 6 years
Motor vehicles	Straight-line	5 - 7 years
Office equipment	Straight-line	6 - 11 years
Telecom equipment	Straight-line	5 - 10 years

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The Fund assesses at each reporting date whether there is any indication that the Fund's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the Fund revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting policies, changes in estimates and errors.

1.9 Property, plant and equipment (continued)

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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.

The Fund separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the AFS (see note 9).

The Fund discloses relevant information relating to assets under construction or development, in the notes to the AFS: the cumulative expenditure recognised in the carrying value of property, plant and equipment, the carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected, and the carrying value of property, plant and equipment where construction or development has been halted (see note 9).

1.10 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. The Fund has classified intellectual property and computer software as intangible assets.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the Fund and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the Fund intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the Fund or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it was in the form of a contract.

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

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

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

An intangible asset arising from development (or from the development phase of an internal project) 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; and
- the expenditure attributable to the asset during its development can be measured reliably.

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.

Amortisation is provided on a straight-line basis over the expected useful lives of the intangible assets.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

1.10 Intangible assets (continued)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets to their residual values. The amortisation charge for each period is recognised in surplus or deficit.

The useful lives of intangible assets have been assessed as follows:

Item	Depreciation method	Average useful life
Computer software	Straight-line	1 - 5 years
Intellectual property	Straight-line	Indefinite

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 capacity. The U-Filing system is an automated contributions and claims handling system that seeks to improve compliance to UI 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 benefits payments. Based on all the relevant factors there is no forseeable 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 arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on Leases requires otherwise on a sale and leaseback). The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset.

1.11 Impairment of non-cash-generating assets

None of the Fund's assets are used to generate a commercial return, they are designated as non-cash generating units at initial recognition.

The Fund assesses at each reporting date whether there is any indication that an asset may be impaired.

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

Recoverable service amount is the higher of a non-cash-generating asset’s fair value less costs to sell and its value in use.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The Fund assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the Fund estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the Fund also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

1.11 Impairment of non-cash-generating assets (continued)

An impairment loss is recognised immediately in surplus or deficit.

Reversal of an impairment loss

The Fund assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the Fund estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

1.12 Interests in joint ventures

Jointly controlled entities are all entities over which the Fund has joint control. 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 cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Fund'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 Fund 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 Fund and its jointly controlled entities are eliminated to the extent of the Fund'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 Fund.

The most recent available audited AFS of the joint ventures are used by the Fund in applying the equity method. When the reporting dates of the Fund and the joint ventures are different, the joint venture prepares, for the use of the Fund, AFS as of the same date as the AFS 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.
The Fund'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 Fund makes every reasonable effort to obtain complete and accurate financial information in order to apply the equity method, but in some instances, no, or inadequate, financial information is received from jointly controlled entities. In these instances, the Fund cannot apply the equity method, since the amount to be determined for its share in post-acquisition surpluses or deficits cannot be reliably determined. Details on such departure from GRAP 8 Interests in Joint Ventures are treated in terms of GRAP 1 Presentation of Financial Statements and are disclosed in note 12.

1.13 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 associates. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Fund's share of deficits in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Fund 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.

Accounting Policies

Unrealised surpluses on transactions between the Fund and its associates are eliminated to the extent of the Fund'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 Fund.

The most recent available audited AFS of the associates 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, AFS as of the same date as the AFS 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.

The Fund'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 Fund makes every reasonable effort to obtain complete and accurate financial information in order to apply the equity method, but in some instances, no, or inadequate, financial information is received from associates. In these instances, the Fund cannot apply the equity method, since the amount to be determined for its share in post-acquisition surpluses or deficits cannot be reliably determined. Details on such departure from GRAP 7 Investments in Associates are treated in terms of GRAP 1 Presentation of Financial Statements and are disclosed in note 13.

1.14 Leases

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.

1.15 Unemployment insurance technical reserve and benefit liabilities

Unemployment insurance is the provision of benefits under the UI Act 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 UI Act accrues at a rate of one day's benefit for every completed four days of employment as a contributor, subject to a maximum accrual of 365 days benefits in the four years 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 365 days in a four-year cycle is calculated on an equal basis of 91.25 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. The associated Income Replacement Rate (IRR) is a sliding scale with a minimum of 38% (66% for maternity) for the first 238 days and 20% for the remaining 127 days.

A contributor who has a miscarriage during the third trimester or bears a still-born child is entitled to a (maximum) full maternity benefit of 17.32 weeks (after the miscarriage or stillbirth); and a contributor is not entitled to benefits unless she was in employment, whether as a contributor or not, for at least 13 weeks before the date of application for maternity benefits.

Accounting Policies

Applications must be submitted within 12 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 within 12 months after childbirth, and dependants benefits within 18 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.

The mandate of the Fund to collect contributions made by employers and employees and to make payments of benefits in terms of the UI Act as amended, commences when employees are registered with the Fund as contributors.

The mandate for unemployment insurance comprises of:

- Premium reserve - an Unexpired Premium Reserve (UPR) for contribution revenue and represents the portion of past income earned in respect of future benefits. It further includes premium inadequacy reserves on future earned premiums (Unexpired Risk Reserve) and unearned premiums (Additional Unexpired Risk Reserve).

- Total Outstanding Claims (TOC) - benefits payable outstanding benefits per the actuarial valuation report.

The TOC is divided as follows:

- Approved But Not Fully Paid (ABNP) - the incident occurred, the claim was received and approved by the Fund, but the claim is not yet paid to the beneficiary.

- Incurred But Not Approved Claims (IBNA) - the incident occurred, but the claim was not yet approved by the Fund.

The IBNA is further divided into:

- Incurred But Not Reported Claims (IBNR) - the incident occurred, but the claim was not received by the Fund to be paid to any beneficiary; and

- Reported But Not Approved Claims (RBNA) - the claim was received by the Fund, but not yet approved for payment.

Only the Approved But Not Fully Paid (ABNP) portion is recognised as a benefit liability.

Technical reserve

The technical reserve is set aside to cover the cost of future benefit payments in respect of contributions collected as at the reporting date and incidents which occurred before the reporting date but have not been approved by the reporting date. Based on actuarial valuation, a portion of the accumulated surplus is allocated to the technical reserve on an annual basis.

The technical reserve comprises of the following which is determined based on an actuarial valuation:

- Unearned Premium Reserve (UPR)
  - This represents the portion of past income earned in respect of future benefits

- Unexpired Risk Reserve (URR)
  - The URR is for situations where it is expected that future earned premiums will be insufficient.

- Additional Unexpired Risk Reserve (AURR)
  - The AURR is required to allow for the expected insufficiency of future (yet to be earned) premiums.

- Incurred But Not Approved Claims (IBNA) - The incident occurred, but the claim was not yet approved by the Fund.

The IBNA is further divided into:

- Incurred But Not Reported Claims (IBNR) - The incident occurred, but the claim was not received by the Fund to be paid to any beneficiary; and

- Reported But Not Approved Claims (RBNA) - the claim was received by the Fund, but not yet approved for payment.

Accounting Policies

Claims handling expenses

The Claims Handling Expenses (CHE) are taken into account and allowed for explicitly for the following:
- Premium reserve; and
- Incurred But Not Approved Claims (IBNA).

The IBNA and claims handling expenses are discounted.

1.16 Benefit payments

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

Benefit payments are recognised on the approval of the benefit claim. An obligating event creates a legal or constructive obligation that results in the Fund having no realistic alternative to settling that obligation. The obligation event is incurred for the Fund when the claim received by the Fund is approved for payment. When the obligation event is incurred, a liability is recognised.

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 UI Act and accounted for against trade and other receivables - disallowances on receipt of the recovery.

1.17 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 Fund 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 are not be recognised for future operating losses.

1.18 Contribution revenue - revenue from non-exchange transactions

Contributions are collected under the UI Contributions Act. Every employer and employee to whom this Act applies must, on a monthly basis contribute to the 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

The 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 Fund's bank accounts and / or the NRF.

Accounting Policies

The Commissioner for SARS collects contributions from employers (registered in terms of the Fourth Schedule to the Income Tax Act) according to the UI Contributions Act. All contributions collected are paid into the NRF before it is transferred to the 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 Fund are based on when the consideration is actually received by SARS.

The Fund collects contributions in accordance with Section 9 of the UI 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 UI 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 UI Contributions Act a penalty of 10% is raised on the unpaid amounts.

Employee remuneration information gap

In accordance with the UI Act:

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 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 UI 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 Fund is recognised when measurability and probability can be determined with certainty and / or the consideration has actually been received and banked in the Fund's bank accounts and / or the NRF.

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 improved 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.

Accounting Policies

The following revenue streams have been classified:
• SARS - Declaration and collection of information
• U-Filing - Declaration and collection of 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 are accordingly not measurable and the probability cannot be determined.

1.19 Unauthorised, irregular, fruitless and wasteful expenditure

Unauthorised, irregular, fruitless and wasteful expenditure are expenditure that is contrary to the PFMA. 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.

1.20 Budget

The Fund aligns its budget priorities with that of National Government and the Department of Employment and 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 2019 to 31 March 2020.

The Fund compiles its budget on a zero basis and the AFS on the accrual basis. The budget is approved on a zero basis by classification of expenditure by nature. Since the AFS 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 AFS. Refer to note 44.

The financial strategy of the Fund takes into account the requirements of the PFMA and National Treasury Regulations which require 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 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 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).

Notes to the Audited Annual Financial Statements

2. New standards and interpretations

2.1 Standards and Interpretations early adopted

The Fund has not chosen to early adopt any standards and interpretations as at 31 March 2020.

2.2 Standards and interpretations issued, but not yet effective

The Fund has not applied the following standards and interpretations, which have been published and are mandatory for the Fund's accounting periods beginning on or after 01 April 2020 or later periods:

GRAP 104 (amended): Financial instruments

The revisions to the Standard of GRAP on Financial instruments are to better align the Standards of GRAP with recent international developments. The amendments will result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- financial guarantee contracts issued;
- loan commitments issued;
- classification of financial assets;
- amortised cost of financial assets;
- impairment of financial assets; and
- disclosures.

The effective date of the amendment is not yet set by the Minister of Finance.

The Fund expects to adopt the amendment for the first time when the Minister sets the effective date.

The impact of this amendment is currently being assessed.

Guideline: Guideline on the application of materiality to financial statements

The objective of the Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements.

The Guideline is encouraged to be used by entities.

The Fund expects to adopt the Guideline for the first time in the 2020/2021 AFS.

The impact of this Guideline is currently being assessed.

GRAP 1 (amended): Presentation of financial statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of Financial Position and Statement of Financial Performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

The Fund applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2020.

The Fund expects to adopt the amendment for the first time in the 2020/2021 AFS.

The impact of this amendment is currently being assessed.

IGRAP 20: Accounting for adjustments to revenue

Adjustments to revenue already recognised in terms of legislation or similar means arise from the completion of an internal review process within entities, and / or the outcome of an external appeal or objection process undertaken in terms of legislation or similar means. Adjustments to revenue include any refunds that become payable as a result of the completion of a review, appeal or objection process. The adjustments to revenue already recognised following the outcome of a review, appeal or objection process can either result in a change in an accounting estimate, or a correction of an error.

As per the scope, this Interpretation clarifies the accounting for adjustments to exchange and non-exchange revenue charged in terms of legislation or similar means, and interest and penalties that arise from revenue already recognised as a result of the completion of a review, appeal or objection process. Changes to the measurement of receivables and payables, other than those changes arising from applying this Interpretation, are dealt with in accordance with the applicable Standards of GRAP. The principles in this Interpretation may be applied, by analogy, to the accounting for adjustments to exchange or non-exchange revenue that arises from contractual arrangements where the fact patterns are similar to those in the Interpretation.

The Interpretation sets out the issues and relating consensus with accounting for adjustments to revenue.

The effective date of the interpretation is for years beginning on or after 01 April 2020.

The Fund expects to adopt the interpretation for the first time in the 2020/2021 AFS.

The impact of this interpretation is currently being assessed.

GRAP 38: Disclosure of interests in other entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

The effective date of the standard is for years beginning on or after 01 April 2020.

The Fund expects to adopt the standard for the first time in the 2020/2021 AFS.

It is unlikely that the standard will have a material impact on the Fund's AFS.

Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 36: Investments in associates and joint ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The effective date of the standard is for years beginning on or after 01 April 2020.

The Fund expects to adopt the standard for the first time in the 2020/2021 AFS.

It is unlikely that the standard will have a material impact on the Fund's AFS.

GRAP 37: Joint arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

The effective date of the standard is for years beginning on or after 01 April 2020

The entity expects to adopt the standard for the first time in the 2020/2021 AFS.

It is unlikely that the standard will have a material impact on the Fund's AFS.

IGRAP 1 (revised): Applying the probability test on initial recognition of revenue

The amendments to this Interpretation clarifies that an entity should also consider other factors in assessing the probability of future economic benefits or service potential to the entity. Entities are also uncertain of the extent to which factors, other than the uncertainty about the collectability of revenue, should be considered when determining the probability of the inflow of future economic benefits or service potential on initial recognition of revenue. For example, in providing certain goods or services, or when charging non-exchange revenue, the amount of revenue charged may be reduced or otherwise modified under certain circumstances. These circumstances include, for example, where the entity grants early settlement discounts, rebates or similar reductions based on the satisfaction of certain criteria, or as a result of adjustments to revenue already recognised following the outcome of any review, appeal or objection process.

The consensus is that on initial recognition of revenue, an entity considers the revenue it is entitled to, following its obligation to collect all revenue due to it in terms of legislation or similar means. In addition, an entity considers other factors that will impact the probable inflow of future economic benefits or service potential, based on past experience and current facts and circumstances that exist on initial recognition.

The Fund applies judgement based on past experience and current facts and circumstances.

The effective date of the amendment is for years beginning on or after 01 April 2020.

The Fund expects to adopt the amendment for the first time in the 2020/2021 AFS.

It is unlikely that the amendment will have a material impact on the Fund's AFS.

Directive 7 (revised): The application of deemed cost

This Directive was originally issued by the ASB in December 2009. Since then, it has been amended by:

- Consequential amendments when the following Standards of GRAP were amended to clarify some of the principles:
  - GRAP 105 Transfer of functions between entities under common control;
  - GRAP 107 Mergers.
- Consequential amendments arising from GRAP 110 Living and non-living resources issued in December 2017.

Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

- Consequential amendments arising from the following Standards of GRAP in May 2018:
- GRAP 34 Separate financial statements;
- GRAP 35 Consolidated financial statements;
- GRAP 36 Investments in associates and joint ventures;
- GRAP 37 Joint arrangements;
- GRAP 38 Disclosure of interests in other entities.

The effective date of this Directive coincides with the effective dates of the applicable Standards of GRAP, as determined by the Minister of Finance. If an entity has assets that it previously could not recognise and / or measure in accordance with the Standards of GRAP on their initial adoption on the transfer date or the merger date because information about the acquisition cost of the assets was not available, an entity applies this Directive to those assets. The fair value of those assets is determined at the date of adopting the Standards of GRAP on the transfer date or the merger date in accordance with the Directive's Appendix paragraph A3.

The effective date of this revised Directive is for years beginning on or after 01 April 2020.

The Fund expects to adopt the Directive for the first time in the 2020/2021 AFS.

It is unlikely that the Directive will have a material impact on the Fund's AFS.

Notes to the Audited Annual Financial Statement

	2020 R'000	2019 R'000
3. Other financial assets		
At fair value		
Listed equity	35 050 376	43 245 972
Unlisted equity	417 585	669 826
Bonds	84 032 144	91 773 181
Bills	3 863 295	695 587
Promissory notes	1 293 510	1 275 859
Unlisted financial instruments	234 400	-
	124 891 310	**137 660 425**
At amortised cost		
Unlisted investments	5 692 971	5 979 618
Investment income receivable	526 306	627 953
Fixed deposits	11 298 761	11 150 139
	17 518 038	**17 757 710**
Total other financial assets	**142 409 348**	**155 418 135**
Non-current assets		
At fair value	81 090 625	88 925 265
Current assets		
At fair value	43 800 685	48 735 160
At amortised cost	17 518 038	17 757 710
	61 318 723	**66 492 870**

Financial assets at fair value

Fair values of financial assets measured or disclosed at fair value

	2020 R'000	2019 R'000
Listed shares	35 050 376	43 245 972
Unlisted equity	417 585	669 826
Bonds	84 032 144	91 773 181
Bills	3 863 295	695 587
Promisory notes	1 293 510	1 275 859
Unlisted financial instruments	234 400	-
	124 891 310	**137 660 425**

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

	2020 R'000	2019 R'000
Level 1		
Bonds	41 324 826	45 460 055
Listed equities	28 707 000	37 315 763
Unit trusts (foreign)	6 343 377	5 930 209
	76 375 203	**88 706 027**

Notes to the Audited Annual Financial Statement

3. Other financial assets (continued)

	2020 R'000	2019 R'000
Level 2		
Bonds	42 707 317	46 313 126
Bills and negotiable certificates of deposits	3 863 295	695 587
Promissory notes	1 293 510	1 275 859
	47 864 122	**48 284 572**
Level 3		
Unlisted equity	417 585	669 826
Unlisted financial instruments	234 400	-
	651 985	**669 826**
	124 891 310	**137 660 425**

Assumptions applied in determining the fair values of financial instruments in level 2 and 3

Listed Shares/Equity: valuation is based on JSE Closing prices from IRESS/I-Net Bridge.

Unlisted Shares/Equity: Discount CashFlow (DCF) valuation techniques used by the external valuators

Bonds: valuation is based on Market to Market prices/yields from the Bond Exchange of South Africa (BESA).

Bills: valuation is based on Money Market yield curve, where the curve is constructed by the Rand Overnight Deposit Rate and the JIBAR 1-month, 3-month, 6-month and 12-month rates.

Negotiable Certificate of Deposits: (same as Bills)

Promissory Notes: (same as Bills)

Unlisted Financial Instruments: Discount CashFlow (DCF) valuation techniques used by the external valuators for the shareholder loans.

Renegotiated terms

None of the carrying amounts of financial assets that would otherwise be past due or impaired were renegotiated.

Allowance account for credit losses

The impairment amounts for unlisted financial assets recognised at amortised cost are determined by the Fund's external valuators and are recognised directly in the impairment account, therefore no allowance for credit losses is applicable.

The following factors are considered by the external valuators in determining whether the financial assets are impaired:
- The counterparty is experiencing significant financial dififculties.
- There has been a breach of contract, such as a default.
- The Fund has, for economic or contractual reasons relating the the counterparty's financial difficulties, granted the counterparty a concession.
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation.
- An active market for the financial asset has disappeared because of financial difficulties.
- There has been a purchase or origination of the financial asset at a deep discount that reflects incurred credit losses.
- There have been significant changes in national or local economic conditions that correlate with defaults or counterparties.

The movements recognised were R1 046 million for 2020 (2019: R1 362 million).

Notes to the Audited Annual Financial Statement

	2020 R'000	2019 R'000

4. Receivables from exchange transactions

	2020 R'000	2019 R'000
Rent receivable	521	1 747
Allowance for impairment - Rent receivable	(389)	(384)
Sundry receivables	85	103
Allowance for impairment - Sundry receivables	(21)	(36)
Interest and dividends receivable	54 524	1 851
	54 720	**3 281**

None of the receivables from exchange transactions were pledged as security.

Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 31 March 2020, R54.5 million (2019: R2 million) were past due but not impaired.

The amounts past due but not impaired are as follows:

Interest and dividends receivable	54 524	1 851

Receivables from exchange transactions impaired

As of 31 March 2020, rent receivables from exchange transactions of R0.5 million (2019: R1.7 million) were impaired and an allowance raised.

The amount of the allowance was R0.4 million as of 31 March 2020 (2019: R0.4 million).

The ageing of these receivables is as follows:

Rent receivable		
0 to 3 months	-	222
3 to 6 months	-	333
More than 6 months	521	1 192
	521	**1 747**

As of 31 March 2020, sundry receivables from exchange transactions of R0.09 million (2019: R0.1 million) were impaired and provided for.

The amount of the alowance for impairment was R0.02 million as of 31 March 2020 (2019: R0.04 million).

The ageing of these receivables is as follows:

Sundry receivables		
0 to 3 months	1	-
3 to 6 months	-	(1)
More than 6 months	84	104
	85	**103**

Reconciliation of allowance for impairment of receivables from exchange transactions

Opening balance	420	305
Allowance for impairment	-	115
Other	(10)	-
	410	**420**

Notes to the Audited Annual Financial Statement

	2020 R'000	2019 R'000

4. Receivables from exchange transactions (continued)

The creation and release of the allowance for impaired receivables have been included in administrative costs in surplus or deficit. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The allowance for impaiment was only made for rent receivable from third parties. Rent receivable includes rent receivable from other government departments for which no impairment allowance was raised.

Factors considered for impairment of rent from third parties results from customer collectibility assessments on outstanding debt.

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

5. Receivables from non-exchange transactions

	2020 R'000	2019 R'000
Transactions under investigation debt	11 041	12 040
Allowance for impairment - transactions under investigation debt	(10 987)	(12 639)
Disallowances and overpayments debt	129 844	120 407
Allowance for impairment - disallowances and overpayments debt	(119 106)	(116 101)
Legal claims - contributions debt	9 399	8 419
Allowance for impairment - legal claims debt	(9 395)	(8 335)
	10 796	**3 791**

None of the receivables from non-exchange transactions were pledged as security.

None of the financial assets that are fully performing have been renegotiated in the last year.

Disallowances and overpayments debt

Disallowances and overpayments debt balance increased from R120 million in 2019 to R130 million in 2020.

Risk of paying benefits in error

There is an inherent business risk of paying benefits in error with reference to the UI Act.

The UI Act proclaims:

1. Section 14(a)(ii) - "A contributor is not entitled to benefits for any period that the contributor was in receipt of 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."

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

3. 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 section 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 UI Act. The Fund is dependent on employee information declared to the Fund by employers in calculating entitled benefits. The Fund receives electronic declarations from employers with payroll facilities (according to specific Fund 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 incorrect format or submit the required employee information late.

	2020 R'000	2019 R'000

5. Receivables from non-exchange transactions (continued)

The accuracy, completeness and timeliness of the information in the Fund's declaration database impacts on the accuracy of the calculation of benefits and payments. Based on the available employee information the calculation can be less or more than the entitlement, which creates possible liabilties or receivables 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 Fund's claim 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 being paid to claimants whilst "in receipt" of benefits from the Compensation Fund and/or 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 the detection of transactions or entries with discrepancies when updated employee information is received from the employer. Exception Assessors' investigations reveal that these discrepancies result in either overpayments or underpayments being raised, in some cases the discrepancy results in no financial transaction or correction being required. The underpayments are raised as liabilities and are settled in the period noted. When overpayments are raised the debt is pusued 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 which are 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.

Debt collection

During the financial year under review the Fund collected R84 million in total; in set offs, R80 million and bank deposits R4 million. For the financial year ended 31 March 2019 the Fund collected R79 million in total; in set offs R76 million and bank deposits of R3 million.

A bank account verification process was implemented. This prevented overpayments raised due to incorrect bank details (capturing errors).

Reconciliation of allowance for impairment of receivables from non-exchange transactions

	2020 R'000	2019 R'000
Allowance for impairment of transactions under investigation		
Opening balance	12 639	14 300
Amounts written off as uncollectable	(1 652)	(1 661)
	10 987	**12 639**

The above reconciliation only provides for the movement of the allowance between the prior and the current financial year and therefore only reflects written-off amounts that were previously provided for. The actual amount written off for transactions under investigation as presented under bad debts written off in the Statement of Financial Performance was R1 million (2019: R2 million).

	2020 R'000	2019 R'000

5. Receivables from non-exchange transactions (continued)

Allowance for impairment of disallowances and overpayments debt

	2020 R'000	2019 R'000
Opening balance	116 101	135 446
Movement in prior year allowance	(2 155)	(2 441)
Amounts written off as uncollectable	(59 375)	(59 514)
Disallowances and overpayments cancelled	(233)	(608)
Disallowances and overpayments recovered	(11 945)	(11 759)
New allowance for impairment	76 713	54 977
	119 106	**116 101**

The above reconciliation only provides for the movement of the allowance between the prior and the current financial year and therefore only reflects written-off amounts that were previously provided for. The actual amount written off for disallowances and overpayments as presented under bad debts written off in the Statement of Financial Performance was R65 million (2019: R60 million). Refer note 36 for detail.

Allowance for impairment of legal claims contribution debt

	2020 R'000	2019 R'000
Opening balance	8 335	9 071
Movement in prior year allowance	(13)	(141)
Amounts written off as uncollectable	(752)	(2 420)
Contribution debt recovered	(331)	(182)
New allowance for impairment	2 156	2 007
	9 395	**8 335**

The above reconciliation only provides for the movement of the allowance between the prior and the current financial year and therefore only reflects written-off amounts that were previously provided for. The actual amount written off for legal claims as presented under bad debts written off in the Statement of Financial Performance was R1 million (2019: R2 million).

Allowance for disallowances / overpayments

Factors considered for impairment are based on the age of the receivable (younger or older than 60 years), history of the recovery of payments (the receivable currently settling the debt, or no history exists), whether the overpayments are older than 270 days and whether the receivable is a South African citizen or not.

Legal claims

Factors considered for impairment are based on historical evidence of recoverability and non-recoverability of legal claims.

6. Statutory receivables from non-exchange transactions

Funds held at National Treasury

Funds at National Treasury are contribution revenue collected by SARS from registered employers, declared as owing to the Fund on reporting date through the National Revenue Account. Employers with employees earning more than the tax threshold are required by legislation to register their businesses at SARS and the Fund and pay Unemployment Insurance contributions to SARS. Employers pay contributions of 2% of the value of each employee's pay per month. The employer and employee each contribute 1% and the 1% contribution is capped at R148.

Per legislation SARS is required to levy interest on overdue accounts and all contributions are payable to the Fund as per the UI 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 NRF to the Fund. Funds are requested by the Fund via the Department of Employment and Labour.

The Fund had the following statutory receivables where the Framework for the Preparation and Presentation of Financial Statements have been applied, for the initial recognition:

	2020 R'000	2019 R'000
National Treasury	1 895 789	1 696 711

	2020 R'000	2019 R'000

6. Statutory receivables from non-exchange transactions (continued)

Statutory receivables impaired:

Statutory receivables were not considered to be impaired as these receivables originate from the UI Contributions Act between SARS and the Fund. Section 11(1) of the UI Contributions Act states that contributions, interest and penalties collected by SARS in terms of this Act must, after deduction of any refunds, be paid into the NRF. Subsequently, according to section 11(2) of the UI Contributions Act, the total amount of contributions, interest and penalties paid into the NRF in terms of subsection (1) is a direct charge against the NRF for the credit of the Fund. SARS is required according section 8(4) to notify the Director-General of the Department of Employment and Labour of the amount of the contributions, interest and penalties collected from, and refunds made to, employers during the previous month after which, in 14 days after receipt of the notification the Director-General authorises the transfer of the SARS collections paid into the NRF to the Fund.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

	2020 R'000	2019 R'000
Bank balances	3 198 649	2 866 859
Short-term deposits	299 441	1 350 000
Bank overdraft	(13)	(13)
	3 498 077	**4 216 846**
Current assets	3 498 090	4 216 859
Current liabilities	(13)	(13)
	3 498 077	**4 216 846**

Cash on hand and bank balances

Cash at banks earns interest at floating rates based on daily bank deposit rates.

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.

Notes to the Audited Annual Financial Statement

	2020 R'000	2019 R'000

7. Cash and cash equivalents (continued)

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating	2020	2019
zaAAA	-	100%
zaAA	100%	-

Agency	Rating	Outlook	Date
Standard & Poor's	BB-	Stable	30 April 2020
Fitch	BB	Negative	3 April 2020
Moody's	Ba1	Negative	27 March 2020
Standard & Poor's	BB	Negative	22 November 2019
Moody's	Baa3	Negative	2 November 2019
Fitch	BB+	Negative	26 July 2019

Notes to the Audited Annual Financial Statement

	2020 R'000	2019 R'000

8. Investment property

	2020 Valuation R'000	2019 Valuation R'000
Land and buildings	194 775	234 100

Reconciliation of investment property - 2020

	Opening balance R'000	Additions from capitalising subsequent expenditure R'000	Additions resulting from Work-in-Progress transferred R'000	Transferred from Work-in-progress R'000	Fair value adjustments R'000	Total R'000
Land and buildings	234 100	143 800	4 060	(4 060)	(183 125)	194 775

Reconciliation of investment property - 2019

	Opening balance R'000	Additions from capitalising subsequent expenditure R'000	Additions resulting from Work-in-Progress transferred R'000	Transferred from Work-in-progress R'000	Fair value adjustments R'000	Total R'000
Land and buildings	163 400	136 955	2 688	(2 688)	(66 255)	234 100

Pledged as security

No investment property was pledged as security.

Investment property in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of Investment property		
Land and buildings - Cost	32 419	21 957

Notes to the Audited Annual Financial Statement

8. Investment property (continued)

Details of property

	2020 R'000	2019 R'000
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	23 256	21 557
- Refurbishments (work-in-progress)	-	-
- Fair value adjustment	(10 797)	(9 198)
	12 500	**12 400**

The building has been newly renovated to "B" Grade office standards. The property is fully occupied by a single tenant, the Department of Roads and Public Works on a five-year lease which commenced on 1 January 2019. The current Gross rental is R125.01/m2, escalating at 6.5% per annum. The agreed rental is lower than the proposed rental being considered at the time of the previous valuation, which was at a rental of R141.36/m2. A gross monthly market rental of R 115.00 /m2 was assumed in the valuation.

The Discounted Cash Flow method of valuation was the preferred method of valuation and the basis on which the Value-in Use Value of the Property was determined. In this instance the property's Value-in Use can be considered its Market Value and ultimately its Fair Value.

As guided by 2019Q4 and 2018Q4 SAPOA Cap and Discount Rate Reports the following valuation parameters were applied on the investment:

- Market Capitalisation Rate of 10.5%

- Exit Capitalisation Rate of 11.0%

- 15.5% Discount Rate

- 5% growth rate to market rentals in assessing the reversionary income

- Expense growth rate of 7%

	2020 R'000	2019 R'000
Portion 5 (remainder extent) of Erf 43, Thohoyandou		
Extent of portion 5: 2 051 m2, Title deed number : TG83891/2011PTA		
- Purchase price: 2 July 1991	1 940	1 940
- Refurbishments (work-in-progress)	26 809	17 886
- Fair value adjustments	(19 549)	(11 826)
	9 200	**8 000**

The building was inherited from the Venda Government after amalgamation and probably built more than 15 years ago as a three-storey office building. The existing building requires extensive redevelopment to bring the building to appropriate standards. The building is in the process of being redeveloped to "B" Grade office standards. During the amalgamation process Portion 4 and 5 of Erf 43 Thohoyandou reflected on the audited AFS of the Fund, however only the physical title deed for Portion 5 of Erf 43 Thohoyandou could be obtained. A legal firm has been appointed to obtain the title deed for Portion 4 of Erf 43 Thohoyandou from Thulamela Local Municipality and / or Department of Public Works. The previous valuation included the adjacent Portion 4 of Erf 43 Thohoyandou which has been excluded from this valuation due to the dispute with regards to the title deed. The former valuation conducted on the property utilised the residual valuation method, based on the Discounted Cash Flow Method of valuation with provision for costs to complete.

The residual method based on the Discounted Cash Flow Method of valuation was used where this portion of the property is valued based on the Discounted Cash Flow Method of valuation, although the remaining Cost to Complete the development is then deducted from the Discounted Cash Flow market value derived. Net Income Capitalisation Method of valuation where the property's Net Income is capitalised in order to determine the MarketValue.

Guided by market surveys of office buildings in the Nelspruit/Polokwane/Tzaneen/Louis Trichardt areas the following valuation parameters were applied on the investment:

Notes to the Audited Annual Financial Statement

	2020 R'000	2019 R'000

8. Investment property (continued)

- Average of Market Capitalisation Rate of 10.5%

- 15.5% Discount Rate

- Vacancy Rate 3%

- Expense Growth rate of 6%

- Income Growth rate of 6%

Erf 1112, Marshalltown, City of Johannesburg
Extent 2 082 m2, Title deed number: T37743/2018

	2020 R'000	2019 R'000
- Purchase price: 4 June 2018	74 899	74 899
- Additions since purchase or valuation	-	-
- Fair value adjustments	(15 699)	(12 299)
	59 200	**62 600**

This property is an old office building, offering basement parking with offices above, in Johannesburg CBD. The building requires extensive redevelopment which is still in in the initial stages. The subject property is fully vacant. The property has been valued as is.

The following valuation parameters were applied on the investment:

- 15.5% Discount Rate

- Vacancy Rate 2%

- Terminal Rate 12%

Erf 222, Annadale, Polokwane
Extent 2 855 m2, Title deed number: T2409/2019

	2020 R'000	2019 R'000
- Purchase price: 7 September 2018	10 118	10 118
- Additions since purchase or valuation	-	-
- Refurbishments (work-in-progress)	5 610	10
- Fair value adjustments	(4 128)	1 572
	11 600	**11 700**

This Property has been improved with six three-storey residential blocks currently utilised as student accommodation. The improvements as a whole have been predominantly above average condition and in a well-maintained condition. There is currently a lease in place with the Tshwane University of Technology to use the Property as student accommodation for its students.

The Discounted Cash Flow method of valuation was the preferred method of valuation

The following valuation parameters were applied on the investment:

- Market Capitalisation Rate of 10.25%

- 15.25% Discount Rate

- Vacancy Rate Applied 3%

- Cost to Sell 5%

- Expense Growth Rate of 6%

- Income Growth Rate of 6%

	2020 R'000	2019 R'000

8. Investment property (continued)

Erf 7339, Bendor, Extension 86, Polokwane		
Extent 6 819 m2, Title deed number: 3656/2019T		
- Purchase price: 4 June 2018	4 060	-
- Fair value adjustments	(2 585)	-
	1 475	**-**

This Property has a single storey residential block currently accommodating a total of seven town house units with garages. These town houses are vacant and will be demolished and replaced with student accommodation. This development is estimated for completion during December 2021. The Property is planned to be improved with two three-storey residential blocks utilised as student accommodation.

The market value (fair value) has been based on the Direct Comparable Sales Method of Valuation. The Residual Market Value and Hypothetical Discounted Cash Flow Value In Use has been based on Discounted Cash Flow Method of Valuation method. The Hypothetical Net Income Capitalisation Value In Use has been based on the Net Income Capitalisation Method of Valuation method.

The following valuation parameters were applied on the investment:

- Market Capitalisation Rate of 10.25%

- 15.25% Discount Rate

- Vacancy Rate Applied 3%

- Cost to Sell 5%

- Expense Growth Rate of 6%

- Income Growth Rate of 6%

Erf 3384, Pretoria, Reg. Div. J.R. Gauteng		
Extent 8,454m2, Title deed number: 8852/1992T		
- Purchase price: 13 February 1992	7 875	7 875
- Additions since purchase or valuation	6 400	6 400
- Refurbishments (work-in-progress)	57 099	48 627
- Fair value adjustment	(19 374)	27 698
	52 000	**90 600**

The property, a four storey office block which has been vacant for over 4 years, will be converted into a multi-level parking garage providing for 482 parking bays. .

The former creche and open parking area to the rear has been cleared for the development of a new "A" Grade office building of 16738m2 which will connect with the parking. The new parking ratio is thus approximately 3 bays per 100m2 of offices.

The project is approximately 10% underway and is expected to be completed in June 2021. The current COVID-19 lockdown may delay completion by up to two months.

	2020 R'000	2019 R'000

8. Investment property (continued)

The comparison approach was adopted in assessing the land value. The residual approach has been adapted to deterring the contributory value of the existing office shell for purposes of conversion to a parking garage.

	2020 R'000	2019 R'000
Erf 834 portion 50, Sunnyside, Pretoria and Erf 82 and Erf 83 Trevenna, and Erf 1431 and Erf 1432 Sunnyside, Pretoria		
Extent 2,519m2 and Extent 6,720m2, Title deed number: 93418/2015T and 85860/2017T		
- Purchase price: 29 October 2015 and 22 November 2017	54 078	54 078
- Refurbishments (work-in-progress)	129 078	9 972
- Fair value adjustment	(134 356)	(15 250)
	48 800	**48 800**

Erf 82 and Erf 83 Trevenna, and Erf 1431 and Erf 1432 Sunnyside comprises of four stands which form a unit for future consolidation and development. On the date of the valuation the property is vacant with fences for security purposes to prevent illegal squatting.

Due to the fact that the property comprises vacant land and is thus undeveloped, the property was valued using the direct comparable approach, where the valuers have located recent sales of other vacant land properties, taking into account direct and indirect factors which would influence the market value.

Erf 834 portion 50, Sunnyside compromise a vacant corner stand located in the north/south commercial corridor of Trevenna. The site is vacant with a perimeter fence.

The Fund bought the properties which are adjacent to each other to develop a 55,000 sqm "Labour Campus" to accommodate the Fund, Compensation Fund and the Department of Employment and Labour. The Compensation Fund has expressed interest in acquiring their tower in the planned Sunnyside Labour Campus development. National Treasury has granted approval for the Compensation Fund to participate. A letter of introduction was sent to the Department of Employment and Labour, however the process has not been concluded.

At a macro level, the South African Property Market remains under pressure. Key drivers to the down turn in the property market is (1) lowered investor confidence(sentiment) largely due to political influences which are contributing to the de-valuing of the Rand against international currencies, (2) policies which has caused a panic in the realm of young professionals of skilled labour, who are opting for "greener pastures" internationally causing a run on skilled workforce in South Africa, (3) the global negative impact of the COVID-19 (Corona) virus pandemic and (4) the down grade of the South African economy. Taking all these market related factors into account market values adjustments on all the properties of the Fund have been adjusted downwards.

Details of valuation

Erf 895 (a portion of Erf 252), Bisho

The effective date of the valuation is 31 March 2020. 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. The discount rate applied is 15.5% (2019: 15.5%). Knight Frank KZN (Pty) Ltd certified that the market value of the property was R13 million as at 31 March 2020.

Portion 5 (remainder extent) of Erf 43, Thohoyandou

The effective date of the valuation is 31 March 2020. 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. The discount rate applied is 15.5% (2019: 15.25%). Spectrum Valuations and Asset Solutions (Pty) Ltd certified that the market value of the property was R9 million as at 31 March 2020.

	2020 R'000	2019 R'000

8. Investment property (continued)

Erf 1112, Marshalltown, City of Johannesburg

The effective date of the valuation is 31 March 2020. 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. The discount rate applied is 15.5% (2019: 15%). De Leeuw Valuers Cape Town (Pty) Ltd certified that the market value of the property was R59 million as at 31 March 2020.

Erf 222, Annadale, Polokwane

The effective date of the valuation is 31 March 2020. 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. The discount rate applied is 15.25% (2019: 15%). Spectrum Valuations and Asset Solutions (Pty) Ltd certified that the market value of the property was R12 million as at 31 March 2020.

Erf 7339, Bendor, Extension 86, Polokwane

The effective date of the valuation is 31 March 2020. 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. The discount rate applied is 15.25% (2019: Not valued). Spectrum Valuations and Asset Solutions (Pty) Ltd certified that the market value of the property was R1 million as at 31 March 2020.

Erf 3384, Pretoria, Reg. Div. J.R. Gauteng, extent 8 454 m2

The effective date of the valuation is 31 March 2020. 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 comparison approach in assessing the land value and the residual approach was adapted to determine the contributory value of the existing office shell. Knight Frank KZN (Pty) Ltd certified that the present day market value of the property was R52 million as at 31 March 2020.

Erf 834 portion 50, Sunnyside, Pretoria, extent 2 519 m2 and Erf 82 and Erf 83 Trevenna, and Erf 1431 and Erf 1432 Sunnyside, Pretoria, extent 6 720 m2

The following valuations were combined: Erf 834 portion 50, Sunnyside, Pretoria, extent 2 519 m2 Title deed number: T93418/2015, Erf 82 and Erf 83 Trevenna, and Erf 1431 and Erf 1432 Sunnyside, Pretoria, extent 6 720 m2 Title deed number: T85860/2017.

Separate valuation reports were obtained and information per the valuation reports are provided below:

Erf 834 portion 50, Sunnyside, Pretoria, extent 2 519 m2:
The effective date of the valuation is 31 March 2020. 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 present day market value of the property was R23 million as at 31 March 2020.

Erf 82 and Erf 83 Trevenna, and Erf 1431 and Erf 1432 Sunnyside, Pretoria, extent 6 720 m2:
The effective date of the valuation is 31 March 2020. 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 direct comparable approach 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 R26 million as at 31 March 2020.

Notes to the Audited Annual Financial Statement

	2020 R'000	2019 R'000

8. Investment property (continued)

Maintenance of investment property

Expenditure incurred to repair and maintain investment property

	2020 R'000	2019 R'000
Expenditure incurred to repair and maintain Investment property included in Statement of Financial Performance		
Contracted services	52	-

Amounts recognised in surplus or deficit

The following income and expenditure are included in the surplus / (deficit) of the Fund:

	2020 R'000	2019 R'000
Erf 895 (a portion of Erf 252), Bisho		
Rent received	3 184	-
Direct operating expenditure	-	(249)
	3 184	**(249)**
Portion 5 (remainder extent) of Erf 43, Thohoyandou		
Rent received	441	417
Direct operating expenditure	(387)	-
	54	**417**

Notes to the Audited Annual Financial Statement

9. Property, plant and equipment

	2020 R'000			2019 R'000		
	Cost / Valuation R'000	Accumulated depreciation and accumulated impairment R'000	Carrying value R'000	Cost / Valuation R'000	Accumulated depreciation and accumulated impairment R'000	Carrying value R'000
Furniture and fixtures	14 538	(10 999)	3 539	14 927	(10 197)	4 730
IT equipment	74 262	(34 537)	39 725	96 562	(35 057)	61 505
Leasehold improvements	3 704	(2 905)	799	3 608	(2 455)	1 153
Motor vehicles	2 349	(1 678)	671	3 004	(1 999)	1 005
Office equipment	2 061	(1 133)	928	8 158	(1 042)	7 116
Telecom equipment	7 473	(5 242)	2 231	7 576	(4 623)	2 953
Total	**104 387**	**(56 494)**	**47 893**	**133 835**	**(55 373)**	**78 462**

Notes to the Audited Annual Financial Statements

Figures in Rand Thousand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance R'000	Additions R'000	Additions resulting from Work-in-Progress transferred R'000	Disposals R'000	Transferred to Department of Employment and Labour R'000	Transferred from Work-in-progress R'000	Depreciation R'000	Total R'000
Furniture and fixtures	4 730	329	-	(16)	-	-	(1 504)	3 539
IT equipment	61 505	32 494	3 920	(15 056)	(22 712)	(3 920)	(16 506)	39 725
Leasehold improvements	1 153	95	-	-	-	-	(449)	799
Motor vehicles	1 005	-	-	(34)	-	-	(300)	671
Office equipment	7 116	322	-	(5 169)	-	-	(1 341)	928
Telecom equipment	2 953	-	-	(14)	-	-	(708)	2 231
	78 462	**33 240**	**3 920**	**(20 289)**	**(22 712)**	**(3 920)**	**(20 808)**	**47 893**

Notes to the Audited Annual Financial Statements

Figures in Rand Thousand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Total R'000
Buildings	5 231	-	(4 954)	(277)	-
Furniture and fixtures	6 229	-	(30)	(1 469)	4 730
IT equipment	16 947	56 195	-	(11 637)	61 505
Leasehold improvements	1 570	12	-	(429)	1 153
Motor vehicles	1 579	-	-	(574)	1 005
Office equipment	915	6 636	(32)	(403)	7 116
Telecom equipment	3 519	-	-	(566)	2 953
	35 990	**62 843**	**(5 016)**	**(15 355)**	**78 462**

Pledged as security

No items of property, plant and equipment were pledged as security.

Assets subject to lease (Net carrying amount)

Leasehold improvements	799	1 153

Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment

IT equipment	11 489	26 632

Notes to the Audited Annual Financial Statement

	2020 R'000	2019 R'000

9. Property, plant and equipment (continued)

Reconciliation of work-in-progress 2020

	Included within IT equipment R'000	Total R'000
Opening balance	26 632	26 632
Additions / capital expenditure	11 470	11 470
Transferred to completed items	(26 632)	(26 632)
	11 470	**11 470**

Reconciliation of work-in-progress 2019

	Included within IT equipment R'000	Total R'000
Additions / capital expenditure	26 632	26 632

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

	2020 R'000	2019 R'000
Contracted services	3 960	291
Other operational cost	846	944
	4 806	**1 235**

Unemployment Insurance Fund

Audited Annual Financial Statements for the year ended 31 March 2020

Notes to the Audited Annual Financial Statement

	2020 R'000	2019 R'000

10. Intangible assets

	2020 Cost / Valuation R'000	2020 Accumulated amortisation and accumulated impairment R'000	2020 Carrying value R'000	2019 Cost / Valuation R'000	2019 Accumulated amortisation and accumulated impairment R'000	2019 Carrying value R'000
Computer software	16 888	(8 075)	8 813	109 953	(70 535)	39 418
Intellectual property	83 947	-	83 947	83 947	-	83 947
Total	**100 835**	**(8 075)**	**92 760**	**193 900**	**(70 535)**	**123 365**

Reconciliation of intangible assets - 2020

	Opening balance R'000	Additions R'000	Transfers from work-in-progress R'000	Amortisation R'000	Total R'000
Computer software	39 418	2 090	(218)	(32 477)	8 813
Intellectual property	83 947	-	-	-	83 947
	123 365	**2 090**	**(218)**	**(32 477)**	**92 760**

Reconciliation of intangible assets - 2019

	Opening balance R'000	Additions R'000	Transfers from work-in-progress R'000	Amortisation R'000	Total R'000
Computer software	59 625	16 444	(535)	(36 116)	39 418
Intellectual property	83 947	-	-	-	83 947
	143 572	**16 444**	**(535)**	**(36 116)**	**123 365**

	2020 R'000	2019 R'000

10. Intangible assets (continued)

Pledged as security

No intangible assets were pledged as security.

Intellectual property

The Fund acquired the U-Filing system (intellectual property), software solely developed for the Fund. This enabled the Fund to automate certain processes. This simplified the receipt of employee remuneration information from employers directly into the Fund's systems and streamlined the payment of contributions in line with the declaration information. Unemployment claims were simultaneously aligned through an online claims process.

The U-Filing system has an indefinite useful life. As such it is subjected to an annual impairment review. There are presently no indicators of impairment. The software is specific to the Fund and cannot be sold in the open market. The value in use indicates that the Fund will utilise the software for many years to come collecting revenues well in excess of the carrying value of the software. The software is therefore not impaired.

11. Interests in joint ventures

Name of company	Listed / Unlisted	Carrying amount 2020 R'000	Carrying amount 2019 R'000
Kefolile Consumer Brands (Pty) Ltd	Unlisted	2 773	74 002
Matseke Medical Consultants CC	Unlisted	64 945	81 911
		67 718	155 913

The carrying amounts of joint ventures are shown net of impairment losses. Impairment losses are calculated as the difference between the fair value based on the valuations performed by the external valuators and the carrying amounts as at 31 March. The valuations were performed on financial information available at the time of the valuation.

2020

Company	Opening balance R'000	Surplus/(deficit) for the year R'000	Dividends R'000	Impairment R'000	Total R'000
Kefolile Consumer Brands (Pty) Ltd	74 002	-	-	(71 229)	2 773
Matseke Medical Consultants CC	81 911	-	-	(16 966)	64 945
	155 913	**-**	**-**	**(88 195)**	**67 718**

The Fund has the following jointly controlled entities that are equity accounted:

Company	Principal place of business	Nature of business	Dividends R'000	Percentage holding	Fair value R'000	Year end
Kefolile Consumer Brands (Pty) Ltd	RSA	Investment holdings - special purpose vehicle	-	50 %	2 773	30 June
Matseke Medical Consultants CC	RSA	Health care	-	51 %	64 945	30 June
			-		**67 718**	

	2020 R'000	2019 R'000

11. Interests in joint ventures (continued)

2019

Company	Opening balance R'000	Surplus/(deficit) for the year R'000	Dividends R'000	Impairment R'000	Total R'000
Kefolile Consumer Brands (Pty) Ltd	177 958	-	(7 748)	(96 208)	74 002
Matseke Medical Consultants CC	81 911	-	-	-	81 911
	259 869	**-**	**(7 748)**	**(96 208)**	**155 913**

The Fund has the following significantly jointly controlled entities that are equity accounted:

Company	Principal place of business	Nature of business	Dividends R'000	Percentage holding	Fair value R'000	Year end
Kefolile Consumer Brands (Pty) Ltd	RSA	Investment holdings - special purpose vehicle	(7 748)	50 %	74 002	30 June
Matseke Medical Consultants CC	RSA	Health care	-	51 %	90 079	30 June
			(7 748)		**164 081**	

Loans

The Fund paid the following shareholder loans to Kefolile Consumer Brands (Pty) Ltd: R74 million as at 31 March 2019 and R2 million as at 31 March 2020. Both loans mature on 31 December 2026.

Deviation from GRAP 8 Interest in Joint Ventures

The Fund has deviated from the requirements of GRAP 8 Interests in Joint Ventures in terms of its ability to determine its share of the surplus / (deficit) of certain investees for the reporting period.

Due to the legislative requirement that the Fund needs to utilise the PIC as fund manager, the Fund has no alternative method at its disposal to obtain information from investees, other than through the PIC. The Fund has made every reasonable effort throughout the financial reporting period to obtain information from the PIC to ensure the investee information is relevant and faithful in terms of the Conceptual Framework for General Purpose Financial Reporting. The Fund finds itself in the position where every reasonable effort has been taken to obtain the information from investees for the year ended 31 March 2020 and the year ended 31 March 2019 (where relevant) and has no realistic alternative but to conclude that it is impracticable in terms of GRAP 1 Presentation of Financial Statements to obtain the information. Non submission of information by investees to the PIC has resulted in the Fund being in a position where the equity method in terms of GRAP 8 can no longer be applied. The Fund has no choice but to deviate from the requirements of GRAP 8. The Fund now has to ensure that despite the deviation from GRAP it still provides adequate information to the users of the AFS to appreciate and analyse the AFS. The Fund will therefore apply the disclosure requirements of GRAP 1 paragraph 21 to 26 to achieve this objective.

The Fund's management concludes that the AFS still present fairly the Fund's financial position, financial performance and cash flows and that the deviation was made as a result of impracticability and to achieve fairer presentation.

As a result of the deviation from GRAP, the Fund provides the following detailed information per investee, accounted for as an interest in a joint venture.

Notes to the Audited Annual Financial Statement

	2020 R'000	2019 R'000

11. Interests in joint ventures (continued)

Kefolile Consumer Brands (Pty) Ltd

Accounting classification

This investment is accounted for as a joint venture in accordance with GRAP 8 Interests in Joint Ventures as a result of the Fund having joint control.

Information received from investee and assurance thereof

The investee presented audited AFS to the Fund for the year ended 30 June 2018 and the audit opinion was unqualified.

The investee presented audited AFS to the Fund for the year ended 30 June 2019. The auditors issued a disclaimer opinion in 2019 on the fair value adjustments made to the unlisted investment held in Bounty Brands (Pty) Ltd. Furthermore, the auditors concluded that the investee is insolvent due to the loss of R266 million that occurred in 2019.

The investee presented unaudited management accounts for the periods 1 July 2018 up to 31 March 2019 and 1 July 2019 up to 31 March 2020. The investee did not present any supporting information to the management accounts for the periods 1 July 2018 up to 31 March 2019 and 1 July 2019 up to 31 March 2020.

As a result the Fund could not implement effective systems of internal control to determine the accuracy, validity and completeness of the financial position, financial performance and cash flows of the investee.

Reporting framework of investee

The investee applies IFRS as its reporting framework.

Retrospective adjustments, differences in reporting dates and differences in reporting framework

The level of uncertainty contained in the results presented by the investee is so large that the relevance and faithful representativeness of the figures could not be confirmed.

As a result the Fund was not able to:
- Determine its share in surplus / (deficit) for the current reporting period
- Determine if retrospective adjustments were required to previously recognised surplus / (deficit)
- Determine the impact of the three months difference in reporting date of the investee of 30 June and that of the Fund
- Determine the impact of the difference in reporting framework

Equity accounting

In line with the determinations of The Conceptual Framework for General Purpose Financial Reporting paragraph 6.8 the Fund did not recognise its share of the investee's surplus / (deficit) as it is of the view that the qualitative characteristics of financial reporting will not be achieved.

The Fund discloses in line with GRAP 1 Presentation of Financial Statements paragraph 10 the following information for the investee to the extent available.

The reader's attention is drawn to the fact that this information is from the audited AFS for 30 June 2018 and 30 June 2019 respectively and the management accounts for 31 March 2019 and 31 March 2020 respectively.

	31 March 2020 R'000	30 June 2019 R'000	31 March 2019 R'000	30 June 2018 R'000
Current assets	2 058	4 031	4 760	2 410
Non-current assets	106 756	106 756	177 760	376 302
Current liabilities	(1 838)	(3 615)	(5 576)	(2 447)
Non-current liabilities	(190 965)	(175 307)	(175 307)	(172 342)
Net assets / (liabilities)	83 989	68 135	(1 637)	(203 923)
Revenue	88	11 673	18 066	25 920
Surplus / (deficit)	(85 326)	(266 153)	(194 687)	6 776

	2020 R'000	2019 R'000

11. Interests in joint ventures (continued)

Should this information have been used, the Fund's equity share of surplus / (deficit) for the year would have been (R43 million) (2019: (R97 million)).

Impairment consideration

An impairment loss of R71 million (2019: R96 million) was recognised since the valuation of the investment is less than the carrying amount.

Matseke Medical Consultants (Pty) Ltd

Accounting classification

This investment is accounted for as a joint venture in accordance with GRAP 8 Interests in Joint Ventures as a result of the Fund having joint control.

Information received from investee and assurance thereof

The investee presented audited consolidated AFS to the Fund for the year ended 30 June 2019 and 30 June 2018, the audit opinion was unqualified for both periods.

The investee presented unaudited consolidated management accounts for the period 1 July 2018 up to 31 March 2019.

The investee did not present unaudited consolidated management accounts for the period 1 July 2019 up to 31 March 2020.

The investee did not present any supporting information to the unaudited consolidated management accounts for the periods 1 July 2018 up to 31 March 2019 and 1 July 2019 up to 31 March 2020.

As a result the Fund could not implement effective systems of internal control to determine the accuracy, validity and completeness of the financial position, financial performance and cash flows of the investee.

Reporting framework of investee

The investee applies IFRS for SMEs as its reporting framework.

Retrospective adjustments, differences in reporting dates and differences in reporting framework

The level of uncertainty contained in the results presented by the investee is so large that the relevance and faithful representativeness of the figures could not be confirmed.

As a result the Fund was not able to:
- Determine the impact of the nine months difference in reporting date of the investee of 30 June and that of the Fund
- Determine the impact of the difference in reporting framework

Equity accounting

In line with the determinations of The Conceptual Framework for General Purpose Financial Reporting paragraph 6.8 the Fund did not recognise its share of the investee's surplus / (deficit) as it is of the view that the qualitative characteristics of financial reporting will not be achieved.

The Fund discloses in line with GRAP 1 Presentation of Financial Statements paragraph 10 the following information for the investee to the extent available.

The reader's attention is drawn to the fact that this information is from the audited consolidated AFS for 30 June 2018 and 30 June 2019 respectively and the unaudited consolidated management accounts for the 2019 reporting period.

	2020 R'000	2019 R'000

11. Interests in joint ventures (continued)

	30 June 2019 R'000	31 March 2019 R'000	30 June 2018 R'000
Non-current assets	2 646	2 646	2 646
Non-current liabilities	(318)	(318)	(318)
Net assets / (liabilities)	(2 328)	(2 328)	(2 328)
Surplus / (deficit)	-	428	1 711
	-	**428**	**1 711**

Should this information have been used, the Fund's share in surplus / (deficit) to be recognised would be R0 million (2019: R0 million).

Impairment consideration

An impairment loss of R17 million (2019: R0 million) was recognised since the valuation of the investment is less than the carrying amount.

12. Investments in associates

Company	Listed / Unlisted	% holding 2020	% holding 2019	Carrying amount 2020 R'000	Carrying amount 2019 R'000	Fair value 2020 R'000	Fair value 2019 R'000
Bright Glacier Trading (Pty) Ltd	Unlisted	40.00 %	40.00 %	-	548 565	-	548 600
Clinix Health Group (Pty) Ltd	Unlisted	20.00 %	20.00 %	194 477	179 451	194 477	204 268
Daybreak Farms (Pty) Ltd	Unlisted	33.00 %	33.00 %	265 315	265 315	812 000	580 000
Edcon Ltd	Unlisted	19.00 %	- %	169 000	-	169 000	-
Educor Property Holdings (Pty) Ltd	Unlisted	42.00 %	42.00 %	227 493	335 968	227 493	433 284
Grey Jade Trade & Invest 69 (Pty) Ltd	Unlisted	33.00 %	33.00 %	53 558	53 558	66 232	54 158
Gurb Investment (Pty) Ltd	Unlisted	10.00 %	10.00 %	43 554	45 426	71 300	59 387
Kefolile Health Investment (Pty) Ltd	Unlisted	30.00 %	30.00 %	5 780	57 512	5 780	57 512
LA Crushers (Pty) Ltd	Unlisted	10.40 %	10.40 %	-	85 628	-	85 628
Musa Group (Pty) Ltd	Unlisted	15.00 %	15.00 %	-	138 833	-	138 833
Naturecell Africa RF (Pty) Ltd	Unlisted	35.00 %	35.00 %	17 793	19 536	40 398	20 063
Razorite Health and Rehabilitation Fund En Commandite Partnership	Unlisted	19.70 %	19.67 %	275 070	237 666	280 552	251 459
Razorite Fund II En Commandite Partnership	Unlisted	60.00 %	60.00 %	459 077	75 720	459 077	204 801
Resultant Finance (Pty) Ltd	Unlisted	15.00 %	15.00 %	970 439	336 501	1 054 238	352 800
South Point Management Services (Pty) Ltd	Unlisted	40.00 %	40.00 %	413 000	413 000	427 226	413 000
The SA SME Fund Limited	Unlisted	22.96 %	22.30 %	270 676	98 065	270 676	98 065
Urban Lifestyle Investments (Pty) Ltd	Unlisted	42.00 %	- %	500 000	-	706 918	-
UIF Agri Fund 1 En Commandite Partnership	Unlisted	100.00 %	100.00 %	502 287	502 287	518 830	517 727
				4 367 519	3 393 031	5 304 197	4 019 585

The carrying amounts of associates are shown net of impairment losses. Impairment losses are calculated as the difference between the fair value based on the valuations performed by the external valuators and the carrying amounts as at 31 March. The valuations were performed on financial information available at the time of the valuation.

Notes to the Audited Annual Financial Statements

Figures in Rand Thousand

12. Investments in associates (continued)

Movements in carrying value

2020

Company	Opening balance R'000	Acquisition R'000	Impairment R'000	Surplus/ (deficit) for the year R'000	Preference share acquisition R'000	Loan acquisition R'000	Loan disposal R'000	Dividends R'000	Total R'000
Bright Glacier Trading (Pty) Ltd	548 565	-	(548 565)	-	-	-	-	-	-
Clinix Health Group (Pty) Ltd	179 451	-	(5 241)	-	20 267	-	-	-	194 477
Daybreak Farms (Pty) Ltd	265 315	-	-	-	-	-	-	-	265 315
Edcon Ltd	-	616 977	(1 030 826)	-	-	582 849	-	-	169 000
Educor Property Holdings (Pty) Ltd	335 968	-	(108 475)	-	-	-	-	-	227 493
Grey Jade Trade & Invest 69 (Pty) Ltd	53 558	-	-	-	-	-	-	-	53 558
Gurb Investment (Pty) Ltd	45 426	-	-	(1 872)	-	-	-	-	43 554
Kefolile Health Investment (Pty) Ltd	57 512	-	(51 732)	-	-	-	-	-	5 780
LA Crushers (Pty) Ltd	85 628	-	(82 768)	(2 860)	-	-	-	-	-
Musa Group (Pty) Ltd	138 833	-	(138 833)	-	-	-	-	-	-
Naturecell Africa RF (Pty) Ltd	19 536	-	-	(14 274)	-	12 531	-	-	17 793
Razorite Health and Rehabilitation Fund En Commandite Partnership	237 666	40 088	-	(2 684)	-	-	-	-	275 070
Razorite Fund II En Commandite Partnership	75 720	366 199	(3 547)	20 705	-	-	-	-	459 077
Resultant Finance (Pty) Ltd	336 501	-	-	8 550	-	997 916	(371 458)	(1 070)	970 439
South Point Management Services (Pty) Ltd	413 000	-	-	-	-	-	-	-	413 000
The SA SME Fund Ltd	98 065	180 000	(7 389)	-	-	-	-	-	270 676
UIF Agri-Fund 1 En Commandite Partnership	502 287	-	-	-	-	-	-	-	502 287
Urban Lifestyle Investments (Pty) Ltd	-	-	-	-	-	500 000	-	-	500 000
	3 393 031	**1 203 264**	**(1 977 376)**	**7 565**	**20 267**	**2 093 296**	**(371 458)**	**(1 070)**	**4 367 519**

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Figures in Rand Thousand

12. Investments in associates (continued)

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

Normal shares in associates

Company	Principal place of business	Nature of business	Dividends R'000	Shareholding %	Fair value R'000	Financial year-end
Bright Glacier Trading (Pty) Ltd	RSA	Fast moving consumer goods	-	40 %	-	30 June
Clinix Health Group (Pty) Ltd	RSA	Healthcare	-	20 %	120 806	30 September
Daybreak Farms (Pty) Ltd	RSA	Agriculture	-	33 %	142 000	31 March
Edcon Ltd	RSA	Retail	-	19 %	169 000	31 March
Educor Property Holdings (Pty) Ltd	RSA	Property ownership and development	-	42 %	82 493	31 December
Grey Jade Trade & Invest 69 (Pty) Ltd	RSA	Agriculture	-	33 %	3 439	31 March
Gurb Investment (Pty) Ltd	RSA	Special purpose vehicle for investment	-	10 %	-	31 March
Kefolile Health Investment (Pty) Ltd	RSA	Healthcare	-	30 %	-	30 June
LA Crushers (Pty) Ltd	RSA	Mining	-	10 %	-	Last day of February
Musa Group (Pty) Ltd	RSA	Financial services	-	15 %	-	Last day of February
Naturecell Africa RF (Pty) Ltd	RSA	Agriculture	-	35 %	-	Last day of February
Razorite Health and Rehabilitation Fund En Commandite Partnership	RSA	Healthcare	-	20 %	280 552	31 March
Razorite Fund II En Commandite Partnership	RSA	Healthcare	-	60 %	459 077	31 March
Resultant Finance (Pty) Ltd	RSA	Asset rentals	(1 070)	15 %	14 238	Last day of February
South Point Management Services (Pty) Ltd	RSA	Student accommodation	-	40 %	427 226	Last day of February

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12. Investments in associates (continued)

The SA SME Fund Ltd	RSA	Various	-	23 %	270 676	Last day of February
UIF Agri-Fund 1 En Commandite Partnership	RSA	Agriculture	-	100 %	518 830	31 December
Urban Lifestyle Investments (Pty) Ltd	RSA	Property development	-	42 %	168 057	31 December
			(1 070)		**2 656 394**	

Preference shares in associates

Company	Principal place of business	Nature of business	Shareholding %	Fair value R'000
Bright Glacier Trading (Pty) Ltd	RSA	Fast moving consumer goods	40 %	-
Clinix Health Group (Pty) Ltd	RSA	Healthcare	15 %	73 671
Daybreak Farms (Pty) Ltd - Pref A	RSA	Agriculture	33 %	119 000
Daybreak Farms (Pty) Ltd - Pref B	RSA	Agriculture	33 %	551 000
Educor Property Holdings (Pty) Ltd	RSA	Property ownership and development	42 %	145 000
Gurb Investment (Pty) Ltd	RSA	Special purpose vehicle for investments	10 %	71 300
				959 971

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Figures in Rand Thousand

12. Investments in associates (continued)

The Fund has preference shares issued by Bright Glacier Trading (Pty) Ltd of which the value is impaired.

The Fund has preference shares issued by Clinix Health Group (Pty) Ltd valued at R74 million, interest plus margin compounded monthly. The preference shares are valued using the discounted cashflow method.

The Fund has non-cumulative redeemable participating "A" preference shares issued by Daybreak Farms (Pty) Ltd valued at R119 million.

The Fund has non-cumulative redeemable participating "B" preference shares issued by Daybreak Farms (Pty) Ltd valued at R551 million.

The Fund has callable redeemable "B" preference shares issued by Educor Property Holdings (Pty) Ltd valued at R145 million.

The Fund has preference shares issued by Gurb Investments (Pty) Ltd valued at R71 million. The preference shares are valued using the discounted cash flow method.

Explanation of selected significant influence relationships

The Fund has significant influence over Edcon Ltd due to material transactions with the investee.

The Fund has significant influence over Gurb Investments (Pty) Ltd because it has significant voting rights.

The Fund has significant influence over Resultant Finance (Pty) Ltd due to material transactions with the investee.

The Fund did not have significant voting rights in UIF Agri-Fund 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.

The Fund did hot have significant voting rights in Razorite Fund I and II En Commandite Partnerships. The significant voting rights are with Razorite Fund Managers, therefore the investment has been classified as an associate.

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Figures in Rand Thousand

12. Investments in associates (continued)

Company	Current assets R'000	Non-current assets R'000	Current liabilities R'000	Non-current liabilities R'000	Net assets / (liabilities) R'000	Revenue R'000	Surplus/ (deficit) R'000
Gurb Investment (Pty) Ltd	3	140 000	(49 456)	(87 000)	3 547	-	(23 726)
LA Crushers (Pty) Ltd	53 334	158 069	(76 820)	(314 040)	(179 455)	258 383	(27 500)
Naturecell Africa RF (Pty) Ltd	78 110	53	(37 013)	(78 315)	(37 166)	48	(40 784)
Razorite Health and Rehabilitation Fund En Commandite Partnership	42 995	1 406 640	(12 086)	(1 437 549)	-	3 076	(13 624)
Razorite Fund II En Commandite Partnership	155 527	609 226	(172)	-	(764 581)	9 826	34 509
Resultant Finance (Pty) Ltd	64 150	23 360	(11 605)	(10 498)	(65 407)	50 600	30 095

Loans

The Fund has loan facilities with Edcon Ltd valued at R169 million.

The Fund has loan facilities with Grey Jade Trade & Invest 69 (Pty) Ltd valued at R63 million.

The Fund issued a senior loan to Kefolile Health Investments (Pty) Ltd valued at R6 million.

The Fund's loan facilities with LA Crushers (Pty) Ltd are impaired.

The Fund's loan with Musa Group (Pty) Ltd is impaired.

The Fund has a loan facility with Naturecell Africa RF (Pty) Ltd valued at R40 million.

The Fund has loan facilities with Resultant Finance (Pty) Ltd valued at R1 040 million.

The Fund has loan facilities with Urban Lifestyle Investments (Pty) Ltd valued at R539 million.

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Figures in Rand Thousand

12. Investments in associates (continued)

2019

Company	Opening balance R'000	Acquisition R'000	Impairment R'000	Surplus/ (deficit) for the year R'000	Preference share acquisition R'000	Loan acquisition R'000	Loan disposal R'000	Dividends R'000	Total R'000
Bright Glacier Trading (Pty) Ltd	-	23 000	(822 435)	-	1 348 000	-	-	-	548 565
Clinix Health Group (Pty) Ltd	136 518	-	-	-	42 933	-	-	-	179 451
Daybreak Farms (Pty) Ltd	178 814	-	-	86 501	-	-	-	-	265 315
Educor Property Holdings (Pty) Ltd	335 968	-	-	-	-	-	-	-	335 968
Grey Jade Trade & Invest 69 (Pty) Ltd	-	-	-	-	-	53 558	-	-	53 558
Gurb Investment (Pty) Ltd	46 295	-	-	(869)	-	-	-	-	45 426
Kefolile Health Investment (Pty) Ltd	222 267	-	(153 758)	-	-	-	-	(10 997)	57 512
LA Crushers (Pty) Ltd	-	800	(44 279)	(2 611)	-	131 718	-	-	85 628
Musa Group (Pty) Ltd	209 551	-	(70 718)	-	-	-	-	-	138 833
Naturecell Africa RF (Pty) Ltd	-	-	-	739	-	18 797	-	-	19 536
Razorite Health and Rehabilitation Fund En Commandite Partnership	264 669	6 576	-	(33 579)	-	-	-	-	237 666
Razorite Fund II En Commandite Partnership	-	82 180	-	(6 460)	-	-	-	-	75 720
Resultant Finance (Pty) Ltd	323 265	-	-	4 514	-	91 784	(82 009)	(1 053)	336 501
South Point Management Services (Pty) Ltd	383 172	-	(20 505)	50 333	-	-	-	-	413 000
The SA SME Fund Ltd	24 911	90 000	(11 786)	(5 060)	-	-	-	-	98 065
UIF Agri-Fund 1 En Commandite Partnership	502 287	-	-	-	-	-	-	-	502 287
	2 627 717	**202 556**	**(1 123 481)**	**93 508**	**1 390 933**	**295 857**	**(82 009)**	**(12 050)**	**3 393 031**

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12. Investments in associates (continued)

Normal shares in associates

Company	Principal place of business	Nature of business	Dividends R'000	Shareholding %	Fair value R'000	Financial year-end
Bright Glacier Trading (Pty) Ltd	RSA	Fast moving consumer goods	-	40.00 %	-	30 June
Clinix Health Group (Pty) Ltd	RSA	Healthcare	-	20.00 %	158 620	30 September
Daybreak Farms (Pty) Ltd	RSA	Agriculture	-	33.00 %	-	31 March
Educor Property Holdings (Pty) Ltd	RSA	Property ownership and development	-	42.00 %	288 284	31 December
Grey Jade Trade & Invest 69 (Pty) Ltd	RSA	Agriculture	-	33.00 %	600	31 March
Gurb Investment (Pty) Ltd	RSA	Special purpose vehicle for investment	-	10.00 %	1 654	31 March
Kefolile Health Investment (Pty) Ltd	RSA	Healthcare	(10 997)	30.00 %	-	30 June
LA Crushers (Pty) Ltd	RSA	Mining	-	10.40 %	-	Last day of February
Musa Group (Pty) Ltd	RSA	Financial services	-	15.00 %	-	Last day of February
Naturecell Africa (Pty) Ltd	RSA	Agriculture	-	35.00 %	-	Last day fo February
Razorite Health and Rehabilitation Fund En Commandite Partnership	RSA	Healthcare	-	19.67 %	251 459	31 March
Razorite Fund II En Commandite Partnership	RSA	Healthcare	-	60.00 %	194 466	31 March
Resultant Finance (Pty) Ltd	RSA	Asset rentals	(1 053)	15.00 %	11 502	Last day of February
South Point Management Services (Pty) Ltd	RSA	Student accommodation	-	40.00 %	413 000	Last day of February
The SA SME Fund Limited	RSA	Various	-	22.30 %	98 065	Last day of February
UIF Agri-Fund 1 En Commandite Partnership	RSA	Agriculture	-	100.00 %	517 727	31 December
			(12 050)		**1 935 684**	

Unemployment Insurance Fund

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Figures in Rand Thousand

12. Investments in associates (continued)

Preference shares in associates

Company	Principal place of business	Nature of business	Shareholding %	Fair value R'000
Daybreak Farms (Pty) Ltd - Pref A	RSA	Agriculture	33.00 %	119 229
Bright Glacier Trading (Pty) Ltd	RSA	Fast moving consumer goods	40.00 %	548 600
Clinix Health Group (Pty) Ltd	RSA	Healthcare	15.00 %	45 648
Daybreak Farms (Pty) Ltd - Pref B	RSA	Agriculture	33.00 %	460 368
Educor Property Holdings (Pty) Ltd	RSA	Property ownership and development	42.00 %	145 000
Gurb Investment (Pty) Ltd	RSA	Special purpose vehicle for investment	10.00 %	57 733
				1 376 578

Loans

The Fund has loan facilities with Grey Jade Trading & Invest 69 (Pty) Ltd to the value of R56 million.

The Fund issued a senior loan to Kefolile Health Investments (Pty) Ltd of R411 million with a maturity date of 26 July 2026.

The Fund has a loan facility with LA Crushers (Pty) Ltd to the value of R86 million.

The Fund has a loan with Musa Group (Pty) Ltd valued at R314 million, interest is charged at prime + 1% and is payable on 18 January 2027.

The Fund has a loan facility with Naturecell Africa (Pty) Ltd to the value of R19 million.

The Fund has loan facilities with Resultant Finance (Pty) Ltd to the value of R341 million.

Notes to the Audited Annual Financial Statements

Figures in Rand Thousand

12. Investments in associates (continued)

Summary of financial information

Company	Current assets R'000	Non-current assets R'000	Current liabilities R'000	Non-current liabilities R'000	Net assets/ (liabilities) R'000	Revenue R'000	Surplus/ (deficit) R'000
Daybreak Farms (Pty) Ltd	973 892	796 234	(254 791)	(282 104)	1 233 231	2 671 911	262 123
Gurb Investment (Pty) Ltd	5 739	135 000	(31 466)	(87 000)	22 273	-	(8 693)
LA Crushers (Pty) Ltd	43 318	169 755	(52 183)	(312 843)	(151 954)	230 548	(33 476)
Naturecell Africa (Pty) Ltd	52 249	19	(1 658)	(46 992)	3 618	10 580	3 618
Razorite Health and Rehabilitation Fund En Commandite Partnership	33 156	1 256 561	(1 712)	(1 288 005)	-	1 569	(163 402)
Razorite Fund II En Commandite Partnership	204 454	120 000	(345)	(324 109)	-	291	(17 225)
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
The SA SME Fund Ltd	444 799	54 387	(9 721)	(24)	489 442	11 959	(23 316)

	2020 R'000	2019 R'000

12. Investments in associates (continued)

Contingencies

The Fund has no share of any associate's contingent liabilities that it incurred jointly with other investors or that it is severally liable for.

Restrictions

There is no significant restrictions on the ability of any associate to transfer funds to the Fund.

Application of GRAP 7 Investments in Associates

The information received for the investees, via PIC, was deemed to be a relevant and faithful representation of the investee's financial information for the current year and prior year (where required) when the following was received:

- Audited AFS with an unqualified audit opinion at 31 March 2020; or

- Audited AFS with an unqualified audit opinion at the investee's most recent reporting date together with draft AFS at 31 March 2020 with supporting information that could be verified; or

- Audited AFS with an unqualified audit opinion at the investee’s most recent reporting date together with management accounts at 31 March 2020 with supporting information that could be verified.

The information received was thereafter evaluated in terms of the methodology to ensure compliance with GRAP 7 Investments in Associates in terms of adjustments relating to prior periods, adjustments for differences in reporting frameworks and consequentially accounting policies, adjustments for differences in reporting dates and the thereafter application of the equity method.

The Fund's interest in the surplus / (deficit) for the current year of each respective investee was thereafter calculated and the relevant journals processed.

Impairment of the investments in the investees were considered and related calculations performed and journals processed.

Gurb Investments (Pty) Ltd

Accounting classification

This investment is accounted for as an associate in accordance with GRAP 7 Investments in Associates as a result of the Fund having significant influence.

Information received from investee and assurance thereof

The investee presented audited AFS to the Fund for the years ended 31 March 2019 and 31 March 2020 respectively.

The investee’s auditors issued an unqualified audit opinion on the AFS for the years ended 31 March 2019 and 31 March 2020, respectively.

Reporting framework of investee

The investee applies IFRS for SMEs as its reporting framework.

Potential retrospective adjustments

Based on the audited AFS for 31 March 2019 and 31 March 2020 no retrospective restatements were required for equity accounted results previously recognised by the Fund.

Differences in reporting date

As the investee has the same reporting date as the Fund no adjustments were required to align the reporting dates.

	2020 R'000	2019 R'000

12. Investments in associates (continued)

Differences in accounting policy

The investee consistently applied its accounting policies from 2019 to 2020.

An analysis between the accounting policies of the investee and that of the Fund, revealed the following matters for consideration:

- The investee is an investment entity per definition in terms of IFRS 10 Consolidated Financial Statements and as a result exempted from consolidation. Conversely GRAP 6 Consolidated and Separate Financial Statements and GRAP 35 Consolidated Financial Statements are not applicable to the Fund. Consequentially no adjustment was required before equity accounting could be performed.
- The investee fair valued investments through equity. GRAP 104 Financial Instruments determines that similar adjustments to the fair value of investments should be recognised in surplus or deficit. Consequentially an adjustment was required to the share in surplus/deficit, accumulated surplus and investment.
- The investee expensed borrowing costs in terms of Section 25 of IFRS for SMEs. GRAP 5 Borrowing cost provides for a benchmark treatment and an allowed alternative treatment for borrowing costs. The Fund currently does not have an accounting policy for borrowing costs as it does not have borrowing costs. Consequentially no adjustment was required before equity accounting could be performed.

The differences in accounting policies resulted in an increase in the Investment in associate of R4.5 million and a corresponding increase in accumulated surplus of the Fund for 31 March 2019.

The differences in accounting policies resulted in an increase in the Investment in associate of R5 million and a corresponding increase in accumulated surplus of the Fund of R4.5 million with a remaining increase of R0.5 million in the share of surplus / (deficit) for 31 March 2020.

Equity accounting

No further adjustments were necessary. The Fund proceeded to equity account for its share in the investee's surplus / deficit for the year ended 31 March 2020 by recognising a deficit of R2 million (2019: R1 million).

Impairment consideration

No impairment loss was recognised for the investment.

LA Crushers (Pty) Ltd

Accounting classification

This investment is accounted for as an associate in accordance with GRAP 7 Investments in Associates as a result of the Fund having significant influence.

Information received from investee and assurance thereof

The investee presented audited AFS to the Fund for the years ended 28 February 2019 and 29 February 2020 respectively.

The investee's auditors issued an unqualified audit opinion on the AFS for the years ended 28 February 2019 and 29 February 2020 respectively.

No significant transactions occurred between the reporting date of the investee and the Fund's reporting date.

Reporting framework of investee

The investee applies IFRS as its reporting framework.

	2020 R'000	2019 R'000

12. Investments in associates (continued)

Potential retrospective adjustments

Based on the audited AFS for 28 February 2019 and 29 February 2020 no retrospective restatements were required for equity accounted results previously recognised by the Fund.

Differences in reporting dates

The investees reporting date is one month earlier than that of the Fund. Due to only one month's difference in the reporting dates, the audited AFS was used for equity accounting purposes. No significant events occurred between the reporting date of the investee and that of the Fund.

Differences in accounting policies

The investee consistently applied its accounting policies from 2019 to 2020.

An analysis between the accounting policies of the investee and that of the Fund, revealed the following matters for consideration:

- The investee accounts for property, plant and equipment in terms of IAS 16 Property, plant and equipment. GRAP 17 Property, Plant and Equipment provides for similar accounting treatment.
- The investee accounts for inventory in terms of IAS 2 Inventories. GRAP 12 Inventories provides for similar accounting treatment except for inventories which were consumed or distributed for no, or nominal consideration which must be measured at the lower of cost and current replacement cost. The Fund currently does not have an accounting policy for inventories as it does not have inventories. Consequentially no adjustment was required before equity accounting could be performed.
- The investee accounts for the impairment of assets in terms of IAS 36 Impairment of Assets. GRAP 21 Impairment of Non-cash-generating Assets and GRAP 26 Impairment of Cash-generating assets provides for similar accounting treatment for the impairment of cash-generating assets. However, the fund only has non-cash generating assets and therefore GRAP 21 Impairment of Non-cash-generating must be applied. As the investee is a private sector entity it has no non-cash-generating assets. Consequentially no adjustment was required before equity accounting could be performed.
- The investee capitalises and expenses borrowing costs in terms of IAS 23 Borrowing Costs. GRAP 5 Borrowing Costs provides for a benchmark treatment and an allowed alternative treatment for borrowing costs. The Fund currently does not have an accounting policy for borrowing costs as it does not have borrowing costs. Consequentially no adjustment was required before equity accounting could be performed.
- The investee recognises revenue by using a five-step process and only recognises revenue when the inflow of revenue is probable in terms of IFRS 15 Revenue from Contracts with Customers. GRAP 9: Revenue from exchange transactions cost provides for the recognition of revenue once significant risks and rewards have transferred to the customer. In the audited AFS of the investee as at 28 February 2019 it was indicated that the adoption of IFRS 15 had no material impact on the financial results. The investee would previously have used IAS 18 Revenue and GRAP 9 mirrors the requirements of IAS 18. Consequentially no adjustment was required before equity accounting could be performed.
- The investee accounts for financial instruments in terms of IFRS 9 Financial Instruments. GRAP 104: Financial Instruments provides for different classification criteria, therefore is it also possible that the measurement may be affected. In terms of IFRS 9 Financial Instruments an impairment is recognised using the expected credit loss model where there is a deterioration in the credit risk of a receivable. Impairment is based on the historical loss ratios adjusted for current and future conditions and other factors the correlate defaults on the receivable. In terms of GRAP 104 Financial Instruments*,* an impairment is recognised using the incurred loss model when there is objective evidence that a receivable, or group of receivables, is impaired. Impairment is the difference between the carrying amount and present value of the future expected cash flows discounted at the initial discount rate. In the audited AFS of the investee as at 28 February 2019 it was indicated that the adoption of IFRS 9 had no material impact on the financial results. The investee would have used IAS 39 Financial Instruments in the past and GRAP 104 mirrors the requirements of IAS 39. Consequentially no adjustment was made before equity accounting was performed.

	2020 R'000	2019 R'000

12. Investments in associates (continued)

Equity accounting

No further adjustments were necessary. The Fund proceeded to equity account for its share in the investee's surplus / deficit for the year ended 31 March 2020 by recognising a deficit of R3 million (2019: R3 million).

Impairment consideration

An impairment loss of R83 million (2019: R44 million) was recognised since the valuation of the investment is less than the carrying amount.

Naturecell Africa RF (Pty) Ltd

Accounting classification

This investment is accounted for as an associate in accordance with GRAP 7 Investments in Associates as a result of the Fund having significant influence.

Information received from investee and assurance thereof

The investee presented audited AFS to the Fund for the years ended 28 February 2019 and 29 February 2020 respectively.

The investee's auditors issued an unqualified audit opinion on the AFS for the years ended 28 February 2019 and 29 February 2020 respectively.

Reporting framework of investee

The investee applies IFRS for SMEs as its reporting framework.

Potential retrospective adjustments

Based on the audited AFS for 28 February 2019 and 29 February 2020 no retrospective restatements were required for equity accounted results previously recognised by the Fund.

Differences in reporting dates

The investees reporting date is one month earlier than that of the Fund. Due to only one month's difference in the reporting dates, the audited AFS was used for equity accounting purposes. No significant events occurred between the reporting date of the investee and that of the Fund.

Differences in accounting policies

The investee consistently applied its accounting policies from 2019 to 2020.

An analysis between the accounting policies of the investee and that of the Fund, revealed the following matters for consideration:

- The investee accounts for property, plant and equipment in terms of Section 17 of IFRS for SMEs. GRAP 17 Property, Plant and Equipment provides for similar accounting treatment. Consequentially no adjustment was made before equity accounting was performed.
- The investee accounts for the impairment of assets in terms of Section 27 of IFRS for SMEs. GRAP 21 Impairment of Non-cash-generating Assets and GRAP 26 Impairment of Cash-generating assets provide for similar accounting treatments for the impairment of cash-generating assets. However, the fund only has non-cash generating assets and therefore GRAP 21 Impairment of Non-cash-generating must be applied. As the investee is a private sector entity it has no non-cash-generating assets. Consequentially no adjustment was required before equity accounting could be performed.

	2020 R'000	2019 R'000

12. Investments in associates (continued)

- The investee accounts for government grants in terms of Section 24 of IFRS for SMEs. GRAP 23 Revenue from Non-exchange Transactions (Taxes and transfers) provides that a liability is recognised when there is a condition attached to the grant and the condition is not satisfied. In terms of Section 24 of IFRS for SME's a liability is recognised when the grant is received before the revenue recognition criteria are satisfied. The Fund currently does not have an accounting policy for government grants as it does not have government grants. Consequentially no adjustment was required before equity accounting could be performed.

Equity accounting

No further adjustments were necessary. The Fund proceeded to equity account for its share in the investee's surplus / deficit for the year ended 31 March 2020 by recognising a deficit of R14 million (2019: surplus of R1 million).

Impairment consideration

No impairment loss was recognised for the investment.

Razorite Healthcare and Rehabilitation Fund En Commandite Partnership

Accounting classification

This investment is accounted for as an associate in accordance with GRAP 7 Investments in Associates as a result of the Fund having significant influence.

Information received from investee and assurance thereof

The investee presented audited AFS to the Fund for the years ended 31 March 2019 and 31 March 2020 respectively.

The investee's auditors issued an unqualified audit opinion on the AFS for the years ended 31 March 2019 and 31 March 2020 respectively.

Reporting framework of investee

The investee applies IFRS as its reporting framework.

Potential retrospective adjustments

Based on the audited AFS for 31 March 2019 and 31 March 2020 no retrospective restatements were required for equity accounted results previously recognised by the Fund.

Differences in reporting dates

As the investee has the same reporting date as the Fund no adjustments were required to align the reporting dates.

Differences in accounting policies

The investee consistently applied its accounting policies from 2019 to 2020.

An analysis between the accounting policies of the investee and that of the Fund, revealed the following matters for consideration:

- The investee is an investment entity per definition in terms of IFRS 10 Consolidated Financial Statements and as a result exempted from consolidation. Conversely GRAP 6 Consolidated and Separate Financial Statements and GRAP 35 Consolidated Financial Statements are not applicable to the Fund. Therefor no adjustment was required before equity accounting could be performed.

	2020 R'000	2019 R'000

12. Investments in associates (continued)

- The investee accounts for financial instruments in terms of IFRS 9 Financial Instruments. GRAP 104 Financial Instruments provides for different classification criteria, therefore is it also possible that the measurement may be affected. In terms of IFRS 9 Financial Instruments an impairment is recognised using the expected credit loss model where there is a deterioration in the credit risk of a receivable. Impairment is based on the historical loss ratios adjusted for current and future conditions and other factors the correlate defaults on the receivable. In terms of GRAP 104 Financial Instruments, an impairment is recognised using the incurred loss model when there is objective evidence that a receivable, or group of receivables, is impaired. Impairment is the difference between the carrying amount and present value of the future expected cash flows discounted at the initial discount rate. The investee did not have any receivables which were subject to impairment. The investee would have used IAS 39 Financial Instruments in the past and GRAP 104 mirrors the requirements of IAS 39. Consequentially no adjustment was required before equity accounting could be performed.

Equity accounting

No further adjustments were necessary. The Fund proceeded to equity account for its share in the investee's surplus / deficit for the year ended 31 March 2020 by recognising a deficit of R3 million (2019: R34 million).

Impairment consideration

No impairment loss was recognised for the investment.

Razorite Fund II En Commandite Partnership

Accounting classification

This investment is accounted for as an associate in accordance with GRAP 7 Investments in Associates as a result of the Fund having significant influence.

Information received from investee and assurance thereof

The investee presented audited AFS to the Fund for the years ended 31 March 2019 and 31 March 2020 respectively.

The investee's auditors issued an unqualified audit opinion on the AFS for the years ended 31 March 2019 and 31 March 2020 respectively.

Reporting framework of investee

The investee applies IFRS as its reporting framework.

Potential retrospective adjustments

Based on the audited AFS for 31 March 2019 and 31 March 2020 no retrospective restatements were required for equity accounted results previously recognised by the Fund.

Differences in reporting dates

As the investee has the same reporting date as the Fund no adjustments were required to align the reporting dates.

Differences in accounting policies

The investee consistently applied its accounting policies from 2019 to 2020.

- The investee is an investment entity per definition in terms of IFRS 10 Consolidated Financial Statements and as a result exempted from consolidation. Conversely GRAP 6 Consolidated and Separate Financial Statements and GRAP 35 Consolidated Financial Statements are not applicable to the Fund. Therefor no adjustment was required before equity accounting could be performed.

	2020 R'000	2019 R'000

12. Investments in associates (continued)

- The investee accounts for financial instruments in terms of IFRS 9 Financial Instruments. GRAP 104 Financial Instruments provides for different classification criteria, therefore is it also possible that the measurement may be affected. In terms of IFRS 9 Financial Instruments an impairment is recognised using the expected credit loss model where there is a deterioration in the credit risk of a receivable. Impairment is based on the historical loss ratios adjusted for current and future conditions and other factors the correlate defaults on the receivable. In terms of GRAP 104 Financial Instruments, an impairment is recognised using the incurred loss model when there is objective evidence that a receivable, or group of receivables, is impaired. Impairment is the difference between the carrying amount and present value of the future expected cash flows discounted at the initial discount rate. The investee did not have any receivables which were subject to impairment. The investee would have used IAS 39 Financial Instruments in the past and GRAP 104 mirrors the requirements of IAS 39. Consequentially no adjustment was required before equity accounting could be performed.

Equity accounting

No further adjustments were necessary. The Fund proceeded to equity account for its share in the investee's surplus / deficit for the year ended 31 March 2020 by recognising a surplus of R21 million (2019: deficit of R6 million).

Impairment consideration

An impairment loss of R4 million (2019: R0 million) was recognised since the valuation of the investment is less than the carrying amount.

Resultant Finance (Pty) Ltd

Accounting classification

This investment is accounted for as an associate in accordance with GRAP 7 Investments in Associates as a result of the Fund having significant influence.

Information received from investee and assurance thereof

The investee presented audited AFS to the Fund for the years ended 28 February 2019 and 29 February 2020 respectively.

The investee's auditors issued an unqualified audit opinion on the AFS for the years ended 28 February 2019 and 29 February 2020 respectively.

Reporting framework of investee

The investee applies IFRS for SMEs as its reporting framework.

Potential retrospective adjustments

Based on the audited AFS for 28 February 2019 and 29 February 2020 no retrospective restatements were required for equity accounted results previously recognised by the Fund.

Differences in reporting dates

The investees reporting date is one month earlier than that of the Fund. Due to only one month's difference in the reporting dates, the audited AFS was used for equity accounting purposes. No significant events occurred between the reporting date of the investee and that of the Fund.

Differences in accounting policies

The investee consistently applied its accounting policies from 2019 to 2020.

12. Investments in associates (continued)

An analysis between the accounting policies of the investee and that of the Fund, revealed the following matters for consideration:

- The investee accounts for property, plant and equipment in terms of Section 17 of IFRS for SMEs. GRAP 17 Property, Plant and Equipment provides for similar accounting treatment.
- The investee accounts for land at fair value in terms of Section 17 of IFRS for SMEs. GRAP 17 Property, Plant and Equipment provides that land can either be recognised at the cost model or the fair value model. The Fund currently applies the cost model. The investee purchased land in the 2019/2020 financial year, however no fair value adjustments were recognised. Consequentially no adjustment was required before equity accounting could be performed.
- The investee accounts for the impairment of assets in terms of Section 27 of IFRS for SMEs. GRAP 21 Impairment of Non-cash-generating Assets and GRAP 26 Impairment of Cash-generating assets provides for similar accounting treatment for the impairment of cash-generating assets. However, the fund only has non-cash generating assets and therefore GRAP 21 Impairment of Non-cash-generating must be applied. As the investee is a private sector entity it has no non-cash-generating assets. Consequentially no adjustment was required before equity accounting could be performed.
- The investee expenses borrowing costs in terms of Section 25 of IFRS for SMEs. GRAP 5 Borrowing Costs provides for a benchmark treatment and allowed alternative treatment for borrowing costs. The Fund currently does not have an accounting policy for borrowing costs as it does not have borrowing costs. Consequentially no adjustment was required before equity accounting could be performed.

Equity accounting

No further adjustments were necessary. The Fund proceeded to equity account for its share in the investee's surplus / deficit for the year ended 31 March 2020 by recognising a surplus of R9 million (2019: R5 million).

Impairment consideration

No impairment loss was recognised for the investment.

Deviation from GRAP 7 Investments in Associates

The Fund has deviated from the requirements of GRAP 7 Investments in Associates in terms of its ability to determine its share of the surplus / (deficit) of certain investees for the reporting period.

Due to the legislative requirement that the Fund needs to utilise the PIC as fund manager, the Fund has no alternative method at its disposal to obtain information from investees, other than through the PIC. The Fund has made every reasonable effort throughout the financial reporting period to obtain information from the PIC to ensure the investee information is relevant and faithful in terms of the Framework. The Fund finds itself in the position where every reasonable effort has been taken to obtain the information from investees for the year ended 31 March 2020 and the year ended 31 March 2019 (where relevant) and has no realistic alternative but to conclude that it is impracticable in terms of GRAP 1 Presentation of Financial Statements to obtain the information. Non submission of information by investees to the PIC has resulted in the Fund being in a position where the equity method in terms of GRAP 7 can no longer be applied. The Fund has no choice but to deviate from the requirements of GRAP 7. The Fund now has to ensure that despite the deviation from GRAP it still provides adequate information to the its users of the AFS to appreciate and analyse the AFS. The Fund will therefore apply the disclosure requirements of GRAP 1 paragraph 21 to 26 to achieve this objective.

The Fund's management concludes that the AFS still present fairly the Fund's financial position, financial performance and cash flows and that the deviation was made as a result of impracticability and to achieve fairer presentation.

Bright Glacier Trading (Pty) Ltd

Accounting classification

This investment is accounted for as an associate in accordance with GRAP 7 Investments in Associates as a result of the Fund having significant influence.

12. Investments in associates (continued)

Information received from investee and assurance thereof

The investee presented audited AFS to the Fund for the year ended 30 June 2018 and the audit opinion was unqualified.

The investee presented unaudited management accounts for the period 1 July 2018 up to 31 March 2019. The investee did not present any supporting information to the management accounts for the period 1 July 2018 up to 31 March 2019.

The investee present audited AFS to the Fund for the year ended 30 June 2019. The auditors issued a disclaimer opinion on the valuation of the investment held in K2015388659 (Pty) Ltd. Furthermore, the auditors concluded that the investee is insolvent due to the loss of R1 280 million that occurred as at 30 June 2019.

The investee did not present unaudited management accounts for the period 1 July 2019 up to 31 March 2020.

As a result the Fund could not implement effective systems of internal control to determine the accuracy, validity and completeness of the financial position, financial performance and cash flows of the investee.

Reporting framework of investee

The investee applies IFRS as its reporting framework.

Retrospective adjustments, differences in reporting dates and differences in reporting framework

The level of uncertainty contained in the results presented by the investee is so large that the relevance and faithful representativeness of the figures could not be confirmed.

As a result the Fund was not able to:
- Determine its share in surplus / (deficit) for the current reporting period
- Determine the impact of the three months difference in reporting date of the investee of 30 June and that of the Fund
- Determine the impact of the difference in reporting framework

Equity accounting

In line with the determinations of The Conceptual Framework for General Purpose Financial Reporting paragraph 6.8 the Fund did not recognise its share of the investee's surplus / (deficit) as it is of the view that the qualitative characteristics of financial reporting will not be achieved.

The Fund discloses in line with GRAP 1 Presentation of Financial Statements paragraph 10 the following information for the investee to the extent available.

The reader's attention is drawn to the fact that this information is from the audited AFS for 30 June 2018 and 30 June 2019 respective and the unaudited management accounts for the 31 March 2019 period.

	30 June 2019 R'000	31 March 2019 R'000	30 June 2018 R'000
Current assets	21	9 465	9 529
Non-current assets	302 698	601 889	1 396 466
Current liabilities	(1 557 771)	(253)	(253)
Non-current liabilities	-	(1 506 388)	(1 380 832)
Net assets / (liabilities)	1 255 052	895 287	(24 910)
Surplus / (deficit)	(1 279 808)	(928 469)	(33 090)
	(1 279 808)	**(928 469)**	**(33 090)**

Should this information have been used, the Fund's share of surplus / (deficit) for the year would have been (R144 million) (2019: (R371 million)).

	2020 R'000	2019 R'000

12. Investments in associates (continued)

Impairment consideration

An impairment loss of R549 million (2019: R822 million) was recognised since the valuation of the investment is less than the carrying amount.

Clinix Health Group (Pty) Ltd

Accounting classification

This investment is accounted for as an associate in accordance with GRAP 7 Investments in Associates as a result of the Fund having significant influence.

Information received from investee and assurance thereof.

The investee presented audited consolidated AFS to the Fund for the year ended 30 September 2019 and 30 September 2018, the audit opinion was unqualified for both periods.

The investee presented unaudited consolidated management accounts for the periods 1 October 2018 up to 31 March 2019 and 1 October 2019 up to 31 March 2020.

The investee did not present any supporting information to the unaudited consolidated management accounts for the periods 1 October 2018 up to 31 March 2019 and 1 October 2019 up to 31 March 2020.

As a result the Fund could not implement effective systems of internal control to determine the accuracy, validity and completeness of the financial position, financial performance and cash flows of the investee.

Reporting framework of investee

The investee applies IFRS as its reporting framework.

Retrospective adjustments, differences in reporting dates and differences in reporting framework

The level of uncertainty contained in the results presented by the investee is so large that the relevance and faithful representativeness of the figures could not be confirmed.

As a result the Fund was not able to:
- Determine the impact of the six months difference in reporting date of the investee of 30 September and that of the Fund
- Determine the impact of the difference in reporting framework

Equity accounting

In line with the determinations of The Conceptual Framework for General Purpose Financial Reporting paragraph 6.8 the Fund did not recognise its share of the investee's surplus / (deficit) as it is of the view that the qualitative characteristics of financial reporting will not be achieved.

The Fund discloses in line with GRAP 1 Presentation of Financial Statements paragraph 10 the following information for the investee to the extent available.

	2020 R'000	2019 R'000

12. Investments in associates (continued)

The reader's attention is drawn to the fact that this information is from the audited consolidated AFS and the unaudited consolidated management accounts for both periods.

	31 March 2020 R'000	30 September 2019 R'000	31 March 2019 R'000	30 September 2018 R'000
Current assets	429 970	389 405	323 143	320 916
Non-current assets	694 510	686 363	654 616	626 671
Current liabilties	(431 508)	(439 307)	(321 731)	(398 916)
Non-current liabilities	(371 974)	(378 444)	(356 541)	(261 049)
Net assets / (liabilities)	(320 998)	(258 017)	(299 487)	(287 622)
Revenue	1 145 537	1 111 502	1 026 649	1 020 419
Surplus / (deficit)	27 693	8 909	(11 177)	9 948

Should this information have been used, Fund's share in surplus / (deficit) to be recognised would be R6 million (2019: (R2 million)).

Impairment consideration

An impairment loss of R5 million (2019: R0 million) was recognised since the valuation of the investment is less than the carrying amount.

Daybreak Farms (Pty) Ltd

Accounting classification

This investment is accounted for as an associate in accordance with GRAP 7 Investments in Associates as a result of the Fund having significant influence.

Information received from investee and assurance thereof

The investee presented audited consolidated AFS to the Fund for the year ended 31 March 2019 and the audit opinion was unqualified.

The investee did not present audited consolidated AFS to the Fund for the year ended 31 March 2020.

The investee presented unaudited draft consolidated annual financial statements to the Fund for the year ended 31 March 2020.

The investee did not present any supporting information to the unaudited draft consolidated AFS for the year ended 31 March 2020.

As a result the Fund could not implement effective systems of internal control to determine the accuracy, validity and completeness of the financial position, financial performance and cash flows of the investee for the current reporting period.

Reporting framework of investee

The investee applies IFRS as its reporting framework.

Retrospective adjustments, differences in reporting dates and differences in reporting framework

The level of uncertainty contained in the results presented by the investee is so large that the relevance and faithful representativeness of the figures could not be confirmed.

As a result the Fund was not able to:
- Determine if retrospective adjustments were required to previously recognised surplus / (deficit)
- Determine the impact of the difference in reporting framework

	2020 R'000	2019 R'000

12. Investments in associates (continued)

Equity accounting

In line with the determinations of The Conceptual Framework for General Purpose Financial Reporting paragraph 6.8 the Fund did not recognise its share of the investee's surplus / (deficit) as it is of the view that the qualitative characteristics of financial reporting will not be achieved.

The Fund discloses in line with GRAP 1 Presentation of Financial Statements paragraph 10 the following information for the investee to the extent available.

The reader's attention is drawn to the fact that this information is from the unaudited draft consolidated AFS for the 2020 reporting period and the audited consolidated annual financial statements for the 2019 reporting period.

	31 March 2020 R'000	31 March 2019 R'000
Current assets	1 190 556	973 892
Non-current assets	871 292	796 234
Current liabilities	(356 657)	(254 791)
Non-current liabilities	(238 264)	(282 104)
Net assets / (liabilities)	(1 466 927)	(1 233 231)
Revenue	2 980 251	2 671 911
Surplus / (deficit)	283 772	262 123
	3 264 023	**2 934 034**

Should this information have been used have been used, Fund's share in surplus / (deficit) to be recognised would be R94 million (2019: R87 million).

Impairment consideration

No impairment loss was recognised for the investment.

Edcon Ltd

Accounting classification

This investment is accounted for as an associate in accordance with GRAP 7 Investments in Associates as a result of the Fund having significant influence. The investment was acquired during the 2020 reporting period.

Information received from investee and assurance thereof

The investee is currently under business rescue. Consequentially no financial information for the 2020 reporting period was received.

Reporting framework of investee

The investee applies IFRS as its reporting framework.

Retrospective adjustments, differences in reporting dates and differences in reporting framework

The Fund was not able to determine whether any adjustments were required as no financial information was received from the investee.

As a result the Fund was not able to:
- Determine its share in surplus / (deficit) for the current reporting period
- Determine the impact of the difference in reporting framework

	2020 R'000	2019 R'000

12. Investments in associates (continued)

Equity accounting

In line with the determinations of The Conceptual Framework for General Purpose Financial Reporting paragraph 6.8 the Fund did not recognise its share of the investee's surplus / (deficit) as it is of the view that the qualitative characteristics of financial reporting will not be achieved.

Impairment consideration

An impairment loss of R1 031 million was recognised since the valuation of the investment is less than the carrying amount.

Educor Property Holdings (Pty) Ltd

Accounting classification

This investment is accounted for as an associate in accordance with GRAP 7 Investments in Associates as a result of the Fund having significant influence.

Information received from investee and assurance thereof

The investee presented audited consolidated AFS to the Fund for the year ended 31 December 2018 and the audit opinion was unqualified.

The investee presented unaudited consolidated management accounts for the period 1 January 2019 to 31 March 2019.

The investee did not present audited consolidated AFS to the Fund for the year ended 31 December 2019.

The investee presented unaudited draft consolidated AFS to the Fund for the year ended 31 December 2019.

The investee did not present unaudited consolidated management accounts to the Fund for the period 1 January 2020 to 31 March 2020.

The investee did not present any supporting information to the unaudited draft consolidated AFS for the year ended 31 December 2019. The investee did not present any supporting information to the management accounts for the period 1 January 2019 to 31 March 2019.

As a result the Fund could not implement effective systems of internal control to determine the accuracy, validity and completeness of the financial position, financial performance and cash flows of the investee.

Reporting framework of investee

The investee applies IFRS as its reporting framework.

Retrospective adjustments, differences in reporting dates and differences in reporting framework

The level of uncertainty contained in the results presented by the investee is so large that the relevance and faithful representativeness of the figures could not be confirmed.

As a result the Fund was not able to:

- Determine if retrospective adjustments were required to previously recognised surplus / (deficit)
- Determine the impact of the three months difference in reporting date of the investee of 31 December and that of the Fund
- Determine the impact of the difference in reporting framework

Equity accounting

In line with the determinations of The Conceptual Framework for General Purpose Financial Reporting paragraph 6.8 the Fund did not recognise its share of the investee's surplus / (deficit) as it is of the view that the qualitative characteristics of financial reporting will not be achieved.

12. Investments in associates (continued)

The Fund discloses in line with GRAP 1 Presentation of Financial Statements paragraph 10 the following information for the investee to the extent available.

The reader's attention is drawn to the fact that this information is from the unaudited consolidated draft AFS for the 31 December 2019 reporting period and the audited consolidated AFS and unaudited consolidated management accounts for the 31 December 2018 and 31 March 2019 reporting periods respectively.

	31 December 2019 R'000	31 March 2019 R'000	31 December 2018 R'000
Current assets	303 444	220 864	949 134
Non-current assets	1 472 425	1 488 752	1 464 164
Current liabilities	(148 396)	(55 576)	(724 058)
Non-current liabilities	(988 915)	(1 326 820)	(699 378)
Net asses / (liabilities)	(638 558)	(327 220)	989 862
Revenue	182 880	194 741	203 154
Surplus / (deficit)	23 660	267 198	273 129

Should this information have been used, the Fund's share in surplus / (deficit) to be recognised would be R11 million (2019: R112 million).

Impairment consideration

An impairment loss of R108 million (2019: R0 million) was recognised since the valuation of the investment is less than the carrying amount.

Grey Jade Trade & Invest 69 (Pty) Ltd

Accounting classification

This investment is accounted for as an associate in accordance with GRAP 7 Investments in Associates as a result of the Fund having significant influence.

Information received from investee and assurance thereof

The investee submitted audited AFS to the Fund for the year ended 31 March 2019. The auditors expressed a disclaimer opinion in relation to biological assets and inventories stated at R60 million and R2 million respectively. The auditors were not able to observe the counting of the physical biological assets and inventories. There is a risk of possible misstatement of the balances, which impacts the profit as well. It is unclear whether these misstatements can be rectified, and it is not possible to quantify these misstatements.

The investee did not present audited AFS to the Fund for the year ended 31 March 2020.

The investee presented unaudited draft AFS to the Fund for the year ended 31 March 2020.

The investee did not present any supporting information to the unaudited draft AFS for the year ended 31 March 2020.

As a result the Fund could not implement effective systems of internal control to determine the accuracy, validity and completeness of the financial position, financial performance and cash flows of the investee.

Reporting framework of investee

The investee applies IFRS for SMEs as its reporting framework.

Retrospective adjustments, differences in reporting dates and differences in reporting framework

The level of uncertainty contained in the results presented by the investee is so large that the relevance and faithful representativeness of the figures could not be confirmed.

	2020 R'000	2019 R'000

12. Investments in associates (continued)

As a result the Fund was not able to:
- Determine its share in surplus / (deficit) for the current reporting period
- Determine if retrospective adjustments were required to previously recognised surplus / (deficit)
- Determine the impact of the difference in reporting framework

Equity accounting

In line with the determinations of The Conceptual Framework for General Purpose Financial Reporting paragraph 6.8 the Fund did not recognise its share of the investee's surplus / (deficit) as it is of the view that the qualitative characteristics of financial reporting will not be achieved.

The Fund discloses in line with GRAP 1 Presentation of Financial Statements paragraph 10 the following information for the investee to the extent available.

The reader's attention is drawn to the fact that this information is from the unaudited draft AFS for the 2020 reporting period and the audited AFS for the 2019 reporting period.

	31 March 2020 R'000	31 March 2019 R'000
Current assets	81 111	80 488
Non-current assets	25 841	22 966
Current liabilities	(83 960)	(76 399)
Non-current liabilities	(21 195)	(20 367)
Net assets / (liabilities)	(1 797)	(6 688)
Revenue	143 977	13 092
Surplus / (deficit)	(4 891)	6 688

Should this information have been used, the Fund's share of surplus / (deficit) for the year would have been (R2 million) (2019: R2 million).

Impairment consideration

No impairment loss was recognised for the investment.

Kefolile Health Investments (Pty) Ltd

Accounting classification

This investment is accounted for as an associate in accordance with GRAP 7 Investments in Associates as a result of the Fund having significant influence.

Information received from investee and assurance thereof

The investee presented audited AFS to the Fund for the year ended 30 June 2019 and 30 June 2018, the audit opinion was unqualified for both periods.

The investee presented unaudited management accounts for the periods 1 July 2018 up to 31 March 2019 and 1 July 2019 up to 31 March 2020.

The investee did not present any supporting information to the unaudited management accounts for the periods 1 July 2018 up to 31 March 2019 and 1 July 2019 up to 31 March 2020.

As a result the Fund could not implement effective systems of internal control to determine the accuracy, validity and completeness of the financial position, financial performance and cash flows of the investee.

Reporting framework of investee

The investee applies IFRS as its reporting framework.

	2020 R'000	2019 R'000

12. Investments in associates (continued)

Retrospective adjustments, differences in reporting dates and differences in reporting framework

The level of uncertainty contained in the results presented by the investee is so large that the relevance and faithful representativeness of the figures could not be confirmed.

As a result the Fund was not able to:
- Determine the impact of the nine months difference in reporting date of the investee of 30 June and that of the Fund
- Determine the impact of the difference in reporting framework

Equity accounting

In line with the determinations of The Conceptual Framework for General Purpose Financial Reporting paragraph 6.8 the Fund did not recognise its share of the investee's surplus / (deficit) as it is of the view that the qualitative characteristics of financial reporting will not be achieved.

The Fund discloses in line with GRAP 1 Presentation of Financial Statements paragraph 10 the following information for the investee to the extent available.

The reader's attention is drawn to the fact that this information is from the audited consolidated AFS and the unaudited consolidated management accounts for both periods.

	31 March 2020 R'000	30 June 2019 R'000	31 March 2019 R'000	30 June 2018 R'000
Current assets	2 546	6 508	6 487	3 122
Non-current assets	174 031	271 581	199 979	734 437
Current liabilities	(2 675)	(6 322)	(13 439)	(3 485)
Non-current liabilities	(673 612)	(619 352)	(619 352)	(553 741)
Net assets / (liabilities)	499 710	347 585	426 325	(180 333)
Revenue	52 535	48 939	50 726	56 822
Surplus / (deficit)	(73 387)	(517 954)	(710 991)	(457 191)

Should this information have been used, Fund's share in surplus / (deficit) to be recognised would be (R22 million) (2019: (R213 million)).

Impairment consideration

An impairment loss of R52 million (2019: R154 million) was recognised since the valuation of the investment is less than the carrying amount.

Musa Group (Pty) Ltd

Accounting classification

This investment is accounted for as a associate in accordance with GRAP 7 Investments in Associates as a result of the Fund having significant influence.

Information received from investee and assurance thereof

The investee presented unaudited draft consolidated AFS to the Fund for the year ended 28 February 2019.

The investee did not present any supporting information to the unaudited draft consolidated AFS for the year ended 28 February 2019.

The investee did not present audited consolidated AFS to the Fund for the year ended 29 February 2020 and 28 February 2019.

	2020 R'000	2019 R'000

12. Investments in associates (continued)

A liquidation order was issued against the investee on 20 February 2020, therefore, no financial information for the 2020 reporting period was received.

As a result the Fund could not implement effective systems of internal control to determine the accuracy, validity and completeness of the financial position, financial performance and cash flows of the investee.

Reporting framework of investee

The investee applies IFRS as its reporting framework.

Retrospective adjustments, differences in reporting dates and differences in reporting framework

The level of uncertainty contained in the results presented by the investee is so large that the relevance and faithful representativeness of the figures could not be confirmed.

As a result the Fund was not able to:

- Determine its share in surplus / (deficit) for the current reporting period
- Determine if retrospective adjustments were required to previously recognised surpluses / (deficits)
- Determine the impact of the difference in reporting framework

Equity accounting

In line with the determinations of The Conceptual Framework for General Purpose Financial Reporting paragraph 6.8 the Fund did not recognise its share of the investee's surplus / (deficit) as it is of the view that the qualitative characteristics of financial reporting will not be achieved.

The Fund discloses in line with GRAP 1 Presentation of Financial Statements paragraph 10 the following information for the investee to the extent available.

The reader's attention is drawn to the fact that this information is from the unaudited draft consolidated AFS for the 2019 reporting period.

	28 February 2019 R'000
Current assets	280 897
Non-current assets	978 400
Current liabilities	(450 619)
Non-current liabilities	(1 405 270)
Net assets / (liabilities)	596 592
Revenue	701 701
Surplus / (deficit)	(252 392)
	449 309

Should this information have been used, the Fund's share of surplus / (deficit) for the year would have been R0 million (2019: (R38 million)).

Impairment consideration

An impairment loss of R139 million (2019: R71 million) was recognised since the valuation of the investment is less than the carrying amount.

12. Investments in associates (continued)

South Point Management Services (Pty) Ltd

Accounting classification

This investment is accounted for as an associate in accordance with GRAP 7 Investments in Associates as a result of the Fund having significant influence.

Information received from investee and assurance thereof

The investee presented audited AFS to the Fund for the year ended 28 February 2019 and the audit opinion was unqualified.

The investee did not present audited AFS to the Fund for the year ended 29 February 2020.

The investee presented unaudited draft AFS to the Fund for the year ended 29 February 2020.

As a result the Fund could not implement effective systems of internal control to determine the accuracy, validity and completeness of the financial position, financial performance and cash flows of the investee.

Reporting framework of investee

The investee applies IFRS as its reporting framework.

Retrospective adjustments, differences in reporting dates and differences in reporting framework

The level of uncertainty contained in the results presented by the investee is so large that the relevance and faithful representativeness of the figures could not be confirmed.

As a result the Fund was not able to:

- Determine its share in surplus / (deficit) for the current reporting period
- Determine if retrospective adjustments were required to previously recognised surplus / (deficit)
- Determine the impact of the difference in reporting framework

Equity accounting

In line with the determinations of The Conceptual Framework for General Purpose Financial Reporting paragraph 6.8 the Fund did not recognise its share of the investee's surplus / (deficit) as it is of the view that the qualitative characteristics of financial reporting will not be achieved.

The Fund discloses in line with GRAP 1 Presentation of Financial Statements paragraph 10 the following information for the investee to the extent available.

The reader's attention is drawn to the fact that this information is from the unaudited draft annual financial statements for the 29 February 2020 reporting period and the audited AFS for the 28 February 2019 reporting period.

	29 February 2020 R'000	28 February 2019 R'000
Current assets	41 963	73 504
Non-current assets	1 941 901	1 628 259
Current liabilities	(109 374)	(103 368)
Non-current liabilities	(749 142)	(545 384)
Net assets / (liabilities)	(1 125 348)	(1 053 011)
Revenue	232 435	215 504
Surplus / (deficit)	72 337	125 832
	304 772	**341 336**

Should this information have been used, Fund's share in surplus / (deficit) to be recognised would be R29 million (2019: R50 million).

	2020 R'000	2019 R'000

12. Investments in associates (continued)

Impairment consideration

An impairment loss of R0 million (2019: R21 million) was recognised since the valuation of the investment is less than the carrying amount.

The SA SME Fund Ltd

Accounting classification

This investment is accounted for as an associate in accordance with GRAP 7 Investments in Associates as a result of the Fund having significant influence.

Information received from investee and assurance thereof

The investee presented audited AFS to the Fund for the year ended 28 February 2019 and the audit opinion was unqualified.

The investee presented unaudited draft AFS to the Fund for the year ended 29 February 2020.

The investee did not present any supporting information to the unaudited draft AFS for the year ended 29 February 2020.

As a result the Fund could not implement effective systems of internal control to determine the accuracy, validity and completeness of the financial position, financial performance and cash flows of the investee.

Reporting framework of investee

The investee applies IFRS as its reporting framework.

Retrospective adjustments, differences in reporting dates and differences in reporting framework

The level of uncertainty contained in the results presented by the investee is so large that the relevance and faithful representativeness of the figures could not be confirmed.

As a result the Fund was not able to:
- Determine if retrospective adjustments were required to previously recognised surplus / (deficit)
- Determine the impact of the difference in reporting framework

Equity accounting

In line with the determinations of The Conceptual Framework for General Purpose Financial Reporting paragraph 6.8 the Fund did not recognise its share of the investee's surplus / (deficit) as it is of the view that the qualitative characteristics of financial reporting will not be achieved.

The Fund discloses in line with GRAP 1 Presentation of Financial Statements paragraph 10 the following information for the investee to the extent available.

	2020 R'000	2019 R'000

12. Investments in associates (continued)

The reader's attention is drawn to the fact that this information is from the unaudited draft AFS for the 2020 reporting period and the audited AFS for the 2019 reporting period.

	29 February 2020 R'000	28 February 2019 R'000
Current assets	986 467	444 798
Non-current assets	271 069	54 387
Current liabilities	(26 520)	(9 721)
Non-current liabilities	-	(24)
Net assets / (liabilities)	(1 231 016)	(489 440)
Revenue	11 392	11 959
Surplus / (deficit)	(27 726)	(23 316)
	(16 334)	**(11 357)**

Should this information have been used, the Fund's share in surplus / (deficit) to be recognised would be (R6 million) (2019: (R5 million)).

Impairment consideration

An impairment loss of R7 million (2019: R12 million) was recognised since the valuation of the investment is less than the carrying amount.

UIF Agri-Fund 1 En Commandite Partnership

Accounting classification

This investment is accounted for as an associate in accordance with GRAP 7 Investments in Associates as a result of the Fund having significant influence.

Information received from investee and assurance thereof

The investee presented audited AFS to the Fund for the year ended 31 December 2018 and the audit opinion was unqualified.

The investee presented unaudited draft AFS to the Fund for the year ended 31 December 2019 as well as unaudited management accounts for the periods 1 January 2019 to 31 March 2019 and 1 January 2020 to 31 March 2020.

The investee did not present any supporting information to the unaudited draft AFS for the year ended 31 December 2019. The investee did not present any supporting information to the management accounts for the periods 1 January 2019 to 31 March 2019 and 1 January 2020 to 31 March 2020.

As a result the Fund could not implement effective systems of internal control to determine the accuracy, validity and completeness of the financial position, financial performance and cash flows of the investee.

Reporting framework of investee

The investee applies IFRS as its reporting framework.

Retrospective adjustments, differences in reporting dates and differences in reporting framework

The level of uncertainty contained in the results presented by the investee is so large that the relevance and faithful representativeness of the figures could not be confirmed.

As a result the Fund was not able to:

- Determine if retrospective adjustments were required to previously recognised surplus / (deficit)
- Determine the impact of the three months difference in reporting date of the investee of 31 December and that of the Fund
- Determine the impact of the difference in reporting framework

	2020 R'000	2019 R'000

12. Investments in associates (continued)

Equity accounting

In line with the determinations of The Conceptual Framework for General Purpose Financial Reporting paragraph 6.8 the Fund did not recognise its share of the investee's surplus / (deficit) as it is of the view that the qualitative characteristics of financial reporting will not be achieved.

The Fund discloses in line with GRAP 1 Presentation of Financial Statements paragraph 10 the following information for the investee to the extent available.

The reader's attention is drawn to the fact that this information is from the unaudited draft AFS and the unaudited management accounts for the 31 December 2019 and 31 March 2020 reporting periods respectively and the audited AFS and the unaudited management accounts for the 31 December 2018 and 31 March 2019 reporting periods respectively.

	31 March 2020 R'000	31 December 2019 R'000	31 March 2019 R'000	31 December 2018 R'000
Current assets	66 807	35 329	79 272	80 473
Non-current assets	454 820	483 575	440 968	439 273
Current liabilities	(2 797)	(2 830)	(2 513)	(2 632)
Net assets / (liabilities)	(518 830)	(516 074)	(517 727)	(517 114)
Revenue	38 222	34 582	36 052	32 718
Surplus / (deficit)	(13 206)	(1 040)	3 006	(203)
	25 016	**33 542**	**39 058**	**32 515**

Should this information have been used have been used, the Fund's share in surplus / (deficit) to be recognised would be (R13 million) (2019: R3 million).

Impairment consideration

No impairment loss was recognised for the investment.

Urban Lifestyle Investment Holdings (Pty) Ltd

Accounting classification

This investment is accounted for as an associate in accordance with GRAP 7 Investments in Associates as a result of the Fund having significant influence. The investment was acquired during the 2020 reporting period.

Information received from investee and assurance thereof

The investee did not present audited consolidated AFS to the Fund for the year ended 31 December 2019.

The investee presented unaudited draft consolidated AFS to the Fund for the year ended 31 December 2019 as well as unaudited management accounts for the period 1 January 2020 to 31 March 2020.

The investee did not present any supporting information to the unaudited draft consolidated AFS for the year ended 31 December 2019. The investee did not present any supporting information to the management accounts for the period 1 January 2020 to 31 March 2020.

As a result the Fund could not implement effective systems of internal control to determine the accuracy, validity and completeness of the financial position, financial performance and cash flows of the investee.

Reporting framework of investee

The investee applies IFRS as its reporting framework.

	2020 R'000	2019 R'000

12. Investments in associates (continued)

Retrospective adjustments, differences in reporting dates and differences in reporting framework

The level of uncertainty contained in the results presented by the investee is so large that the relevance and faithful representativeness of the figures could not be confirmed.

As a result the Fund was not able to:
- Determine the impact of the three months difference in reporting date of the investee of 31 December and that of the Fund
- Determine the impact of the difference in reporting framework

Equity accounting

In line with the determinations of The Conceptual Framework for General Purpose Financial Reporting paragraph 6.8 the Fund did not recognise its share of the investee's surplus / (deficit) as it is of the view that the qualitative characteristics of financial reporting will not be achieved.

The Fund discloses in line with GRAP 1 Presentation of Financial Statements paragraph 10 the following information for the investee to the extent available.

The reader's attention is drawn to the fact that this information is from the unaudited draft AFS and the unaudited management accounts.

	31 March 2020 R'000	31 December 2019 R'000
Current assets	398 468	555 189
Non-current assets	1 110 086	1 019 707
Current liabilities	(34 957)	(68 016)
Non-current liabilities	(962 310)	(1 009 795)
Net assets / (liabilities)	(511 287)	(497 085)
Revenue	54 567	67 734
Surplus / (deficit)	(54 918)	(70 253)
	(351)	**(2 519)**

Should this information have been used, the Fund's share of surplus / (deficit) for the year would have been (R23 million).

Impairment consideration

No impairment loss was recognised for the investment.

13. Payables from exchange transactions

	2020 R'000	2019 R'000
Payables	629 851	423 661
Accrued bonus	43 605	40 289
Accrued leave pay	59 337	54 269
Deposits received	361	42
Uncleared deposits	1 302	5
	734 456	**518 266**

Payables
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.

Notes to the Audited Annual Financial Statement

	2020 R'000	2019 R'000

14. Provisions

Reconciliation of provisions - 2020

	Opening Balance R'000	Adjustment provision for the year R'000	Utilised during the year R'000	Total R'000
Capped leave	26 870	(803)	(194)	25 873

Reconciliation of provisions - 2019

	Opening Balance R'000	Adjustment provision for the year R'000	Utilised during the year R'000	Total R'000
Capped leave	26 434	555	(119)	26 870

	2020	2019
Non-current liabilities	25 755	26 870
Current liabilities	118	-
	25 873	**26 870**

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.

The liability is recalculated on an annual basis as at 31 March based on the employee's current salary and number of capped leave days. Employees salaries increase annually with a pay progression in the event that the employee performed above expectation.

15. Benefits payable

	2020	2019
Benefits payable - approved		
Opening balance	14 499	17 448
Claims approved	16 159 705	10 989 674
Payments made	(16 151 460)	(10 992 623)
	22 744	**14 499**

	2020	2019
Benefits payable - outstanding claims liability		
Opening balance	9 963 711	6 308 077
Net movement for the year from below	(970 346)	3 655 634
Provision for benefit claims - current year	2 919 251	4 830 055
Revised ultimate claim amounts - prior year	(1 231 515)	1 366 268
Claims paid prior years	(2 658 081)	(2 540 689)
Approved but not fully paid	**8 993 365**	**9 963 711**

The Total Outstanding Claims (TOC) provides for claims which have occurred prior to the reporting date, but which have not yet been paid by that date. It therefore includes allowance for Incurred But Not Approved (INBA) and Approved But Not yet fully Paid (ABNP) claim. The outstanding claims liability of R8 993 million (2019: R9 964 million) reflects the ABNP portion per the actuarial valuation report. The IBNA portion is included as part of the technical reserve of The Fund.

	2020 R'000	2019 R'000

15. Benefits payable (continued)

In the previous year, the IBNR excluding the CHE was reflected as the benefits payable portion of the claims of the Fund. Due to the obligating event being the driver of the benefit payable liability, a change was made to the composition of the amount. The liability now is made up of the RBNP excluding the CHE. The IBNA which is subsequently made up of the RBNA and the IBNR that now forms part of the technical reserve including the CHE. Refer to Note 17.

The prior year amounts were reclassified relating to the provision for benefit claims and revised ultimate claims amounts. Refer to Note 42 for the detail.

16. Accumulated surplus and reserves

Accumulated surplus

The accumulated surplus reflects the net financial position of the Fund and is the difference between the assets and liabilities recognised in the Statement of Financial Position.

Technical reserve

The technical reserve is created by the Fund to set money aside to pay the benefits when the claims are submitted. The Fund must maintain sufficient technical reserves to cover these future benefit claims and associated expenses that it expects to pay in future. The amount for the technical reserve is determined annually by the Fund's actuaries and created out of accumulated surplus. Also refer to contingencies in Note 33.

The technical reserve is made up of the Unexpired Premium Reserve (UPR), Unexpired Risk Reserve (URR), Additional Unexpired Risk Reserve (AURR) and Incurred But Not Approved Claims (IBNA). The IBNA is further made up of the Incurred But Not Reported Claims (IBNR) and the Reported But Not Approved Claims (RBNA). These are estimates where the Fund is not yet obliged to make a payment to the beneficiary as the claim is not yet approved by the Fund. The Claims Handling Expenses (CHE) as determined by the actuaries for each element is included as part of the Technical Reserve.

The current year is the first time the URR and AURR are included in the technical reserve with a value. The URR and AURR are for situations where it is expected that the premiums yet to be earned will be insufficient. Under normal circumstances over the longer term, the contributions are expected to be sufficient to pay claims and expenses. However, during the period impacted by COVID-19 lay-offs, it is estimated that the normal 2% contribution will likely not be sufficient. The actuaries have therefore considered this future uncertainty to ensure that the Fund will be able to meet its mandate to pay out potential future claims.

Ring-fence reserve created from the accumulated surplus:

	2020 R'000	2019 R'000
Unexpired Premium Reserve (UPR)	44 725 054	42 760 087
Unexpired Risk Reserve (URR)	27 294 992	-
Additional Unexpired Risk Reserve (AURR)	9 035 509	-
Incurred But Not Approved Claims	7 582 011	12 245 335
Incurred But Not Reported Claims (IBNR)	4 624 832	10 083 497
Reported But Not Approved Claims (RBNA)	2 957 179	2 161 838
	88 637 566	**55 005 422**

17. Financial instruments disclosure

Categories of financial instruments

2020

Financial assets

	At fair value R'000	At amortised cost R'000	Designated at fair value R'000	Total R'000
Listed equity	35 050 376	-	-	35 050 376
Unlisted equity	417 585	-	-	417 585
Bonds	84 032 144	-	-	84 032 144
Bills	-	-	3 863 295	3 863 295
Promissory notes	-	-	1 293 510	1 293 510
Unlisted financial instruments	234 400	5 692 971	-	5 927 371
Investment income receivable	-	526 306	-	526 306
Fixed deposits	-	11 298 761	-	11 298 761
Receivables from exchange transactions	-	54 720	-	54 720
Receivables from non-exchange transactions	-	10 796	-	10 796
Cash and cash equivalents	-	3 498 090	-	3 498 090
	119 734 505	**21 081 644**	**5 156 805**	**145 972 954**

Financial liabilities

	At amortised cost R'000	Total R'000
Payables	629 851	629 851
Service bonus accrual	43 605	43 605
Deposits received	361	361
Uncleared deposits	1 302	1 302
Bank overdraft	13	13
	675 132	**675 132**

2019

Financial assets (restated)

	At fair value R'000	At amortised cost R'000	Designated at fair value R'000	Total R'000
Listed equity	43 245 972	-	-	43 245 972
Unlisted equity	669 826	-	-	669 826
Bonds	91 773 181	-	-	91 773 181
Bills	-	-	695 587	695 587
Promissory notes	-	-	1 275 859	1 275 859
Unlisted financial instruments	-	5 979 618	-	5 979 618
Investment income receivable	-	627 953	-	627 953
Fixed deposits	-	11 150 139	-	11 150 139
Receivables from exchange transactions	-	3 281	-	3 281
Receivables from non-exchange transactions	-	3 791	-	3 791
Cash and cash equivalents	-	4 216 859	-	4 216 859
	135 688 979	**21 981 641**	**1 971 446**	**159 642 066**

Notes to the Audited Annual Financial Statement

	2020 R'000	2019 R'000

17. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost R'000	Total R'000
Payables	423 660	423 660
Service bonus accrual	40 286	40 286
Deposits received	42	42
Uncleared deposits	5	5
Bank overdraft	13	13
	464 006	**464 006**

18. Revenue from non-exchange transactions

	2020 R'000	2019 R'000
Contributions received	20 548 165	19 565 214

Revenue consists of unemployment insurance contributions, interest and penalties from registered employers in terms of the UI Contributions Act (Act No.4 of 2002).

19. Benefit payments

	2020 R'000	2019 R'000
Benefit payments to beneficiaries		
Benefit payments - unemployed	13 010 233	11 748 975
Benefit payments - illness	350 952	439 919
Benefit payments - maternity	1 449 719	1 977 019
Benefit payments - adoption	398	674
Benefit payments - dependants	369 843	481 668
	15 181 145	**14 648 255**

Calculation of benefits

Section 13(3) of the UI Act - The UI Act, as amended and the UI Contributions Act (Act No. 4 of 2002) brought a complete change in the manner in which the Fund received contributions and calculates the insurance benefits and liabilties.

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 is 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 benefits 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.

	2020 R'000	2019 R'000

19. Benefit payments (continued)

Creation and maintenance of database

Section 57 of the UI Act 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 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 Fund headquarters are subjected to random sampling by the supervisors in the section and errors identified are corrected
- Declarations are updated directly from extracts of auditable payrolls of employers
- Identity 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 U19 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.

20. Unemployment Alleviation Schemes

	2020 R'000	2019 R'000
Training and social plan funding	879 729	107 016
Training lay-off scheme	69 620	13 057
	949 349	**120 073**

Section 48(1)(a)(iv) of the UI Act, as amended

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

Temporary Employer-Employee Relief Schemes (Training lay-off schemes)

The Unemployment Insurance Board recommended to the Minister of Employment and Labour, who approved on 23 September 2009 to commit R1 200 million of the Fund's money for the "Training Layoff Schemes".

TERS is the temporary suspension of work for a worker or a group of workers that will be assisted for a period of one to 12 months through payment of 75% of their wages curbed at R17 119.44 gross in line with the Basic Conditions of Employment Act ceiling. The scheme is aimed at companies individuals that are in distress due to economic conditions and workers who may be at risk of retrenchment that might become unemployment claimants.

TERS 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 and or top up the salary difference to the employees. Otherwise the worker(s) agree to forego their normal wage and only receive the 75% of their salary bill . The employer commits to turnaround the company, in line with their business case presented. The business case may incorporate training that will be provided through the SETA or any other intervention that will assist the company to be turned around. The TERS assists the company to implement its turnaround strategy whilst UIF takes care of the 75% wage bill.

Employers gain a recovery period by reducing payroll costs for one to 12 months and improve the skills of their workers.

Parallel to the TERS allowances, the various Sector Education Training Authorities (SETAs) facilitate training interventions. Applications to participate in the project go through a strict process that includes the Commission for Conciliation, Mediation and Arbitration (CCMA), Productivity South Africa , Department of Trade Industry and Competition (The DTIC) , the Fund convened by the by the CCMA. The Fund signs funding agreements and payments are based on withdrawal conditions. Committed funds are disclosed under contingent liabilities until the project is exhausted or cancelled and actual expenditure is presented in the Statement of Financial Performance under Unemployment Alleviation Schemes.

Notes to the Audited Annual Financial Statement

	2020 R'000	2019 R'000

20. Unemployment Alleviation Schemes (continued)

Training and Social Plan Funding

Investment in the poverty alleviation schemes includes up-skilling/training to the unemployed and social plan funding. The up-skilling/training and social plan funding are executed in relationship with the training institutions, the various SETA's and other government departments engaged in poverty/unemployment alleviation initiatives.

The social plan is implemented through Productivity South Africa. Productivity South Africa implements turnaround solutions to companies that want to improve their productivity. These services have also been extended to companies that are in distress through TERS.

The Fund signed funding agreements to the value of R85 million (2019: R1 300 million) and paid R65 million during the year under review (2019: R120 million) based on withdrawal conditions.

21. Other revenue from exchange transactions

	2020 R'000	2019 R'000
Rental income	3 748	1 746
Recovery on overpayment written off	16 083	14 376
Other recoveries	437	5 376
Proceeds on disposals	6	6
	20 274	**21 504**

22. Auditors remuneration

	2020 R'000	2019 R'000
Fees	11 590	8 594
Expenses	681	281
	12 271	**8 875**

23. Depreciation, amortisation and impairments

	2020 R'000	2019 R'000
Depreciation and amortisation		
Buildings	-	277
Computer software	32 477	36 116
Furniture and fixtures	1 504	1 469
IT equipment	16 508	11 637
Leasehold improvements	450	430
Motor vehicles	300	574
Office equipment	1 341	403
Telecom equipment	708	566
Impairment loss		
	53 288	**51 472**

24. Employee costs

	2020 R'000	2019 R'000
Basic	1 371 832	1 259 873
Other payroll levies	4 071	11 997
Other short term costs	1 168	1 705
Overtime payments	33 116	16 644
Long-service awards	1 781	1 581
Housing benefits and allowances	49 665	46 229
	1 461 633	**1 338 029**

Notes to the Audited Annual Financial Statement

25. Administrative costs

	2020 R'000	2019 R'000
Bank charges	16 820	17 641
Bad debts written off	69 513	42 961
Computer expenses	120 156	108 025
Commission paid to SARS for the collection of contributions	301 508	286 748
Other	47 166	43 129
Printing and stationery	14 713	13 134
	569 876	**511 638**

Included in bad debts written off are the following:

	2020 R'000	2019 R'000
Allowance for impairment		
Rent receivable	5	116
Sundry receivable	(15)	(1)
Transactions under investigation	(1 652)	(1 661)
Disallowances on overpayment of debt	3 005	(19 344)
Legal claims	1 060	(734)
Amounts written off		
Disallowances and overpayment debt	64 895	59 830
Legal claims	960	2 444
Transactions under investigation	1 072	1 837
Unreconciled	34	-
Write off of office errors	183	474
	69 547	**42 961**

26. Operating expenses

	2020 R'000	2019 R'000
Computer services U-filing	17 763	17 063
Consulting fees - administration and support	23 879	21 404
Consulting contractors and special services	168 356	160 016
Lease rentals on operating lease	155 955	117 732
Investment portfolio - management fees	72 266	88 253
Investment fees - transaction cost	29 744	38 233
Municipal services	22 507	23 919
Other operational costs	13 281	13 362
Telephone and fax	24 757	21 232
Travel and subsistence	76 350	64 112
	604 858	**565 326**

27. Investment revenue

	2020 R'000	2019 R'000
Investment revenue		
Listed financial assets	7 697 642	7 428 256
Other financial assets	2 055 550	1 657 895
Bank	1 027 034	900 408
Interest received - other	887 858	539 461
	11 668 084	**10 526 020**

	2020 R'000	2019 R'000
Investment revenue earned on financial assets by category		
Interest earned on financial assets at fair value	7 697 642	7 428 255
Dividends earned on financial assets at fair value	2 055 550	1 657 895
Interest earned on financial assets at amortised cost	1 914 892	1 439 870
	11 668 084	**10 526 020**

	2020 R'000	2019 R'000

27. Investment revenue (continued)

Rates of interest	Fixed or floating rate	Effective weighted average rate 2020	Effective weighted average rate 2019
Government bonds	Fixed rate	5.51 %	5.47 %
Parastatal bonds	Fixed rate	7.80 %	7.75 %
Parastatal bonds	Floating rate	7.95 %	8.69 %
Manufacturing bonds	Fixed rate	9.49 %	9.49 %
Service bonds	Fixed rate	9.30 %	9.30 %
Financial bonds	Fixed rate	9.39 %	9.39 %
Certificate of deposits	Fixed rate	7.31 %	8.20 %
Promissory notes	Fixed rate	5.94 %	7.75 %
Treasury bills	Fixed rate	5.90 %	- %
Corporate bills	Floating rate	5.89 %	7.80 %
Fixed deposits - First National Bank	Floating rate	6.70 %	7.28 %
Fixed deposits - PIC	Floating rate	7.44 %	7.85 %
Cash and cash equivalents	Floating rate	6.25 %	6.25 %

28. Fair value adjustments

	2020	2019
Investment property (Fair value model)	(183 125)	(66 255)
Other financial assets		
• Investments at fair value	(21 995 772)	(8 119 243)
	(22 178 897)	**(8 185 498)**

Fair value per asset category		
Listed equity	(12 177 540)	(2 353 394)
Bonds	(9 925 375)	(6 834 428)
Bills	11 763	(27)
Promissory notes	5 353	(1 181)
Negotiable certificates of deposit	8 090	(1 515)
Derivatives	-	22 103
Social responsibility investments	(331 230)	(96 025)
Foreign instruments	413 167	1 145 224
	(21 995 772)	**(8 119 243)**

The Fund discontinued to implement a zero cost collar derivative structure aimed at hedging R1 000 million 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 at 31 March 2020 and all the market values adjusted.

29. Income from equity accounted investments and interests

Surplus / (deficit) from associates		
Daybreak Farms (Pty) Ltd	-	86 501
Gurb Investments (Pty) Ltd	(1 873)	(869)
LA Crushers (Pty) Ltd	(2 860)	(2 611)
Naturecell Africa RF (Pty) Ltd	(14 274)	739
Razorite Health and Rehabilitation Fund En Commandite Partnership	(2 684)	(33 579)
Razorite Fund II En Commandite Partnership	20 706	(6 459)
Resultant Finance (Pty) Ltd	8 550	4 514
Southpoint Management Services (Pty) Ltd	-	50 333
The SA SME Fund Ltd	-	(5 060)
	7 565	**93 509**

Notes to the Audited Annual Financial Statement

	2020 R'000	2019 R'000
30. Impairment of other financial assets		
Impairments		
Other financial assets	(2 668 374)	(1 564 642)
Reversal of impairments		
Other financial assets	1 621 879	202 196
Total impairment losses (recognised) reversed	**(1 046 495)**	**(1 362 446)**

31. Cash generated from operations

	2020 R'000	2019 R'000
(Deficit) / surplus	(11 922 060)	2 196 286
Adjustments for:		
Depreciation, amortisation and impairment	53 285	51 472
Gains / losses on the disposal of property, plant and equipment	20 053	(1 340)
Impairment of other financial assets	1 046 495	1 362 446
Income from equity accounted investments and interests	(7 565)	(93 508)
Fair value adjustments	22 178 897	8 185 498
Interest income	(10 639 844)	(9 086 150)
Debt impairment	69 513	42 961
Movements in operating lease assets and accruals	1 711	-
Movements in provisions	(997)	436
Impairment of investments in associates and interests in joint ventures	2 065 572	1 219 689
Non cash transfer of assets	22 712	-
Interest accrual	(513)	(433)
Changes in working capital:		
Receivables from exchange transactions	(50 926)	(180)
Receivables from non-exchange transactions	(76 518)	(37 318)
Statutory receivables from non-exchange transactions	(199 078)	(39 231)
Prepayments	(16 984)	(117 495)
Payables from exchange transactions	216 191	226 822
Benefits payable	8 245	(2 949)
Benefits payable - Outstanding claims liability	(970 346)	3 675 357
	1 797 843	**7 582 363**

Notes to the Audited Annual Financial Statement

	2020 R'000	2019 R'000
32. Commitments		
Authorised capital expenditure		
Total capital commitments		
Already contracted for but not provided for	-	1
Authorised operational expenditure		
Already contracted for but not provided for		
IT enablement		
• 2 Identify	1 884	1 807
• Emerge Customer Flow Management	7 139	13 207
• Interfile	7 443	17 831
• Sizwe Africa IT Group	1 713	1 747
Unemployment Alleviation Schemes		
• Temporary employer-employee schemes (TERS)	95 821	20 672
• Training of the unemployed (TOU)	2 183 044	2 025 668
• Turnaround solutions (TAS)	-	47 890
Actuarial services		
• Independent actuaries	415	1 108
Internal audit services		
• SizweNtsalubaGobodo	956	2 793
Professional services		
• Altimax	34	-
• Dataproof Communications	598	-
• Lexis Nexis	-	28 830
• Litha Lethu Management Solutions	-	879
• Vindhya Systems	20 438	36 114
Other commitments		
• African Mobility Solutions	84 767	-
• Barnowl Technologies	-	95
• Fidelity Security Services	-	212
• G4S Cash Solutions SA	78	49
• GEN2 Enterprise Software	10 865	589
• Metrofile	6 678	-
• Nashua Communications	12 113	-
• Powerful Cleaning	6 410	9 727
• Predicate Logistics	-	380
• Procore Trading	54	-
• Servest	338	868
• Telkom SA	-	6 845
	2 440 788	**2 217 311**

The PIC manages all the Fund's properties. This service includes (but is not limited to) acquisition of property, outsourcing contracts to partners, brokerage of agreements, collection of rent, refurbishment, property development and facility management. Capital expenditure commitments are not presented to the Fund or its Board for approval neither does the Fund sign these commitments. The PIC internal procurement and approval processes are followed in rendering this service to the Fund. The Fund pays PIC a management fee for this service.

Thirteen cases were still pending against the Fund during the 2019/2020 financial year with regards to the adjudication of benefit payments and work done. Three of the cases relates to Death Benefits, one case for Maternity Benefits, one case for Illness Benefits, one case for Work done whereas the other seven cases relates to Unemployment Benefits.

	2020 R'000	2019 R'000

32. Commitments (continued)

For the seven cases of Unemployment Benefits, the total amount claimed against the Fund is R264,186.34 for six cases, with unknown amount of one case relating to 161 mine workers which is still pending and to be determined by the court. Two cases for Unemployment Benefits with the claimed amount of R85,518.40 are still pending, three cases for Unemployment Benefits was finalized and amount of R148,687,94 was paid to various applicants,and one case for Unemployment Benefits with the claim amount of R30,000.00 was ruled in favour of the Fund.

One case is for Maternity Benefits with the claimed amount of R8 076.73 this matter is still pending. Three cases are for Death Benefits with the claimed amounts of R42,465.27 for two cases with unknown amount for one case. For the above two cases one is ruled in favour of the applicant with the amount of R13 975.28, while one case with the claimed amount of R28,489.99 is still pending.

One case is for Illness Benefits with the claimed amount to be determined by the court and it is still pending. The last case if for the work done with the claim amount of R 704 250.00 and it is still pending. The total amount claimed against the Fund is R1,018,8978.34 this includes the amount ruled in favour of the Fund, finalized cases, pending cases and excludes the amount for the pending cases which are not mentioned on the court papers which will be determined buy the court ruling.

No provisions were made due to the fact that the amounts are immaterial.

Operating leases - as lessee (expense)

2020	**Buildings and other fixed structures R'000**	**Machinery and equipment R'000**	**Total R'000**
Not later than 1 year	34 211	4 386	38 597
Later than 1 year and not later than 5 years	23 992	6 824	30 816
	58 203	**11 210**	**69 413**

2019	**Buildings and other fixed structures R'000**	**Machinery and equipment R'000**	**Total R'000**
Not later than 1 year	31 677	382	32 059
Later than 1 year and not later than 5 years	58 204	383	58 587
	89 881	**765**	**90 646**

Operating lease payments represent rentals payable by the Fund for buildings, machinery and equipment. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due	2020	2019
Not later than 1 year	2 366	2 222
Later than 1 year and not later than 5 years	7 314	9 680
	9 680	**11 902**

At reporting date the Fund has only one investment property that is generating rental income namely Erf 895 (a portion of Erf 252) Bisho. The lease agreement for the Bisho building is non-cancellable and have a term of five years. There are no contingent rents receivable. Portion 5 (reminder extent) of Erf 43, Thohoyando building's refurbishment is still in progress and the current tenant's lease agreement expired. The Fund is in the process of evicting this tenant.

	2020 R'000	2019 R'000

33. Contingencies

Litigation against the Fund

Seven new cases were lodged against the Fund during the 2019/2020 financial year regarding the adjudication of benefit payments. Two of the cases relate to death benefits, whereas the other five cases relate to unemployment benefits. In total, 13 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 R0.1 million, one case was ruled in favour of the Fund to the amount of R0.04 million and the amounts claimed with regards to the other six cases are still pending .

Technical reserve

The funds set aside for the technical reserve are for possible future claims that once received and approved, create an obligation for the Fund to pay. The occurrence or non-occurrence of the claim is beyond the control of the Fund as an incident (e.g. loss of employment) may or may not occur.

The amount of the technical reserve as at 31 March 2020 is R88 638 million (2019: R55 005 million) as determined by the Fund's actuaries.

The technical reserve is made up of the Unexpired Premium Reserve (UPR), Unexpired Risk Reserve (URR), Additional Unexpired Risk Reserve (AURR) and Incurred But Not Approved Claims (IBNA). The IBNA is further made up of the Incurred But Not Reported Claims (IBNR) and the Reported But Not Approved Claims (RBNA). These are estimates where the Fund is not yet obliged to make a payment to the beneficiary as the claim has not yet approved by the Fund.

The technical reserve is made up as follows:

	2020	2019
Unexpired Premium Reserve (UPR)	44 725 054	42 760 087
Unexpired Risk Reserve (URR)	27 294 992	-
Additional Unexpired Risk Reserve (AURR)	9 035 509	-
Incurred But Not Approved Claims (IBNA)	7 582 011	12 245 335
Incurred But Not Reported Claims (IBNR)	4 624 832	10 083 497
Reported But Not Approved Claims (RBNA)	2 957 179	2 161 838
	88 637 566	**55 005 422**

34. Related parties

Relationships	
Controlling entity	Department of Employment and Labour
Joint ventures	Refer to note 11
Associates	Refer to note 12
Other	Productivity South Africa
Members of key management	See detail in note below

Department of Employment and Labour

The Director-General of the Department of Employment and Labour is the Accounting Authority of the Fund that forms part of the Department's Programme 5: Social Insurance.

The Fund shares various resources with the Department of Employment and Labour. Cost incurred by the Department of Employment and Labour on behalf of the Fund in executing its mandate in accordance with the UI Act is recovered from the Fund in according to the agreement between the Fund and the Department.

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 funding from the Fund.

There were no year-end balance arising from the above transactions included in Payables for the current and previous financial years.

Notes to the Audited Annual Financial Statement

	2020 R'000	2019 R'000
34. Related parties (continued)		
Related party balances		
Amounts included in Receivables (payables) regarding related parties		
Department of Employment and Labour	-	1 149
Department of Employment and Labour	(222 247)	(72 187)
Commitments with related parties		
Productivity South Africa	-	47 890
Related party transactions		
Unemployment alleviation scheme payments		
Productivity South Africa	(2 203)	16 050
Rent paid to (received from) related parties		
Department of Employment and Labour	-	(1 223)
Administration fees paid to (received from) related parties		
Department of Employment and Labour	341 480	292 279
Other operating expenses paid to (received from) related parties		
Department of Employment and Labour	4 273	2 916
Employee costs paid to (received from) related parties		
Department of Employment and Labour	1 453 052	1 318 606
IT equipment transferred		
Department of Employment and Labour	22 712	-

Unemployment Insurance Fund

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Figures in Rand Thousand

34. Related parties (continued)

Remuneration of management

Directors' emoluments

2020

Name	Appointment *Resignation date	Basic salary R'000	Expense allowances R'000	State contribution: Pension Fund R'000	State contribution: Medical aid R'000	Acting allowances R'000	Long service award R'000	Total R'000
Maruping TS (UI Commissioner)	1 December 2016	1 383	79	136	-	-	-	1 599
Kumbi J (Chief Director: Operations)	1 March 2012	1 005	147	95	23	-	-	1 271
Mconywa NB (Chief Director: Labour Activation Programmes)	1 March 2013	1 150	97	103	8	-	-	1 359
Monakali X (Chief Information Officer)	1 August 2015	961	7	94	-	-	-	1 063
Puzi TS (Chief Financial Officer)	1 April 2016	1 147	171	109	34	-	-	1 462
Yawa EM (Adv) (Chief Director: Corporate Services)	1 April 2019	901	287	112	-	-	-	1 301
Aderibigbe HA (Director: Budgets, Expenditure and Bank Recons)	1 March 2005	1 082	21	93	16	-	6	1 219
Briedenhann L (Director: Reporting)	1 October 2008	1 114	3	91	-	-	-	1 209
Buthelezi GM (Director: Communications)	1 June 2014	927	101	97	5	-	-	1 131
Duma P (Director: Labour Activation)	1 February 2018	948	3	95	-	-	-	1 047
Fololo Z (Director: Income and Accounts Receivable)	1 December 2013	848	161	97	17	-	11	1 135
Fourie ASC (Director: Treasury, Investments and Actuarial Services)	1 June 2014	856	78	95	33	-	-	1 063
Khumalo DJ (Director: Monitoring and Evaluation)	1 November 2006	951	111	107	21	-	-	1 191
Makgamatho MR (Director: Compliance)	1 November 2014	958	50	97	16	-	-	1 122
Maphatane TI (Director: Risk Management)	1 March 2018	890	100	95	-	-	-	1 086
Mathabela AC (Director: Organisational Effectiveness)	1 February 2018	938	17	95	22	-	-	1 073
Mulindi V (Director: Internal Audit)	1 January 2014	834	274	98	-	-	-	1 207
Naicker S (Director: Call Centre)	1 June 2019	797	7	79	-	-	-	884
Nape MW (Director: Labour Activation Programmes)	1 April 2016	988	17	96	-	-	-	1 102
Phathela MC (Adv) (Legal and Board)	*31 December 2019	606	209	66	5	30	-	916
Ragavaloo PA (Director: Provincial Support)	1 July 2016	865	127	96	-	-	-	1 089
Ramoshaba M (Director: Supply Chain Management)	1 December 2017	949	12	95	-	-	-	1 057

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Figures in Rand Thousand

34. Related parties (continued)

Roux P (Director: Human Resource Management)	1 April 2016	944	40	95	8	-	-	1 088
Van Wyk L (Director: Office of the UIC)	1 September 2015	790	221	95	-	-	-	1 107
Zungu SF (Director: Labour Activation Programmes)	1 April 2016	942	31	95	17	-	-	1 086
		23 774	**2 371**	**2 426**	**225**	**30**	**17**	**28 867**

2019

	Appointment *Resignation date	Basic salary R'000	Expense allowances R'000	State contribution: Pension Fund R'000	State contribution: Medical aid R'000	Performance bonus R'000	Acting allowances R'000	Long service award R'000	Total R'000
Maruping TS (UI Commissioner)	1 December 2016	1 315	32	129	-	-	-	-	1 477
Kumbi J (Chief Director: Operations)	1 March 2012	1 026	189	94	23	-	-	-	1 333
Mconywa NB (Chief Director: Labour Activation Programmes)	1 March 2013	1 095	106	100	9	-	-	-	1 311
Mhlongo HD (Chief Director: Corporate Services)	*1 December 2018	461	195	55	-	-	-	-	711
Monakali X (Chief Information Officer)	1 August 2015	914	23	91	-	-	151	-	1 180
Puzi TS (Chief Financial Officer)	1 April 2016	1 046	230	105	34	-	-	-	1 416
Aderibigbe HA (Director: Budgets, Expenditure and Bank Recons)	1 March 2005	1 026	19	90	16	-	-	-	1 152
Briedenhann L (Director: Reporting)	1 October 2008	1 095	2	87	-	-	-	-	1 185
Buthelezi GM (Director: Communications)	1 June 2014	850	107	91	5	-	-	-	1 054
Fololo Z (Director: Income and Accounts Receivable)	1 December 2013	812	132	90	16	-	-	-	1 051
Duma P (Director: Labour Activation)	1 February 2018	919	11	89	-	-	-	-	1 020
Fourie ASC (Director: Treasury, Investments and Actuarial Services)	1 June 2014	826	86	91	33	-	-	-	1 037
Khumalo DJ (Director: Monitoring and Evaluation)	1 November 2006	898	122	103	21	-	-	-	1 145
Makgamatho MR (Director: Compliance)	1 November 2014	881	58	91	16	-	-	-	1 047
Maphatane TI (Director: Risk Management)	1 March 2018	850	88	89	-	-	-	-	1 028
Mathabela AC (Director: Organisational Effectiveness)	1 February 2018	905	50	112	-	16	-	-	1 084
Mulindi V (Director: Internal Audit)	1 Januay 2014	759	298	92	-	-	-	-	1 150

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Figures in Rand Thousand

34. Related parties (continued)

Nape MW (DIrector: Labour Activation Programmes)	1 April 2016	925	8	92	-	-	-	-	1 026
Phathela MC (Adv) (Legal and Board)	1 September 2009	768	281	82	8	-	-	-	1 140
Ragavaloo PA (Director: Provincial Support)	1 July 2016	817	131	92	-	-	-	20	1 061
Ramoshaba M (Director: Supply Chain Management)	1 December 2017	901	3	89	-	-	-	-	994
Roux P (Director: Human Resource Management)	1 April 2016	896	43	91	8	-	-	-	1 039
Van Wyk L (Director: Office of the UIC)	1 September 2015	777	172	91	-	-	-	-	1 041
Zungu SF (Director: Labour Activation Programmes)	1 April 2016	918	22	91	17	-	-	-	1 049
		21 680	**2 408**	**2 227**	**206**	**16**	**151**	**20**	**26 731**

	2020 R'000	2019 R'000

34. Related parties (continued)

Non-executive Board Members fees

2020

	Appointment date	Fees for services R'000	Expense allowances R'000	Total R'000
Board Members				
Kganyago L *	Re-appointed: 1 November 2017	76	7	83
Mahlangu J	Appointed: 1 November 2017	2	-	2
Maphoto D	Appointed: 1 November 2017	41	7	48
Matshani M	Appointed: 1 November 2017	51	4	55
Mchunu M	Appointed: 1 November 2017	15	4	19
Mthalane D	Appointed: 1 November 2017	89	30	119
Nwedo NE*	Re-appointed: 1 November 2017	4	14	18
Nzimande WZ	Re-appointed: 1 February 2019	71	-	71
Tshefuta T	Appointed: 1 November 2017	4	2	6
Audit and Risk Committee				
Dala P	Appointed: 1 February 2017	528	3	531
De Kock C	Appointed: 1 October 2018	197	11	208
Skeepers N	Appointed: 1 October 2018	369	6	375
Terhoeven CF	Appointed: 1 October 2018	140	1	141
Appeals Committee				
Barichievy BA	Regional	12	-	12
Boboko A	Regional	4	4	8
Bokaba E	Regional	3	-	3
Booi M	Regional	4	1	5
Brandmuller AP	Regional	9	1	10
Diraditsile MV	Regional	2	-	2
Kula N	Regional	4	8	12
Mabuza TS	Regional	15	2	17
Makapela MNC	Regional	2	-	2
Maleki MK	Regional	10	3	13
Mapena M	Regional	5	1	6
Maribe BM	Regional	3	-	3
Mleve M	Regional	15	4	19
Modise M	Regional	4	2	6
Mofolo TM	Regional	3	1	4
Mokhobo M	Regional	5	1	6
Mokoena T	Regional	9	2	11
Mpulu N	Regional	7	1	8
Ngqaneka A	Regional	10	-	10
Oelofse E	Regional	5	-	5
Seabi SM	Regional	4	2	6
Tibane M	Regional	5	1	6
Williams T	Regional	15	-	15
		1 742	**123**	**1 865**

The following Regional Appeals Committee members received less than a thousand Rand and were therefore excluded from the table above:
Mr Olivier, R144 and Mr Tsubane, R592.

	2020 R'000	2019 R'000

34. Related parties (continued)

2019

	Appointment date	Fees for services R'000	Expense allowances R'000	Total R'000
Board Members				
Kganyago L*	Re-appointed: 1 November 2017	154	1	155
Mahlangu J	Appointed: 1 November 2017	67	10	77
Maphoto D	Appointed: 1 November 2017	71	7	78
Matshani M	Appointed: 1 November 2017	20	3	23
Mchunu M	Appointed: 1 November 2017	54	23	77
Mthalane D	Appointed: 1 November 2017	77	60	137
Nwedo NE*	Re-appointed: 1 November 2017	176	11	187
Nzimande WM	Re-appointed: 1 February 2019	58	-	58
Tshefuta T	Appointed: 1 November 2017	54	89	143
Audit and Risk Committee				
Botha D	Resigned: 24 October 2018	141	1	142
Dala P	Appointed: 1 February 2017	94	1	95
De Kock C	Appointed: 1 October 2018	63	1	64
Skeepers N	Appointed: 1 October 2018	232	4	236
Appeals Committee				
Barichievy BA	Regional	2	-	2
Boboko A	Regional	3	4	7
Bokaba E	Regional	11	1	12
Booi M	Regional	3	1	4
Brandmuller AP	Regional	3	-	3
Diraditsile MV	Regional	3	-	3
Makapela MNC	Regional	5	-	5
Maleki MK	Regional	10	1	11
Mapena M	Regional	9	-	9
Maribe BM	Regional	4	-	4
Mleve M	Regional	12	9	21
Mofolo TM	Regional	9	1	10
Mokhobo M	Regional	12	-	12
Mokoena T	Regional	6	2	8
Mpulu N	Regional	5	-	5
Ngqaneka A	Regional	5	1	6
Oelofse E	Regional	12	8	20
Olivier J	Regional	3	-	3
Seabi SM	Regional	4	2	6
Tibane M	Regional	6	1	7
Williams T	Regional	3	-	3
		1 391	**242**	**1 633**

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

35. 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 where 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 into Transactions under investigation and Actual fraud detected and form part of Receivables from exchange transactions.

	2020 R'000	2019 R'000

35. Transactions under investigation (continued)

	2020 R'000	2019 R'000
Actual fraud detected - benefits	10 706	11 759
Actual fraud detected - non-benefits	335	281
	11 041	**12 040**

Transactions under investigation are 100% impaired until evidence exists that measurable and probable economic benefits will flow to the Fund or there is no recovering probability and amounts are written off against the receivables' account. The portion not impaired for during the financial year under review are new transactions under investigation for which the recovery probability was not certain. Recoveries of amounts previously written off are disclosed under other revenue from exchange transactions in the Statement of Financial Performance.

36. Write off of overpayments

Overpayments - Irrecoverable

The Overpayment Policy and Procedures of the Fund makes provision for the write-off of debts that are deemed to be 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 PFMA.

Included in Administrative costs is an amount of R65 million (2019: R60 million) for irrecoverable overpayments which were written off during the financial year.

	2020 R'000	2019 R'000
Overpayments written off		
Irrecoverable overpayments	64 895	59 829

Invalid overpayments

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:

- New declaration lodged by the employer; and/or
- Credit days incorrectly calculated - the old overpayment is cancelled and a new one created; and / or
- Proof of prior payment in the LINC (U-filing declaration and payment portal) system; and / or
- Overpayment erroneously created against an incorrect debtor.

37. Irregular expenditure

	2020 R'000	2019 R'000
Opening balance as previously reported	107 249	110 190
Opening balance as restated	**107 249**	**110 190**
Add: Irregular expenditure - current	393	2 111
Add: Irregular expenditure - prior period	-	433
Less: Amount condoned	(14 493)	(5 485)
Closing balance	**93 149**	**107 249**

Notes to the Audited Annual Financial Statement

	2020 R'000	2019 R'000

37. Irregular expenditure (continued)

Details of Irregular expenditure	Date reported to Accounting authority	Confirmed amounts of irregular expenditure R'000	Status of irregular expenditure as at 31 March 2020: Investigation status	Losses to be recovered by the fund	Disciplinary action to be taken	Awaiting condonement
Accenture - irregularities in the appointment of the service provider	06 October 2017	86 871	Completed	Not applicable	Not applicable	Yes
Bambanani Pest Control - non application of Instruction Note 32 dd 31 May 2011, the original value was exceeded with 15%	06 October 2017	80	Completed	Not applicable	Yes	Not applicable
DataCentrix - non application of Instruction Note 32 dd 31 May 2011, the original value was exceeded with 15%	06 October 2017	122	Completed	Not applicable	Yes	Not applicable
Hunadi and Monare Trading - Non compliance to TR 16A 3.2 (a)	06 October 2017	58	Completed	Not applicable	Yes	Not applicable
Fidelity Security Services - Contract continued beyond 36 months	21 December 2018	11	Completed	Not applicable	Yes	Not applicable
FNB - amount paid exceeded the approved deviation	06 October 2017	2 730	Completed	Not applicable	Not applicable	Yes
Systems Applications Products - amount paid exceeded the approved deviation	06 October 2017	433	Completed	Not applicable	Yes	Not applicable
Madox Security - Services rendered outside the validity period of the contract	31 March 2018	430	Completed	Not applicable	Yes	Not applicable
Marsh Alexander Forbes - Contract addendum, exceeded the 15%	06 October 2017	361	Completed	Not applicable	Yes	Not applicable
Master Hygiene - non application of Instruction Note 32 dd 31 May 2011, the original value was exceeded with 15%	23 November 2016	36	Completed	Not applicable	Yes	Not applicable
Nine IT - non application of Instruction Note 32 dd 31 May 2011, the original value was exceeded with 15%	06 October 2017	2 017	Completed	Not applicable	Yes	Not applicable
		93 149				

Cases under investigation

The following amounts are still under investigation to determine whether irregular expenditure has been incurred or not:

	2020 R'000	2019 R'000
Opening balance	13 342	32 377
Irregular expenditure incurred under investigation - current year	13	6 370
Irregular expenditure incurred in prior periods - reported in current year	1 110	-
Expenditure confirmed to be irregular	(393)	(2 544)
Expenditure confirmed not to be irregular	(5 215)	(22 861)
	8 857	**13 342**

	2020 R'000	2019 R'000

37. Irregular expenditure (continued)

Forensic audit is a highly specialised area. The Fund appointed Nexus on 9 June 2016 to assist the Fund with forensic investigations. When irregular expenditure is identified, the amount due to the service provider is paid and the case referred to the Fund's Risk and Investigation Unit who executes an internal investigation. Subsequent to their findings, the case is referred to the forensic audit specialists for further investigation. This is the main reason for cases not being reported and finalised within the period of 90 days as prescribed by National Treasury. The contract with Nexus expired on 10 June 2019 subsequent to which a new service provider, Forensic Investigation, Risk and Recovery Management was appointed on 29 May 2020.

	2020 R'000	2019 R'000

38. Fruitless and wasteful expenditure

	2020 R'000	2019 R'000
Opening balance as previously reported	237	29
Opening balance as restated	**237**	**29**
Less: Interest written off by service provider	-	(29)
Add: Expenditure identified - current	-	237
Closing balance	**237**	**237**

Details of fruitless and wasteful expenditure	**Status of investigation**	
Case description		
Kara Heritage - Parking lease	Awaiting response from the delegated authority based on Risk Management's recommendation	237

Fruitless and wasteful expenditure still under investigation:

Opening balance	79 587	25 840
Add: Fuitless and wasteful expenditure incurred	48 921	53 984
Add: Fuitless and wasteful expenditure confirmed prior year	-	(237)
	128 508	**79 587**

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Figures in Rand Thousand

38. Fruitless and wasteful expenditure (continued)

Details of cases under investigation

Case description	Status of investigation	
Birchwood Hotel - Breach of SCM procurement policy	Recommendation submitted to the Office of the CFO to refer the case to Risk Management for investigation	73
Burgers Park Hotel - Non attendance at conference venue by employees	Referred to Risk Management for investigation	10
HCM Software	Referred to Risk Management for investigation	4 558
SAP licenses and support	Referred to Risk Management for investigation	123 850
Tsogo Sun, City Lodge, Masase Transfer and Tours - Non attendance with regards to official on official travel for various employees	Notification and acknowledgement of debt due and payable to the Fund by the employees implicated in progress.	17
		128 508

	2020 R'000	2019 R'000

39. Risk management

Introduction

Risk is inherent in the Fund's activities but it is managed through a process of ongoing identification, measurement and moitoring, 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 PFMA.

Unemployment Insurance Board (UI Board)

The Fund's Board recommends the principles for overall risk strategy, as well as policies covering specific risk 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 Fund's Board appointed sub-committees such as the Finance and Risk Advisory Committee (previously the Finance Advisory Committee) to oversee special areas of risk.

Investment Committee (Sub-committee of the UI Board)

The Investment Committee provides oversight on investment management of the Fund's investment portfolio by considering all investment performance and management reports to be presented to the UI Board. The Investment Committee also makes recommendations to both the UI Board and Management with regards to the investment policy statement and asset allocation strategy. The Committee contributes to risk mitigation by reviewing risk management policies, including the review of the level of risk and appropriate risk measures for each asset class by recommending the investment mandate which is based on an asset and liability modelling study.

Audit and Risk Committee

The committee has oversight of risk capacity, risk appetite allocation and strategies for managing risk. The committee assists the board in carrying out its functions relating to the safeguarding of assets, the operation of adequate risk management and control processes and the preparation of financial statements in compliance with all applicable legislation and regulations as well as the oversight of the external and internal audit appointments and function. The committee does not assume the functions of management nor provides relief to board members for their joint and several responsibilities regarding their fiduciary duties and they must continue to exercise due care and judgment following their legal obligations.

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 business 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 UI Board that makes the neccessary recommendations to the Accounting- and Executive authority.

Capital management

Approach to capital management

The Fund seeks to optimise the structure and source of capital to ensure a sustainable organisation which can meet its unemployment insurance obligations as per the UI Act and consistently strives to improve benefits to its stakeholders. The Fund's approach to managing capital involves managing assets, liabilities and risks in a coordinated way.

Notes to the Audited Annual Financial Statement

	2020 R'000	2019 R'000

Regulatory framework

Regulators are primarily interested in protecting the rights of registered employers and employees and to monitor the Fund closely, to ensure that management is satisfactorily managing affairs to their benefit.

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

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

In accordance with the UI Act, contributions received are managed and unemployment insurance claims paid.

Section 5 of the UI Act regulates the application of the Fund.

The Fund must be used for the:

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

Section 7 of the UI Act regulates the investment of money for 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 PIC. To be invested in terms of the Public Investment Corporations Act and the Fund's investment mandate.

Section 9 of the UI 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 reserve, Incurred but not Approved Claims (IBNA) and Reported But Not Approved Claims (RBNA)).

Section 10 of the UI Act regulates the surplus and deficit of the Fund. The Director-General must report and make recommendations to the Minister if the difference between the 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 of Employment and Labour, after consultation with the UI 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 of Employment and Labour may request the Minister of Finance to adjust the national budget in the manner contemplated in sections 16 and 30 of the PFMA, in order to cover any deficit in the Fund. Financial management of the Fund is in accordance with the PFMA and relevant National Treasury Regulations.

Notes to the Audited Annual Financial Statement

	2020 R'000	2019 R'000

Section 53 of the PFMA

The Accounting authority must submit to the responsible Executive authority, at least six months before the start of the 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 was obtained from National Treasury.

Capital management objectives, policies and approach: The Fund's capital management objectives, policies and approach are based on 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 management or improvement of the financial soundness of the Fund is utilised annually to make provision for the required Technical reserve and Incurred but not Approved Claims (IBNA) and Reported But Not Approved Claims (RBNA)

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

The Fund had no significant changes in its policies and processes to its capital structure during the past year. The capital structure of the Fund consists of net debt (benefits payable detailed in Note 15 offset by cash and cash equivalents as detailed in Note 7) and equity of the Fund (comprising of the Technical reserve and Accumulated surplus).

	2020 R'000	2019 R'000
The ratio at the end of the reporting period was as follows:		
Benefits payable - Outstanding claims reserve	8 993 365	9 963 711
Benefits payable	22 744	14 499
Cash and cash equivalents	(3 498 090)	(4 216 859)
Net benefits payable	**5 518 019**	**5 761 351**
Technical reserve	88 637 566	55 005 421
Accumulated surplus	54 357 309	99 911 519
Equity	**142 994 875**	**154 916 940**

Asset Liability Management (ALM) framework

The main risk that the Fund faces is unemployment insurance claims as per the UI Act and the 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 Modeling (ALM) studies. The Fund's Investment Committee commission regular Asset and Liability Modelling studies to ensure an approriate investment policy and mandate.

The principle technique of the Fund's ALM is to match assets to the liabilities arising from administrating the UI Act. The Fund's ALM is integrated with the management of the financial risks associated with the Fund's assets and liabilities directly associated with unemployment insurance and for 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 administrating the UI Act.

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 Fund cannot eliminate operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risk, the 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 a change in environment and technology are monitored through the Fund's strategic planning processes.

	2020 R'000	2019 R'000

Insurance risk

The Fund provides unemployment-, illness-, maternity-, adoption- and dependant benefits as prescribed by the UI Act. 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 the application of benefits.

The Fund's risk is limited through the UI Act, 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 Fund. The Fund maintains a fully funded position to mitigate its insurance risk.

	2020 R'000	2019 R'000
Technical reserve		
Unearned contribution revenue (UCR) (Unearned Premium Reserve (UPR), Unexpired Risk Reserve (URR), Additional Unexpired Risk Reserve (AURR) and Incurred But Not Approved Claims (IBNA))	88 637 566	55 005 421
Benefits payable		
Approved But Not Fully Paid (ABNP) and approved reported benefits payable	8 993 365	9 963 711
	97 630 931	**64 969 132**

Market risk

Market risk represents the potential loss due to 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, national disasters and investor sentiment.

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

Exposure to market risk is formally managed through a diverse investment portfolio in accordance to the risk parameters and limits agreed with the asset manager in a formal investment mandate. Adherence to mandate requirements such as a tracking error limit relative to a chosen benchmark and liquidity needs assures market risk management. The following benchmarks are set out in the Fund's mandate and tracked by the asset manager:

Asset class	**Benchmark**
Cash & money markets	STEFI
Equities	FTSE/JSE Capped SWIX excluding property
Foreign equity	MSCI (All Country World Index) excluding SA
Inflation linked bonds	CILI
Listed property	J253
Nominal bonds	All Bond Index (ALBI)

Risk parameters were set as follows:

Total risk of the Fund

Maximum total risk of the Fund is set at 2% above the average total risk of the benchmark measured over 24 months of monthly returns

Fixed income

A combination of conventional bonds and inflation linked bonds will be used to achieve the target tracking error set at 1% relative to the benchmark.

	2020 R'000	2019 R'000

Equities

The volatility of the domestic equity portion of the portfolio will not be more than 1% above the average total risk of the benchmark volatility. This tracking error maximum ensures that the Fund does not take excessive risk relative to the benchmark. The tracking error on the domestic equity portion of the portfolio is split between equities internally managed by PIC at a maximum tracking error of 1%, externally managed equities set at a maximum tracking error of 2% and listed property equities' tracking error set at 1% relative to the benchmarks.

The foreign equity portfolio will not be more than 2% above the average total risk of the benchmark for both the developed and emerging market equity portfolio's.

Market risk: Summary of components

For the UIF, market risk consists of the following components determined as the worst 1-in-200 year loss per the Reserve Bank's Prudential Standards:

	31 March 2020 R'million	31 March 2019 R'million
Interest rate risk	8 926	9 244
Equity risk	11 573	14 767
Property risk	562	1 260
Currency risk	1 903	1 779
Spread and default risk	6 042	4 616
Concentration risk	2 963	2 765
Diversification benefit	(12 078)	(12 371)
Market risk (Cap_ReqMarket)	**19 891**	**22 060**

Market Risk: Concentration risk

Concentration risk is the risk of losses arising due to poor diversification within investment instruments. Excessive concentration in a particular or correlated asset class, sector, issuer, term structure or financial instrument type can result in undesirable risk exposures. The Fund manages this risk in accordance with the investment mandate, which dictates the level of concentration.

Below are the largest exposures to single counterparties and the associated capital charge:

	31 March 2020		31 March 2019	
Counterparty	**Exposure R'million**	**Concentration risk R'million**	**Exposure R'million**	**Concentration risk R'million**
RSA Government	80 976	-	85 702	-
Robecco Equity Fund	6 343	2 958	5 930	2 520
Eskom	5 627	159	-	153
First Rand	4 119	66	6 331	640
Standard Bank	4 100	60	7 884	929
Independence credit	-	(280)	-	(1 480)
Total		**2 963**		**2 762**

Money market and cash

Money market investments are spread across the top five South African banks in order to diversify the Fund's exposure. Limits are set utilising the DI900 information supplied to the South African Reserve Bank.

Notes to the Audited Annual Financial Statement

	2020 R'000	2019 R'000

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.

Concentration and Movement of Risk per asset class

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.

Asset class	**2020**	**2019**	**Movement**
Total Cash and Money Market	14.35 %	11.38 %	2.97 %
Cash (settlement accounts)			
Standard Bank	5.38 %	15.74 %	(10.36)%
First Rand	10.65 %	0.79 %	9.86 %
Money markets (term investments)			
ABSA	13.21 %	15.63 %	(2.42)%
First Rand	12.59 %	22.85 %	(10.26)%
Nedbank	12.93 %	14.76 %	(1.83)%
Standard Bank	14.22 %	15.33 %	(1.11)%
Investec	5.18 %	3.52 %	1.66 %
Land Bank	6.48 %	7.36 %	0.88 %
Eskom	2.46 %	2.82 %	(0.36)%
Development Bank of South Africa	6.89 %	1.19 %	5.70 %
Treasury	10.01 %	- %	10.01 %
Capital markets	60.44 %	60.24 %	0.20 %
Government bonds	35.80 %	35.22 %	0.59 %
Parastatals / State Owned Entities	11.66 %	12.49 %	(0.84)%
Corporate bonds	1.72 %	1.82 %	(0.11)%
Inflation linked bonds	50.82 %	50.46 %	0.36 %
Domestic equity holding	25.21 %	28.38 %	(3.17)%
	100.00 %	**100.00 %**	

The Fund's 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.

Unemployment Insurance Fund

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Figures in Rand Thousand

Market risk: Equity risk

Equity portfolio value R26 796 million (2019: R33 161 million).

This risk represents the potential financial loss as a result of movements in the level or volatility of equity prices, which affects the value of equity instruments. The Fund has exposure to equity risk as a result of its investments in local and global equity instruments.

The Fund's equity risk was calculated as follows:

	31 March 2020			31 March 2019		
Figures in Rand Thousand	Market value R'million	Equity risk R'million	As% of Market value	Market value R'million	Equity risk R'million	As% of Market value
Domestic (listed)	26 796	8 846	33%	33 161	12 270	37%
Foreign (listed)	6 343	1 840	29%	5 930	2 313	39%
Other	4 071	1 588	39%	2 006	863	43%
Diversification benefit	-	(697)	-	-	(678)	-
	37 210	**11 577**		**41 097**	**14 768**	**-**

The sensitivity to equity market risk 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 if and when required.

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 an industry classification benchmark.

Portfolio sensitivity testing highlights the key risks or touch points of the portfolio in the market. In this case, sensitivity testing of the Fund's portfolio was 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 was conducted to simulate instantaneous shock. Using a historical beta, for any instantaneous shock on our risk factor determined the impact on the portfolio.

Notes to the Audited Annual Financial Statement

	2020 R'000	2019 R'000

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

Price change (%)	Profit/ (loss) in Rands	% Change in profit/ (loss)	Market value fund in Rands
-1,00%	(217 125 961)	(0.78)%	27 744 104 935
0,00%	-	- %	27 961 230 896
1,00%	217 125 961	1.00 %	28 178 356 856

*PICB – JSE Swix Capped Ex Property and Gambling

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

Security name	Betas	Sensitivity in Rands
MPACT Ltd	2.37	(136 916)
ADCORP	2.08	(32 483)
INVLTD	1.60	(1 276 740)
INVESTEC PLC	1.60	(1 747 220)
ROYAL BAFOKENG PLAT	1.52	(317 205)
IMPLATS	1.39	(6 290 177)
PSG	1.39	(1 379 652)
DISCOVERY	1.35	(2 594 080)
CAPITEC	1.32	(4 676 683)
NORTHAM	1.29	(2 396 512)

* Equity portfolio managed internally by PIC

Date	Holding	Cost R'000	Market R'000	Unrealised profit/(loss) R'000
31 March 2019	739 629	36 861 107	37 315 763	454 655
31 March 2020	496 825	35 095 552	28 707 000	(6 388 552)

The Fund's investments are managed on a passive basis.

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

Security name	Betas	Sensitivity in Rands
HULISANI	(2.18)	194 397
ELLIES	(0.28)	963
ARGENT	(0.23)	7 341
TRELLIDOR HOLDINGS	(0.19)	3 634
GAIA INFRASRTUCTURE	(0.19)	5 301
INVICTA	(0.08)	1 993
RHBOPHELO	(0.07)	8 641
ENX GROUP	0.01	(531)
HUGE	0.08	(6 413)
AME	0.09	(19)

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

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Figures in Rand Thousand

Listed equities

Effect on value of equities

R'000	(20%)	(15%)	(10%)	(5%)	Portfolio value	5%	10%	15%	20%
2019	26 827 618	28 419 367	29 977 956	31 569 706	33 161 456	34 753 205	36 344 955	37 903 544	34 495 294
2020	22 642 953	23 688 012	24 706 275	25 751 335	26 796 394	27 841 453	28 886 513	29 904 776	30 949 835

Effect on surplus / (deficit):

%	(20%)	(15%)	(10%)	(5%)	0%	5%	10%	15%	20%
2019	(19.10)%	(14.30)%	(9.60)%	(4.80)%	- %	4.80 %	9.60 %	14.30 %	19.10 %
2020	(15.50)%	(11.60)%	(7.80)%	(3.90)%	- %	3.90 %	7.80 %	11.60 %	15.50 %

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

Listed equities (including listed property excluding equity options)

Effect on the value of listed equity

R'000	(20%)	(15%)	(10%)	(5%)	Portfolio value	5%	10%	15%	20%
2019	22 908 147	26 516 851	30 091 431	33 703 597	37 315 763	40 927 929	44 540 095	48 114 945	51 723 379
2020	18 702 610	21 208 731	23 689 016	26 198 008	28 707 000	31 215 992	33 724 983	36 205 268	38 711 389

Effect on surplus / (deficit):

%	(20%)	(15%)	(10%)	(5%)	0%	5%	10%	15%	20%
2019	(38.61)%	(28.94)%	(19.36)%	(9.68)%	- %	9.68 %	19.36 %	28.94 %	38.61 %
2020	(34.85)%	(26.12)%	(17.48)%	(8.74)%	- %	8.74 %	17.48 %	26.12 %	34.85 %

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

Notes to the Audited Annual Financial Statements

Figures in Rand Thousand

Listed property

Effect on value of listed property

R'000	(20%)	(15%)	(10%)	(5%)	Portfolio value	5%	10%	15%	20%
2019	3 343 802	3 546 117	3 748 847	3 951 577	4 154 308	4 357 038	4 559 768	4 762 498	4 964 813
2020	1 540 904	1 633 186	1 725 659	1 818 132	1 910 606	2 003 079	2 095 552	2 188 026	2 280 308

Effect on surplus / (deficit):

Below is the portfolio sensitivities of a 1% move to the SA property Index (J253)*.

%	Column heading	(15%)	(10%)	(5%)	0%	5%	10%	15%	Column heading
2019	(19.51)%	(14.64)%	(9.76)%	(4.88)%	- %	4.88 %	9.76 %	14.67 %	19.51 %
2020	(19.35)%	(14.52)%	(9.68)%	(4.84)%	- %	4.84 %	9.68 %	14.52 %	19.35 %

Below is the portfolio sensitivities of a 1% move in the SA property index (J253):

Price change (%)	Profit/ (loss) in Rands	% Change in Profit/ (loss)	Market value fund in Rands
-1,00%	(20 526 828)	(0.97)%	2 100 586 525
0,00%	-	- %	2 121 113 353
1,00%	20 526 828	0.97 %	2 141 640 182
	-	**- %**	**6 363 340 060**

*FTSE/JSE South Africa Listed Property Index

The table below shows the top ten high beta or highly sensitive stocks:

Stocks	Betas	Risk in Rands
HOSP-B	1.58	(96 598)
REDEFINE	1.41	(2 555 559)
NEPI ROCKCASTLE PLC	1.21	(4 255 655)
OCTODEC	1.20	(57 608)
MAS PLC	1.17	(696 905)
VUKILE	1.15	(964 149)
FORTRESS INCOME FUND	1.06	(220 451)
GROWPNT	0.98	(4 765 114)
HYPROP	0.98	(616 920)
EMIRA	0.95	(352 455)

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	2020 R'000	2019 R'000

The table below shows the bottom ten betas or defensive stocks

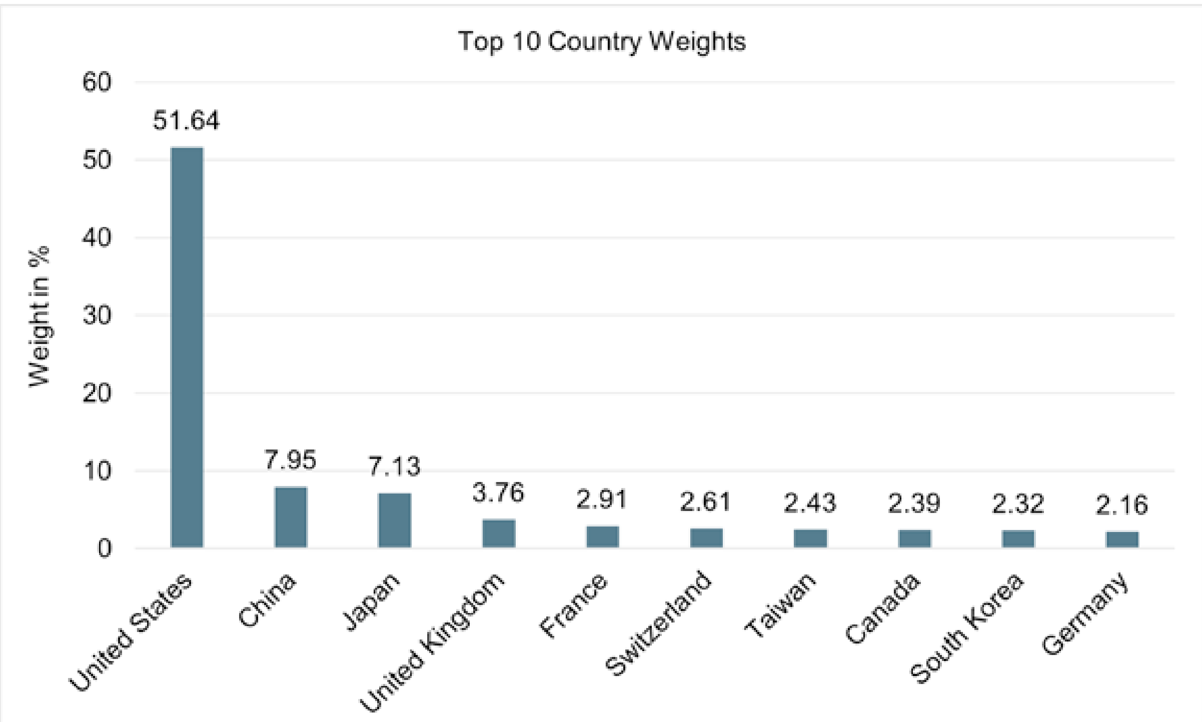
Stocks	Betas	Risk in Rands
INTU PROPERTIES PLC	0.17	(4 105)
CAPITAL COUNTIES	0.33	(252 353)
LIBERTY2D	0.33	(80 704)
REBOSIS PROP. FUND	0.39	(5 763)
EQUTES PROP FUND	0.58	(609 446)
STENPROP	0.60	(112 662)
STOR-AGE PROP REIT	0.63	(244 026)
IAPF	0.66	(315 078)
FORTRESS INCOME FUND	0.69	(993 246)
INVESTEC PROP. FUND	0.79	(347 027)

Foreign Equity

The table below groups the Global Equity exposure using ICB (Industry Classification Benchmark) Classification:

Industry	31 March 2020 Exposure (USD)	%
Communication services	611 655 781	10 %
Consumer discretion	705 772 864	11 %
Consumer staples	531 430 383	8 %
Energy	250 253 181	4 %
Financials	955 645 259	15 %
Health care	797 898 366	13 %
Industrials	587 685 460	9 %
Information technology	1 189 407 377	19 %
Materials	291 165 584	5 %
Real estate	204 070 070	3 %
Utilities	218 255 196	3 %
	6 343 239 521	**100 %**

The chart below shows the top 10 exposure by country:



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	2020 R'000	2019 R'000

The table below shows the top 10 equity holdings within the Global Equity portfolio:

Top 10 stocks	**31 March 2020 Exposure (USD)**	**%**
Apple Inc.	214 177 218	3 %
Microsoft Corporation	211 965 231	3 %
Amazon.com Inc.	142 911 765	2 %
Facebook Inc. Class A	73 108 352	1 %
Alphabet Inc. Class C	66 671 584	1 %
Johnson & Johnson	63 925 462	1 %
Alphabet Inc. Class A	63 102 011	1 %
Nestle S.A.	55 998 590	1 %
Procter & Gamble Company	55 494 873	1 %
JP Morgan Chase & Co	55 180 229	1 %
	1 002 535 315	**15 %**

Sensitivity Testing

A stock's beta is a statistical measure of a stock's relative volatility when compared to a reference index. Stocks with a beta greater than 1.0 indicate that these particular stocks will have more volatility than the reference index.

The table below shows the top 10 high beta or sensitive stocks within the Global Equity portfolio.

Top 10 Beta Stocks	**Beta**	**% Weight**
Apple Inc.	2.6077	0.013 %
Microsoft Corporation	2.4610	0.001 %
Amazon.com Inc.	2.4431	0.033 %
Facebook Inc. Class A	2.3944	- %
Alphabet Inc. Class C	2.2621	0.009 %
Johnson & Johnson	2.2605	- %
Alphabet Inc Class A	2.2302	0.006 %
Nestle S.A.	2.2250	0.003 %
Procter & Gamble Company	2.1839	0.014 %
JP Morgan Chase & Co	2.1559	0.079 %
	23	**0.158 %**

Scenario*	**Risk factor**	**Shock**	**Type**
Commodity slump (oil)	WTI Crude Oil Future	-$20	Absolute
EUR rate jump	EUR 10-year treasury rate	1%	Absolute
US rate jump	US 10-year treasury rate	1%	Absolute
Inflation jump	Break even inflation (EU HICPxT)	2%	Absolute
Global downturn	MSCI World	-20%	Relative
Low vol crash	MSCI World Minimum Volatility/MSCI World	-10% / 0%	Relative
Momentum crash	MSCI World Momentum / MSCI World	-10% / 0%	Relative
Quality crash	MSCI World Quality / MSCI World	-10% / 0%	Relative
Value crash	MSCI World Value Weighted / MSCI World	-10% / 0%	Relative

*Risk Settings with equally weighted monthly returns (daily overlapping) over a 3-year lookback horizon.

	2020 R'000	2019 R'000

Scenario drawdowns	Excess	Portfolio	Benchmark
Commodity slump (oil)	(0.1)%	(10.1)%	(10.0)%
EUR rate jump	0.4 %	5.8 %	5.4 %
US rate jump	0.3 %	15.2 %	14.8 %
Inflation jump	0.6 %	42.1 %	41.5 %
Global downturn	(0.1)%	(19.0)%	(18.9)%
Low vol crash	0.3 %	1.6 %	1.3 %
Momentum crash	0.7 %	0.1 %	(0.6)%
Quality crash	- %	- %	- %
Value crash	0.5 %	(0.1)%	(0.6)%
	2.6 %	**35.6 %**	**32.9 %**

Market risk: Interest rate risk

Bond portfolio value R84 032 million (2019: R91 773 million).

Bills, Promissory Notes and Negotiated Certificates of Deposit portfolio value R5 157 million (2019: R1 971 million).
Fixed deposit portfolio value R11 598 million (2019: R12 500 million).

Interest rate risk arises when the market value of assets are sensitive to changes in market yield curves or interest rate volatilities. This includes both the nominal and real yield curves. The Fund has the following exposure to interest-rate sensitive assets as at 31 March 2020:

	31 March 2020 Market value R'million	31 March 2019 Market value R'million
Government bonds (fixed interest)	38 274	37 626
Government bonds (index-linked)	43 654	46 315
Corporate bonds (fixed interest)	1 855	5 547
Corporate bonds (index-linked)	249	2 286
Short term instruments (government)	4 899	1 483
Short term instruments (banks)	11 557	11 639
Loans (other)	6 700	8 245
	107 188	**113 141**

Unlisted instruments are included in the table under "Loans (other)" however, the amount excludes the loans without any maturity dates. They are reflected under equity risk.

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 mix of inflation linked bonds.

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

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The table below shows the assets above split per duration, and includes the corresponding contribution to interest rate risk. As would be expected, assets at longer durations are more sensitive to interest rate movements:

Duration for this purpose refers to Macaulay duration, the weighted average time until cash flows are received, weighted by the size of the cash flows.

	31 March 2020			31 March 2019		
Asset duration (months)	**Market value R'million**	**Interest rate risk R'million**	**As % of market value**	**Market value R'million**	**Interest rate risk R'million**	**As % of market value**
< 3 years	26 770	766	3%	23 744	804	3%
3 - 6 years	25 853	2 835	11%	27 855	3 206	12%
6 - 9 years	32 827	6 595	20%	24 609	4 061	17%
9 - 12 years	10 743	2 594	24%	22 295	4 347	19%
12 - 15 years	4 116	1 149	28%	6 063	1 318	22%
15 - 18 years	6 880	2 441	35%	-	-	
>18 years	-	-		8 573	2 423	28%
Liabilities	-	(5 909)		-	(4 368)	
Diversification benefit	-	(1 545)		-	(2 547)	
	107 189	**8 926**	**8%**	**113 139**	**9 244**	**8%**

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

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

The portfolio is separated into its instruments type viz. money market, bonds, equity and 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 a specific quantum and the revaluing the instruments (present value 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 yield to maturity is moved by the specified quantum and the bond revalued (bond pricing formula). The aggregate value of all the instruments represent 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 are then revalued (price multiplied by holdings) at the new price. The aggregate value of all the equity instruments represent 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 represent 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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Bonds

Effect on value of bonds

R'000	(200)	(150)	(100)	(50)	Portfolio value	50	100	150	200
2019	109 210 086	104 621 427	100 032 768	95 444 109	91 773 182	88 102 254	84 431 327	81 678 132	78 924 936
2020	97 746 190	93 947 937	90 410 183	87 116 123	84 032 144	81 149 841	78 452 409	75 914 639	73 528 126

Effect on surplus / (deficit)

%	(200)	(150)	(100)	(50)	0	50	100	150	200
2019	19.00 %	14.00 %	9.00 %	4.00 %	- %	(4.00)%	(8.00)%	(11.00)%	(14.00)%
2020	16.32 %	11.80 %	7.59 %	3.67 %	- %	(3.43)%	(6.64)%	(9.66)%	(12.50)%

Money markets (excluding fixed deposits)

The effect on the value of money markets (excluding fixed deposits)

R'000	(200)	(150)	(100)	(50)	Portfolio value	50	100	150	200
2019	1 988 007	1 983 866	1 979 726	1 975 586	1 971 466	1 967 306	1 963 363	1 959 223	1 955 281
2020	8 415 134	8 400 095	8 385 056	8 370 017	8 354 979	8 339 940	8 324 901	8 310 697	8 295 658

Effect on surplus / (deficit)

%	(200)	(150)	(100)	(50)	0	50	100	150	200
2019	0.84 %	0.63 %	0.42 %	0.21 %	- %	(0.21)%	(0.41)%	(0.62)%	(0.82)%
2020	0.72 %	0.54 %	0.36 %	0.18 %	- %	(0.18)%	(0.36)%	(0.53)%	(0.71)%

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Figures in Rand Thousand

Money markets (including fixed deposits)

Effect on value of money markets (including fixed deposits):

R'000	(200)	(150)	(100)	(50)	Portfolio value	50	100	150	200
2019	14 575 780	14 549 732	14 523 683	14 497 364	14 471 585	14 445 536	14 419 487	14 394 886	14 368 837
2018	20 074 894	20 044 965	20 013 040	19 983 110	19 953 180	19 923 250	19 893 320	19 863 391	19 833 461

Effect on surplus / (deficit)

%	Column heading	(150)	(100)	(50)	0	50	100	150	Column heading
2019	0.72 %	0.54 %	0.36 %	0.18 %	- %	(0.18)%	(0.36)%	(0.53)%	(0.71)%
2020	0.61 %	0.46 %	0.30 %	0.15 %	- %	(0.15)%	(0.30)%	(0.45)%	(0.60)%

Market risk: Property

Property risk arises when the market value of assets and liabilities are sensitive to changes in the level of market process of property. Property risk for the Fund was calculated as follows:

Figures in Rand Thousand	31 March 2020			31 March 2019		
	Market value R'million	Property risk R'million	As % of market value	Market value R'million	Property risk R'million	As % of market value
Total property exposure	2 247	562	25%	5 040	1 260	25%

Unemployment Insurance Fund

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Market risk: Currency risk

Currency risk arises when the market value of assets and liabilities are sensitive to changes in currency exchange rates.

The Fund holds investments in foreign equities. If the Rand appreciates against foreign currencies, the value of this investment becomes lower in Rand terms. So, the Fund is exposed to currency risk, which is calculated as follows:

Figures in Rand Thousand	31 March 2020			31 March 2019		
	Market value R'million	Currency risk R'million	As % of market value	Market value R'million	Currency risk R'million	As % of market value
Total foreign exposure	6 343	1 903	30%	5 930	1 779	30%

Currency risk can also lead to an adverse impact on the valuation of foreign denominated investments. The UIF manages its currency risk exposure through the following interventions:

1. The UIF's currency risk exposure is primarily managed through the asset allocation prescribed in the Investment Management Agreement, i.e. through the asset allocation to Non-South African markets.

2. Ongoing exposures to foreign currencies is monitored and reported on a frequent basis. The hedging of currencies is occasionally implemented by taking into account short and long term macro-economic views on foreign exchange rates if and when required.

Foreign exchange accounting: The offshore portfolios are USD denominated, converted into ZAR using the IRESS closing FX rates and reported on a Gross Asset Value (GAV) method.

The underlying Asset Managers use currency derivatives to ensure the portfolio is protected against all non-USD exposures and that the portfolio is always only exposed to exchange rate movements between the USD (the denominated currency) and ZAR (the reporting currency).

Market risk: Spread and default risk

Spread risk arises when the market value of assets are sensitive to change in credit spreads over the risk-free interest rate term structure. Default risk arises from potential losses due to credit default events, such as the default of the counterparty or issuer of a financial instrument held by an insurer. All assets that are subject to movements in credit spreads were included in the below calculation of exposure to market spread and default risk:

For the Fund default risk is split into 3 categories:

- Type 1 default risk covers exposures where the counterparty or issuer of the instrument may be rated;

- Type 2 exposures cover where the counterparty or issuer of the instrument is likely to be unrated;

- Type 3 exposures are exclusively for cash held at banking institutions.

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Figures in Rand Thousand

Figures in Rand Thousand	31 March 2020			31 March 2019		
	Market value R'million	Risk charge R'million	% of market value	Market value R'million	Risk charge R'million	% of market value
Default risk: Type 1	-	-		-	-	
Default risk: Type 2	2 647	397	15%	2 651	398	15%
Default risk: Type 3	3 498	126	4%	3 498	126	4%
Spread risk	107 707	5 519	5%	108 873	5 968	5%
Total	**113 852**	**6 042**		**115 022**	**6 492**	

For interest bearing instruments issued or guaranteed by the South African Government or the Reserve Bank no spread risk exposure applies. To to the large portion of interest-bearing instruments being RSA government bonds, spread risk is a very low percentage of the market value of this asset class.

Liquidity risk

Liquidity risk arises when there are insufficient liquid capital assets (cash and readily convertible securities) available tomeet the financial obligations on a timely basis.

Liquidity is held primarily in the form of money market instruments such as bonds, fixed deposits, listed shares and promissory notes as well as liquid debt issues from government, municipalities and other approved issuers.
The Fund'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).

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.

The below investment mandate was implemented from 18 February 2019 applying a phased 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 realised cost.

The new investment structure is as follows

Category	Asset allocation ranges	Strategic asset allocation
Cash and money market	1% - 15%	5.00 %
Capital market: Nominal bonds	13% - 33%	23.00 %
Capital markets: CPI Linked Bonds	16% - 36%	26.00 %
Domestic equity	20% - 30%	28.00 %
Listed property	1% - 5%	2.00 %
Foreign investment	0% - 10%	10.00 %
Unlisted property	1% - 8%	6.00 %

	2020 R'000	2019 R'000

Social Responsible Investments (SRI)

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 unlisted instruments. The decision to invest in Social Responsible Investments is a tactical decision made on a case by case basis. The maximum strategic asset allocation for Social Responsible Investments is capped at 24% with a permitted range of 0% - 32%.

The portfolio asset allocation as at 31 March 2020 was as follows

Category	Value R'000	Actual Asset allocation
Capital market	84 032 144	60.30 %
Money market	16 755 007	12.02 %
Trading cash	3 198 173	2.29 %
Unlisted property	326 670	0.24 %
Listed property	1 910 606	1.37 %
Domestic equity	26 796 394	19.23 %
Global equity	6 343 377	4.55 %
Subtotal	139 362 371	100.00
SRIs: Unlisted debt	2 960 656	2.05 %
SRIs: Unlisted equity	1 892 165	1.31 %
Total value of Fund's portfolio including SRI's	**144 215 192**	

In addition to holding a minimum level of liquidity in the form of cash and near cash equivalents, the Fund also applies daily cash flow management and maturity profile allocation to assess and monitor its liquidity requirements and risk levels.

	2020 R'000	2019 R'000

Maturity profile on financial assets

2020 **R'000**	**Receivable on demand**	**0 - 12 months**	**1 - 3 years**	**3 - 7 years**	**>7 years**	**Total**
Money market	-	16 455 566	-	-	-	16 455 566
Capital market	-	3 359 104	6 346 089	17 728 320	56 598 630	84 032 143
Cash and cash equivalents	3 498 090	-	-	-	-	3 498 090
Listed equity	-	35 050 376	-	-	-	35 050 376
SRI	-	-	-	-	6 554 965	6 554 965
Receivables from exchange transactions	318 854	-	-	-	-	318 854
Receivables from non-exchange transactions	10 796	-	-	-	-	10 796
	3 827 740	**54 865 046**	**6 346 089**	**17 728 320**	**63 153 595**	**145 920 790**

2019 (Restated) **R'000**	**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
SRI	-	-	-	-	7 277 397	7 277 397
Receivables from exchange transactions	3 281	-	-	-	-	3 281
Receivables from non-exchange transactions	3 791	-	-	-	-	3 791
	4 223 931	**59 885 299**	**6 685 394**	**17 006 341**	**71 841 101**	**159 642 066**

Notes to the Audited Annual Financial Statement

	2020 R'000	2019 R'000

Maturity analysis on financial liabilities

The following table analyses the Fund's financial liabilities which will be settled on a gross basis:

2020 R'000	Payable on demand	Within 1 month	Within 3 months	Within 12 months	Total
Payables	-	629 851	-	-	629 851
Service bonus accrual	-	7 320	13 726	22 559	43 605
Deposits received	361	-	-	-	361
Uncleared deposits	1 302	-	-	-	1 302
Bank overdraft	13	-	-	-	13
	1 676	**637 171**	**13 726**	**22 559**	**675 132**

2019 R'000	Payable on demand	Within 1 month	Within 3 months	Within 12 months	Total
Payables	-	423 660	-	-	423 660
Service bonus accrual	-	6 456	12 277	21 556	40 289
Deposits received	42	-	-	-	42
Uncleared deposits	5	-	-	-	5
Bank overdraft	13	-	-	-	13
	60	**430 116**	**12 277**	**21 556**	**464 009**

	2020 R'000	2019 R'000

Credit risk

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 credit decisions include credit rating agencies assessments of the general environment, the competitive market position of a counterparty or issuer, reputation, deal tenor as longer rated deals increase uncertainty of repayment, the level of 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. The approved Credit Risk Policy is a standard inclusion in the investment mandates.

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.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial instruments in notes 3 and 18.

Carried at fair value	Carrying value 2020 R'000	Fair value 2020 R'000	Carrying value 2019 R'000	Fair value 2019 R'000
Listed equity	46 814 749	35 050 376	44 454 142	43 245 972
Unlisted equity	852 838	714 585	765 851	669 826
Bonds	93 957 519	84 032 144	98 607 609	91 773 181
Bills	3 843 442	3 863 295	697 129	695 587
Promissory notes	1 288 157	1 293 510	1 277 040	1 275 859
Unlisted financial instruments	427 337	234 400	-	-
	147 184 042	**125 188 310**	**145 801 771**	**137 660 425**

Carried at amortised cost	Carrying value 2020 R'000	Carrying value 2019 R'000
Unlisted financial instruments	5 692 971	5 979 618
Investment income receivable	210 008	627 953
Fixed deposits	11 298 761	11 150 139
	17 201 740	**17 757 710**

	2020 R'000	2019 R'000

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 asset manager 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 the asset manager 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.
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 the financial instruments are exposed to these risks.

In accordance with chapter 6, paragraph 48 of the PFMA, the Fund is classified as a Schedule 3 National Public Entity.

In terms of section 55(1) of the PFMA, the Fund is required to comply with GRAP, unless the ASB approves the application of GRAP.

The Fund received contribution revenue in accordance with the UI Contributions Act, 2002 and pays Unemployment Insurance benefits including the recovery of benefits in error in accordance with the UI Act.

The 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 UI Act 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 proceedings 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.

40. Going concern

On 15 March 2020, the President, declared a national state of disaster in terms of the Disaster Management Act due to the COVID-19 pandemic. Due to the uncertainty and stress surrounding the COVID-19 pandemic, the Fund is compensating workers through its existing Illness and Reduced Work Time benefits in situations where companies need to make use of short time or temporary shutdowns, and where employees need to self-quarantine due to possible exposure to the virus or confirmed infection.

Due to the pandemic, as part of the going concern assessment, management considered the current and expected performance of the Fund, the short, medium and long term economic environment in which the Fund operates, as well as the likelihood of continued government funding and additional potential sources of revenue.

Following the going concern assessment, management is not aware of events or conditions that cast significant doubt on the Fund's ability to continue as a going concern for the 12 months after the reporting date, nor the period thereafter. The AFS 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, contingent obligations and commitments will occur in the ordinary course of business.

	2020 R'000	2019 R'000

40. Going concern (continued)

The following factors were assessed to support the view of management that the Fund will continue as a going concern.

- The Fund remains able to provide for the following in its cash flow projections for the 2020/2021 financial year:
  - Worker credits for the next 48 months (four years);
  - Expected benefit payments in the 12 months after the reporting date;
  - COVID-19 TERS benefit payments during the lockdown period which covers the period 27 March 2020 up to 15 September 2020. The last iteration for the period 16 September 2020 to 15 October 2020 is yet to be confirmed;
  - Potential COVID-19 crisis assistance in line with the expected retrenchments in the country;
  - Commitments in line with Labour Activation Programmes; and
  - Top-up payments to be made as a result of the late implementation of the UI Amendment Act of 2016.
- As a result, the Fund's cash flow projections indicate that it has adequate reserves to cater for its cash flow needs in short and medium term.
- The actuarial valuation report for the current financial year includes for the first time, an additional unexpired risk reserve (AURR). The AURR is for situations where it is expected that the future premiums will be insufficient. The AURR is required to allow for the expected insufficiency of the future (yet to be earned) premiums. Under normal circumstances over the longer term, the contributions are expected to be sufficient to pay claims and expenses. However, during the period impacted by COVID-19 lay-offs, it is estimated that the (not reviewed) current 2% contribution will likely not be sufficient. The actuaries have therefore considered this future uncertainty to ensure that the Fund will be able to meet its mandate to pay out potential future claims.
- The Fund's actuaries prepared a projected financial soundness position for the next 10 financial years up to the 2029/2030 financial year. The projection indicates a sharp decline in the solvency ratio during and immediately after the COVID-19 pandemic and consequential layoff period, but thereafter strengthens positively again into 2030.
- The salary ceiling for benefit calculation purposes was increased on 1 April 2017 to R17 712 per month while the salary ceiling for contributions remained at R14 872 per month. The salary ceiling for contributions have not been increased to date and National Treasury was approached to increase the salary ceiling.
- The benefit structure is being investigated by management to potentially increase the maximum earnings ceiling amount to increase the UIF contribution threshold and therefore widen the net of revenue and this increase the contribution revenue of the Fund. This will enable the Fund to bolster its attempts to strengthen its financial position again in the medium term.
- The Fund is further undertaking budget austerity measures to align operation expenditure with its new financial reality to contribute towards strengthening the financial position.

The Fund's management is of the view that the aforementioned measures will be adequate to ensure the Fund is a going concern. Furthermore, support for the Fund in terms of the Unemployment Insurance Act (No. 63 of 2001) Section 10(4) of this Act allows that where the Fund reflects a financial position that is insufficient or not increasing at a sufficient rate to meet payments for benefits that may be reasonably anticipated, the Director-General (Accounting Officer of the Fund) must report and make recommendations to the Minister of Employment and Labour. Section 10(4) of this Act allows that the Minister of Employment and Labour may request the Minister of Finance to adjust the national budget in Section 16 and 30 of the PFMA, to cover any deficit in the Fund. Section 16 of the PFMA allows that the Minister of Finance may authorise the use of funds from the National Revenue Fund to defray expenditure of an exceptional nature which is currently not provided for and which cannot, without serious prejudice to the public interest, be postponed to a future parliamentary appropriation of funds. Section 30 of the PFMA allows that the Minister of Finance may table an adjustment budget in the National Assembly for any expenditure in terms of Section 16.

41. Events after the reporting date

Adjusting events

Edcon Ltd

The Fund, through the PIC, bought a 19% associate share in Edcon during June 2019 for R1 199 million in support of Edcon's restructuring. The main objective of the investment was job preservation, which would minimise the financial impact on the Fund in terms of loss of contribution revenue and increase in benefit payments as a result of potential direct and indirect job losses. The initiative would also be supporting Edcon to continue and grow locally produced products in line with their strategy, converting debt into equity to lower the companies debt levels and in return obtain voting rights protecting the interest of the Fund.

41. Events after the reporting date (continued)

Government declared a national state of disaster under Section 27(1) and Section 27(2) of the Disaster Management Act on 15 March 2020 in response to the COVID-19 pandemic and subsequently extended the lockdown period to 15 October 2020. This completely inhibited Edcon's ability to trade and eroded the forecast revenue to R0 million up to 1 May 2020. Compounding to the resultant cash shortfall was the natural decline in collections on the debtors' book as cash collections could only be done over the counter via customer walk-ins. At the end of March and April 2020, Edcon was unable to honour commitments relating to accounts payable and rental agreements. While salaries were fully paid in March 2020, Edcon applied for business rescue on 29 April 2020 and approached the shareholders for post COVID-19 re-opening plan funding support, but this application was unsuccessful. At the reporting date, the Fund recognised an impairment of R1 031 million.

The business rescue plan was communicated to all affected persons on 8 June 2020 and the voting for adoption of such plan took place on 22 June 2020. The business plan adopted consists of an accelerated sales process and the plan in its current form seeks to limit the number of job losses compared to the alternative option under a liquidation scenario.

The accelerated sales process plan consisted of selling each operating unit separately. To date, the sale of some Edgars branches and Jet divisions have been concluded. Both transactions are subject to various conditions precedent and regulatory approvals, including the Competition Authorities. An offer to purchase Thank U Digital is currently under negotiation.

Musa Group (Pty) Ltd

The Fund has a 15% interest in Musa Capital which is treated as an associate in accordance with GRAP 7 Investments in Associates.

Musa Group has been underperforming since inception, failing to reach pre-investment performance levels base-case assumptions. Musa experienced significant working capital constraints and performance deteriorated to such an extent that it was difficult for Musa to source additional funding over and above funding provided by PIC. PIC appointed a service provider to conduct an independent business review to investigate underperformance. The review concluded that only two of the subsidiaries were viable if further funding is made available to those entities. A legal opinion was obtained regarding the most viable process to follow attempts to recover some value from the company. The appointed service provider recommended the liquidation process be implemented instead of a Business Rescue process. Musa Capital continued to experience financial difficulties and on 10 February 2019 an order was issued by the High Court of South Africa to the Government Employees Pension Fund, the Fund, the Compensation Fund and PIC, that Musa Capital be placed under final winding-up on an urgent basis.

On 10 February 2020, the High Court of South Africa granted the final winding-up of Musa Capital.

SizweNtsalubaGobodo Grant Thornton Advisory Services performed a valuation of the investment as at 31 March 2019 and 31 March 2020. An impairment loss of R139 million (2019: R71 million) was recognised since the valuation of the investment is less than the carrying amount.

Bright Glacier Trading (Pty) Ltd

The Fund has a 40% interest in this investee which is treated as an associate in accordance with GRAP 7 Investments in Associates.

The investee is an investment holding special purpose vehicle which acquired 36.28% in Bounty Brands (Pty) Ltd through Bounty Brand's holding company, K2015388659 (Pty) Ltd.

The investee received a disclaimer audit opinion for the 2018/2019 financial year. This was due to its indirect investment in Bounty Brands, which represents almost 100% of the company's total assets. Both the investee and Bounty Brands are going concern risks and the auditors could not verify whether the downward valuation adjustment of R1 094 million was reasonable.

In a letter from the auditors of Bounty Brands to its directors dated 28 July 2020, it was noted that the going concern assessment for the Bounty Brands group has not been finalised nor has the financial statements as at 30 June 2019 been approved by the directors.

The auditors concluded that until the matters noted above have been finalised, they are not able to issue an audit opinion on the investee's AFS for the year ended 30 June 2019.

	2020 R'000	2019 R'000

41. Events after the reporting date (continued)

SizweNtsalubaGobodo Grant Thornton Advisory Services performed a valuation of the Fund's investment in the investee as at 31 March 2020. An impairment loss of R549 million (2019: R822 million) was recognised since the valuation of the investment is less than the carrying amount.

Kelofile Consumer Brands (Pty) Ltd

The Fund has a 50% interest in this investee which is treated as a joint venture in accordance with GRAP 8 Interests in Joint Ventures.

The investee is an investment holding special purpose vehicle which holds 8.64% in Bounty Brands (Pty) Ltd.

The investee received a disclaimed audit opinion for the 2018/2019 financial year. This was due to its investment in Bounty Brands, which represents over 95% of the company's total assets. Both the investee and Bounty Brands are going concern risks and the auditors could not verify whether the downward valuation adjustment of R273 million was reasonable.

In a letter from the auditors of Bounty Brands to its directors dated 28 July 2020, it was noted that the going concern assessment for the Bounty Brands group has not been finalised nor has the financial statements as at 30 June 2019 been approved by the directors.

The auditors concluded that until the matters noted above have been finalised, they are not able to issue and audit opinion on the investee's AFS for the year ended 30 June 2019.

SizweNtsalubaGobodo Grant Thornton Advisory Services performed a valuation of the Fund's investment in the investee as at 31 March 2020. An impairment loss of R71 million (2019: R96 million) was recognised since the valuation of the investment is less than the carrying amount.

Financial impact on the increase in unemployment due to COVID-19 lockdown

The Fund recognised an additional unexpired risk reserve (AURR). The AURR was created by the Fund's actuaries to accommodate the impact of the lockdown period relating to COVID-19 on the possible lack of future premiums to be earned by the Fund. The amount of R9 000 million is estimated for potential future claims and was based on the impact of COVID-19 lay-offs and that the current 2% contribution may not be sufficient. The actuaries have included these future uncertainties in their calculations to determine the Fund's ability to meet its mandate to pay future claims.

Non-adjusting events

Steinhoff African Holdings (Pty) Ltd

The PIC is currently engaged in litigious proceedings against Steinhoff, instituted in both the Netherlands and South Africa. During July 2020 Steinhoff made a settlement proposal to the PIC (of which the Fund is a party to the arrangement) following the public announcement in April 2019 of Steinhoff's intention to resolve claims by way of negotiated settlement discussions. The settlement proposal is currently being assessed for the most appropriate option.

Disposal of investments – Money market maturities, bonds and domestic equities

To raise liquidity to pay COVID-19 TERS benefit payments the Fund raised the amount of R47 000 million, by not rolling matured money market instruments, not re-investing interest and dividend revenue received and selling of liquid bonds. Should further liquidity be required the Fund will begin a process to reduce its investments equities. After the payment of COVID-19 TERS benefits the Fund will require cash reserves and hence a portfolio rebalancing will be implemented within the next 6 months.

Outstanding COVID-19 TERS benefit payments

The decision to pay COVID-19 TERS benefits arose after the reporting date. The Fund's actuaries projected that the COVID-19 TERS benefits will amount to approximately R59 700 million and that an increase in additional reduced hours, layoff, sickness and death claims post COVID-19 will be approximately R 36 330 million.

42. Prior-year adjustments

Presented below are those items contained in the Statement of Financial Position, Statement of Financial Performance and Cash Flow Statement that have been affected by prior-year adjustments:

Statement of Financial Position

2019

	Note	As previously reported R'000	Correction of error R'000	Change in accounting policy R'000	Re-classification R'000	Restated R'000
Other financial assets - current and non-current assets		155 169 635	248 500	-	-	155 418 135
Receivables from non-exchange transactions		121 286	-	-	(117 495)	3 791
Trade and other receivables - financial assets		3 276	-	-	-	3 276
Prepayments		-	-	-	117 495	117 495
Investment property		104 809	139 400	(10 109)	-	234 100
Property, plant and equipment		180 266	(101 804)	-	-	78 462
Interests in joint ventures		153 931	1 982	-	-	155 913
Investments in associates		3 696 318	(303 287)	-	-	3 393 031
Operating lease liability		-	(845)	-	-	(845)
Benefits payable - outstanding claims liability		(20 641 524)	10 677 813	-	-	(9 963 711)
Technical reserve		(42 760 088)	(12 245 334)	-	-	(55 005 422)
Accumulated surplus - opening balance		(104 924 450)	1 005 324	(16 019)	-	(103 935 145)
Deficit / (surplus) for the year		1 588 048	(3 810 463)	26 128	-	(2 196 287)
Accumulated suplus - transfer to technical reserve		-	4 388 716	-	-	4 388 716
		(7 308 493)	**2**	**-**	**-**	**(7 308 491)**

Statement of Financial Performance

2019

	Note	As previously reported R'000	Correction of error R'000	Change in accounting policy R'000	Re-classification R'000	Restated R'000
Benefit payments		(5 709 970)	(8 938 287)	-	-	(14 648 257)
Changes in benefits payable		(12 823 361)	12 823 361	-	-	-
Unemployment Alleviation Schemes		(120 073)	-	-	-	(120 073)
Other revenue from exchange transactions		22 843	-	-	(1 340)	21 503
Depreciation, amortisation and impairments		(75 138)	(1 227)	24 893	-	(51 472)
Operating expenses		(564 480)	(845)	-	-	(565 325)
Investment revenue		10 571 813	(45 793)	-	-	10 526 020
Gains / losses on disposal of property, plant and equipment		-	-	-	1 340	1 340
Fair value adjustments		(9 574 096)	1 439 619	(51 021)	-	(8 185 498)
Income from equity accounted investments and interests		(453 264)	546 772	-	-	93 508
Impairment of other financial assets		-	(1 362 446)	-	-	(1 362 446)
Impairment of investments in associates and interests in joint ventures		(568 995)	(650 693)	-	-	(1 219 688)
Deficit for the year		**(19 294 721)**	**3 810 461**	**(26 128)**	**-**	**(15 510 388)**

	2020 R'000	2019 R'000

42. Prior-year adjustments (continued)

Cash Flow Statement

2019

	Note	As previously reported R'000	Correction of error R'000	Change in accounting policy R'000	Re-classification R'000	Restated R'000
Cash flow from operating activities						
Cash receipts from contributors, tenants and other		18 858 056	576 966	-	117 495	19 552 517
Benefit payments		(10 995 571)	19 724	-	(120 073)	(11 095 920)
Unemployment Alleviation Schemes		(120 073)	-	-	120 073	-
Employee cost		(1 337 593)	(436)	-	-	(1 338 029)
Cash paid to suppliers		(858 181)	(402)	-	(117 495)	(976 078)
Interest received from banks		44 543	1 395 327	-	-	1 439 870
		5 591 181	**1 991 179**	**-**	**-**	**7 582 360**
Cash flow from investing activities						
Purchase of property, plant and equipment		(83 264)	(1 164)	-	-	(84 428)
Proceeds from sale of property, plant and equipement		8 027	-	-	(28)	7 999
Purchase of investment property		(123 209)	-	(15 275)	-	(138 484)
Purchase of other financial assets		(45 847 826)	(1 159 920)	-	33 095 403	(13 912 343)
Proceeds from sale of other financial assets		33 095 403	-	-	(33 095 403)	-
Investment in associates and joint ventures		-	(1 524 637)	-	-	(1 524 637)
Dividends		1 583 955	-	-	73 940	1 657 895
Interest received on investment		6 792 355	709 840	-	(73 940)	7 428 255
		(4 574 559)	**(1 975 881)**	**(15 275)**	**(28)**	**(6 565 743)**

Errors

The following prior period errors adjustments occurred:

Building operating lease

The Fund entered into a lease agreement for an office building, the commencement date was 1 December 2019. The lease is for a period of four years with an annual escalation of 8%. The lease is classified as an operating lease. The lease payments were not correctly recognised on a straight line basis over the lease term as they were recognised when incurred at an amount equal to the lease payment. The Fund corrected the treatment to be in line with GRAP 13 Leases.

Statement of Financial Position	
Increase in operating lease liability	(845)
Statement of Financial Performance	
Increase in other operating expenses	845
	-

Notes to the Audited Annual Financial Statement

42. Prior-year adjustments (continued)

Trans African Concessions (Pty) Ltd (TRAC)

The Fund incorrectly reclassified the equity holding for TRAC in the 2019, 2018 and 2017 financial years as an investment in associate in terms of GRAP 7. During the current reporting period the Fund reclassified the investment to a GRAP 104 financial asset.

The comparative amounts for 2018/2019 have been restated. The effect of the restatement is summarised below:

	2020 R'000	2019 R'000
Statement of Financial Position		
Decrease in accumulated surplus opening balance		11 821
Increase in other financial assets		248 500
Decrease in investments in associates		(248 500)
Statement of Financial Performance		
Increase in investment revenue (dividends)		(61 015)
Decrease in fair value adjustments		14 400
Decrease in income from equity accounted investments		34 794
		-

Fully depreciated assets still in use

Assets, with a combined cost price of R17 million, were identified during the asset verification as still being in use however they were fully depreciated as at 31 March 2019. Further investigation found no reason why these assets useful lives were not reviewed in the prior year. As a result the prior year is restated by reassessing the useful lives and correcting the assets accumulated depreciation and depreciation balances.

The comparative amounts for 2018/2019 have been restated. The effect of the restatement is summarised below:

	2020 R'000	2019 R'000
Statement of Financial Position		
Increase in accumulated surplus opening balance		(4 244)
Increase in property, plant and equipment		5 303
Statement of Financial Performance		
Decrease in depreciation, amortisation and impairments		(1 059)
		-

Fully depreciated assets still in use

A number of assets in the other property, plant and equipment asset class' useful lives were reassessed during 2019. The depreciation as a result of reassessment was incorrectly calculated using a "catch-up" method. These calculations were corrected during the 2019/20 reporting period.

The comparative amounts for 2018/19 have been restated. The effect of the restatement is summarised below:

	2020 R'000	2019 R'000
Statement of Financial Position		
Decrease in property, plant and equipment		(1 497)
Statement of Financial Performance		
Increase in depreciation, amortisation and impairments		1 497
		-

Error in depreciation calculations after change in useful lives during 2019

Assets in the furniture and fixture asset class' useful lives were reassessed during 2019. The depreciation as a result of reassessment was incorrectly calculated using a "catch-up" method. These calculations were corrected during the 2019/2020 reporting period.

	2020 R'000	2019 R'000

42. Prior-year adjustments (continued)

The comparative amounts for 2018/2019 have been restated. The effect of the restatement is summarised below:

Statement of Financial Position	
Increase in accumulated surplus opening balance	(843)
Decrease in property, plant and equipment	(860)
Statement of Financial Performance	
Increase in depreciation, amortisation and impairments	1 703
	-

Incorrect depreciation on leasehold improvements

Depreciation on the leasehold improvement incorrectly calculated in the prior years were corrected in the 2017/18 and 2018/2019 reporting periods. The impact is summarised as follows:

Statement of Financial Position	
Increase in accumulated surplus opening balance	(771)
Increase in property, plant and equipment	1 256
Statement of Financial Performance	
Decrease in depreciation, amortisation and impairments	(485)
	-

Application of impracticability on equity accounting for investments in associates and joint ventures

The Fund applied every reasonable effort to obtain the information from investees and had no realistic alternative but to conclude that it is impracticable in terms of GRAP 1 to obtain certain information relating to the 2018/19 reporting period. The impracticability assessment was applied to: Bright Glacier Trading (Pty) Ltd, Clinix Health Group Ltd, Kefolile Health Investments (Pty) Ltd, Kefolile Consumer Brands (Pty) Ltd, Musa Capital Group (Pty) Ltd, UIF Agri-Fund, Grey Jade Trade & Invest 69 (Pty) Ltd and Educor Property Holdings (Pty) Ltd.

The comparative amounts for 2018/2019 have been restated. The effect of the restatement is summarised below:

Statement of Financial Position	
Increase in interests in joint ventures	1 982
Decrease in investments in associates	(101 588)
Statement of Financial Performance	
Increase fair value adjustments	(1 469 253)
Increase in investment revenue	106 808
Increase in equity accounted investments	(552 137)
Increase in impairment of other financial assets	1 362 446
Increase in impairments in associates and joint ventures	651 742
	-

Application of different accounting policy by an associate

An entry was processed due to differences in accounting policies applied by Gurb Investment (Pty) Ltd. Fair value adjustments of unlisted investments were taken to equity with a R4.5 million cumulative effect which is not allowed in the Standards of GRAP.

The comparative amounts for 2017/2018 have been restated. The effect of the restatement is summarised below:

Statement of Financial Position	
Increase in accumulated surplus opening balance	(4 500)
Increase in investments in associates	4 500
	-

	2020 R'000	2019 R'000

42. Prior-year adjustments (continued)

Technical reserve and benefit liabilities reclassifications

The technical reserve in previous years included only the UPR and URR based on the actuarial reports. The technical reserve however should also include the IBNA as the obligating event the IBNA did not occur yet. The ABNP should form part of the benefit liability. These reclassifications were made to reflect this and to correct the amounts.

The comparative amounts for 2017/2018 and 2018/2019 have been restated. The effect of the restatement is summarised below:

Statement of Financial Position	
Decrease in accumulated surplus opening balance	1 063 879
Decrease in accumulated surplus	4 388 719
Decrease in benefits payable - outstanding claims reserve	10 677 813
Increase in technical reserve	(12 245 334)
Statement of Financial Performance	
Decrease in benfits payable	(12 823 364)
Increase in benefits payable	8 938 287
	-

Restatement of comparatives due to use of management accounts of draft AFS in equity accounting for investments in associates and joint ventures

The Fund uses management accounts for Clinix Health Group (Pty) Ltd and draft AFS for Educor Property Holdings (Pty) Ltd, Grey Jade Trade and Invest 69 (Pty) Ltd and Kefolile Health Investments (Pty) Ltd, to equity account for the investments in the prior year.

The comparative amounts for 2018/2019 have been restated. The effect of the restatement is summarised below:

Statement of Financial Position	
Increase in investments in associates	30 478
Statement of Financial Performance	
Increase in income from equity accounted investments	(29 429)
Decrease in impairment on investments in associates and joint ventures	(1 049)
	-

Portion 4 of Erf 43, Thoyohandou

Potion 4 of Erf 43, Thohoyando is currently registered in the name of Thulamela Municipality and not the Fund. The Fund is currently in the process to have the title deed transferred to the Fund. Seeing that portion 4 of Erf 43 is not currently registered in the Fund's name is should not be disclosed as part of the property. It was erroneously included in the prior year and thus removed this year.

Land and buildings incorrectly classified as Property, plant and equipment

The Fund holds properties in Pretoria which are held for the purpose of earning rental income. These properties were previously erroneously included in Property, plant and equipment. The Fund has reclassified these properties to Investment property and adjusted the values in line with the fair value model utilised.

Statement of Financial Position	
Decrease in property, plant and equipment	(106 006)
Increase in investment property	139 400
Increase in accumulated surplus	(48 197)
Statement of Financial Performance	
Increase in fair value adjustments	15 233
Decrease in depreciation, amortisation and impairments	(430)
	-

	2020 R'000	2019 R'000

42. Prior-year adjustments (continued)

Change in accounting policy

The following change in accounting policies occurred:

Investment property

The nature of the change in accounting policy

The Fund previously recognised investment property at cost less accumulated depreciation and accumulated impairment losses. During the current year, the Fund voluntary changed its accounting policy in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors to the fair value model, whereby a gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

Reasons why applying the new accounting policy provides reliable and more relevant information

An analysis of the differences in accounting policies between that of the Fund and that of its associates and joint ventures revealed that some investees measure their investment properties using the fair value model. This difference in accounting policy resulted in adjustments that had to be made before the Fund could proceed to equity account for its share in the investees' surpluses or deficits for the period. Consequentially, the Fund decided to align its accounting policy for the measurement of investment property to that of the investees in order to provide relevant, more reliable, comparable and understandable financial information to the users of its AFS.

The adjustments made for each financial statement line item effected were as follows:

2020	
Investment property	(8 944)
Accumulated surplus	10 109
Depreciation, amortisation and impairments	(18 112)
Fair value adjustments	16 947
	-
2019	
Investment property	(10 109)
Accumulated surplus	(16 019)
Depreciation, amortisation and impairments	(24 893)
Fair value adjustments	51 021
	-
2018	
Investment property	16 019
Depreciation, amortisation and impairments	(809)
Fair value adjustments	(15 210)
	-

Reclassifications

The following reclassifications adjustment occurred:

	2020 R'000	2019 R'000

42. Prior-year adjustments (continued)

Prepayments

Prepayments were reclassified to a separate line item from Receivables from non-exchange transactions.

Statement of Financial Position	
Receivables from non-exchange transactions	(117 495)
Prepayments	117 495
	-

Gain / (loss) on sale of property, plant and equipment

The loss on the sale of property, plant and equipment was reclassified to a separate line item on the face of the Statement of Financial Performance.

Statement of Financial Performance	
Other income	1 340
Gains/losses on disposal of property, plant and equipment	(1 340)
	-

Benefits payable

The normal and top-up components of the Approved But Not Fully Paid (ABNP) that are included as part of the benefits payable per Note 15 and determined by the Fund's actuaries, were reclassified for the prior year.

The actuaries of the Fund previously determined the amounts through ratio calculations and a fairly high-level estimation process. Due to a more accure split being possible, the split was determined based on the actual amounts available.

The reason not performing a bottom-up per-claim analysis previously, was due to the relative insignificance of the split compared to the importance of the opening and closing numbers. Time was therefore rather spent on scrutinising the numbers that would appear in the balance sheets than numbers that did not even appear in the actuarial valuation report.

The reclassification of the normal claims did not impact any of the numbers on the statement of financial performance or statement of financial performance and also not any of the numbers presented in the actuarial valuation report.

Provision for benefit claims - current year - previously	(2 846 855)
Provision for benefit claims - current year - reclassified	2 479 043
Revised ultimate claims - prior year - previously	445 868
Revised ultimate claims - prior year - reclassified	(78 056)
	-

Renamings

In order to align the description of the of the following disclosure items, the following improvements were made in the current AFS:

Description in 2019 AFS: Trade and other receivables - Financial assets
Description in 2020 AFS: Receivables from exchange transactions.

Description in 2019 AFS: Receivables - non financial assets
Description in 2020 AFS: Receivables from non-exchange transactions.

Description in 2019 AFS: Revenue
Description in 2020 AFS: Revenue from non-exchange transactions.

Description in 2019 AFS: Other income
Description in 2020 AFS: Other revenue from exchange transactions.

Notes to the Audited Annual Financial Statement

43. Reconciliation between budget and Statement of Financial Performance

Reconciliation of budget surplus with the (deficit) in the Statement of Financial Performance:

	2020 R'000	2019 R'000
Net (deficit) per the Statement of Financial Performance	(11 922 060)	
Adjusted for:		
Revenue from non-exchange transactions	17 903	
Other revenue from exchange transactions	3 974	
Investment revenue	(1 012 844)	
Benefit payments	(5 418 852)	
Changes in benefits payable	12 166 173	
Unemployment Alleviation Schemes	(198 600)	
Auditors remuneration	(2 729)	
Depreciation, amortisation and impairments	(159 514)	
Employee cost	(238 657)	
Administrative cost	(105 703)	
Operating expenses	(330 771)	
Finance cost	(3)	
Transfer of IT assets to the Department of Employment and Labour	22 712	
Gains/losses on the disposal of assets	18 793	
Fair value adjustments	22 178 897	
Income from equity accounted investments	(7 565)	
Impairment on other financial assets	1 046 495	
Impairment on investments in associates and interests in joint ventures	2 065 572	
Technical reserve	(1 531 143)	
Capital expenditure	(785 272)	
Net surplus per approved budget	**15 806 806**	

	2020 R'000	2019 R'000

44. Budget differences

Material differences between budget and actual amounts

44.1 Investment revenue

The Fund received 6.05% more revenue on its investments than budgeted for. Due to stressed global economic markets and emerging markets expected to tick down, the asset manager revised its full-year domestic growth forecast downward on the back of disappointing high-frequency data; severe load shedding; a continuation in weak consumer trends; and delayed investment. The Fund, therefore, implemented a conservative budget approach with regards to investment return for the 2019/2020 financial year. However, the investment portfolio return managed to outperform the benchmark by 2.62% for 12 months and therefore the actual investment return exceeded the initial budgeted amount.

44.2 Benefit payments

The IT systems to implement operational and financial processes for the payment of top-up benefits / reassessments have been developed. Actual payments in this regard have not been made. Only New Act benefits were paid for new applications with effect from 1 January 2019.

44.3 Changes in benefits payable

The downward revision was a result of the actuarial valuation conducted at 31 March 2020. An increase incurred in the (transfer to) outstanding claims provision, instead of a reduction (transfer from) on the outstanding claims provision that was estimated during the previous actuarial valuation.

44.4 Unemployment Alleviation Schemes

Delays in implementation resulted from the new mandate of the Department of Employment and Labour. The Fund's new focus is on projects that will result in employment / jobs. The Fund has convened a new Committee to Labour Activation Programme National Adjudication Committee that will adjudicate all new projects. The Fund has increased its budget in this regard accommodating the new proposals.

44.5 Depreciation, amortisation and impairments

Depreciation is 75% less than the budget amount due to the capital IT projects that were not finalised during the financial year under review. These IT projects include infrastructure upgrades in labour centres.

44.6 Employee cost

The Fund had a vacancy rate of 7.1% at the end of March 2020, resulting in under expenditure.

44.7 Administrative costs

The Fund considers all cost effective options before incurring expenditure to comply with the cost containment measures according to the circular issued by National Treasury. The Fund saved 15.59% against the following main items:
- venues and facilities;
- entertainment/catering;
- advertising and printing; and
- stationery.

The 15.59% underbudgeted expenditure include external IT services relating to the SAP Implementation Release 1 and system handover by Accenture that was budgeted for amounting to R33 million and R1 million respectively. The release and hand-over were not executed since the SAP Implementation was dependent on a system handover that did not realise due to delays in the approval process by National Treasury.

Included in administrative cost is commission paid to SARS with regards to the collection of Unemployment Insurance Contributions. 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 Consumer Price Index and Gross Domestic Product to determine the likely rate of growth in the revenue of the Fund.

	2020 R'000	2019 R'000

44. Budget differences (continued)

Furthermore, the underbudget of administrative cost includes bad debts resulting from money received from debts written off through set-offs to the value of R46 million.

44.8 Operating expenses

The Fund saved/underspent 35.3% against the following main budgeted items:

An underspend of R159 million with regards to the Fund's investment portfolio management fees. The fees are levied monthly by the Fund's asset manager, the PIC, per asset class and based on the daily market value of the investment portfolio. Trading activity and market value in the portfolio are subject to market conditions and fluctuates daily. Due to the unpredictability of daily trading activity and the investment portfolio market value, there will always be a difference between the budgeted amount for investment management fees and the actual amount paid.

In line with the circular from National Treasury on cost containment measures, the Fund saved R3 million on consumables and R3 million on communications that includes cell phone and telephone charges and postage.

44.9 Fair value adjustments

Fair value adjustments reflect market movement on investment instruments. Due to the unpredictability of market movement fluctuations, the Fund does not budget for fair value adjustments. At 31 March 2020, the Fund had a net fair value loss on its investment portfolio of R22 005 million.

44.10 Impairment of other financial assets

The Fund does not budget for impairments on financial assets.

44.11 Impairment on investments in associates and interests in joint ventures

The Fund does not budget for impairments on investments.

44.12 Technical reserve

The variation was a result of the actuarial valuation conducted at 31 March 2020.

Changes from the approved budget to the final budget

Revenue

The downward revision of the contributions received budget was from an optimistic economic estimate amount of R21.06 billion to a pessimistic estimate of R19.6 billion due to the late implementation of the UI Amendment Bill, consensus to increase the contribution ceiling was not reached, and unfavourable economic growth in the country.

Benefit payments

The budget for benefit payments was increased with R10.3 billion to align the expenditure with the previous financial year expenditure trends.

Changes in benefits payables

The Fund revised up the benefit payable provision to R12.2 billion to cater for retrospective benefits related to the UI Amendment Act, the provision was based on the final actuarial valuations

Notes to the Audited Annual Financial Statement

	2020 R'000	2019 R'000

44. Budget differences (continued)

Administrative cost

The budget for administrative cost increased to cater for the R7 million in computer services for maintenance of ICT services.

Operating expenses

Included in the revised budget for operating cost was an increase in management fees expenditure to the value of R9 million based on the Fund's final valuation.

Employee cost

The Fund increased the budget for additional Labour Activation Programmes posts in the provinces to the value of R80.8 million.

Technical reserves

The Fund revised the budget for the unearned premium reserve down with R77.3 million in line with its actuarial valuation report that is based on expected economic conditions.

Capital expenditure

The budget for capital expenditure was revised down due to sale of the investment properties. Originally the budget was projected for refurbishments and upgrades.

45. Change in estimate

Property, plant and equipment

The useful lives of assets were reviewed and for some assets the useful lives were extended. For motor vehicles the useful life was extended with two years; office equipment was extended with one year; and IT hardware and furniture and fixture were extended between two and three years.

The impact on depreciation for 2020 is:

IT equipment	(3 707 582)
Motor vehicles	(239 889)
Office equipment	(11 229)
	(3 958 700)

46. Comparative figures

Certain comparative figures have been restated. Refer to note 42 for details.

47. Accounting by principals and agents

The entity is a party to various principal-agent arrangements.

	2020 R'000	2019 R'000

47. Accounting by principals and agents (continued)

Details of the arrangements are as follows:

The Fund enters into principal-agent arrangements with various entities under the Unemployment Alleviation Scheme. The Fund is the principal in these arrangements.

The following schemes fall under these principal-agent arrangements:

- Temporary Employer-Employee Relief Schemes (TERS)
- Training of the Unemployed (TOU)
- Turnaround Solutions (TAS)

All the above schemes are aimed at individuals in distress due to economic conditions and workers who may be at risk of retrenchment that might become unemployment claimants. A business case in terms of TERS often incorporates training to an entity's employees whereas TOU focuses on the upskilling and training of the unemployed for reintegration back into the employment environment.

The training is typically provided through various Sector Education and Training Authorities (SETAs), Technical Vocational Education and Training (TVET) Colleges as well as other Government departments engaging in poverty or unemployment alleviation initiatives. Applications from SETAs or other training providers to participate in facilitating training interventions go through a strict process before the Fund signs funding agreements.

Significant terms and conditions relating to the funding agreement stipulate amongst other, the responsibilities regarding the Fund's financial obligation to the scheme, selection of employees or learners for training and monitoring of the project. Funding is reliant on progress monitoring. The participating SETAs or other training provider's responsibilities in terms of the training selected for the learners, progress reports and attendance register submissions to the Fund are set out in the agreement with detail attached in annexures to the binding agreements. Funds committed to these schemes may not be utilised for any other purpose and any unused funds at the end of the arrangement are returned to the Fund. Any changes in learner numbers are to be communicated and agreed upon between the Fund and the participating SETA, TVET Colleges or other training providers.

The duration of the training varies between 3 and 36 months.

Entity as principal

Resources (including assets and liabilities) of the entity under the custodianship of the agent

The Fund is the principal based on the following considerations:

- The Fund determines the significant terms and conditions of the transaction in selecting the learners for training purposes and determines the training specification with the relevant SETA, college or other institution providing the training.

- The Fund provides the resources for the training provided by the relevant institution. Any fees not utilised by the training institution is paid back to the Fund.

- The Fund is exposed to unemployment claimants if the training is not completed.

The duration of the training interventions ranges from 3 to 36 months depending on the identified training needs. Management fees (if any) are included in the tranche payments and vary per agreement.

Fees are paid by the Fund in tranches as stipulated in the binding agreements and based on progress monitoring by the relevant SETAs, TVET Colleges or other training providers.

During the year, the following tranche payments were made:

Notes to the Audited Annual Financial Statement

	2020 R'000	2019 R'000

47. Accounting by principals and agents (continued)

Tranche payments made for the Unemployment Alleviation Scheme		
TERS	74 514	8 979
TOU	995 552	90 829
TAS	-	16 050
	1 070 066	**115 858**

Commitments raised for the Unemployment Alleviation Scheme were included in note 32. The commitments relating to GRAP 109 were:

Commitments raised for the Unemployment Alleviation Scheme		
TERS	77 790	20 672
TOU	2 183 044	2 025 668
TAS	-	47 890
	2 260 834	**2 094 230**

Receivables raised in terms of the Unemployment Alleviation Scheme in note 4 were:

Receivables raised in terms of the Unemployment Alleviation Scheme		
TERS	679	-
TOU	13 421	-
	14 100	**-**

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

In the event where the agreement is terminated, any unused funds are to be returned to the Fund. Depending on the reason for termination, the Fund might need to find another training provider to perform the training of the learners resulting in further funding implications for the Fund.