

UNEMPLOYMENT INSURANCE FUND  
**ANNUAL REPORT**  
2021/22



**employment & labour**

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Employment and Labour  
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# **PART A: GENERAL INFORMATION**

# 1. PUBLIC ENTITY'S GENERAL INFORMATION

<b>Registered Name:</b>	Unemployment Insurance Fund
<b>Registration Number:</b>	Schedule 3 A Public Entity, established in terms of Section 4 (1) of the Unemployment Insurance Act, 63 of 2001 as amended
<b>Physical Address:</b>	230 Lillian Ngoyi Street Pretoria 0002
<b>Postal Address:</b>	PO Box 1851 Pretoria 0001
<b>Telephone Number/s:</b>	(012) 337 1700
<b>Toll-free Number:</b>	(0800) 843 843
<b>Call Centre:</b>	0800 030 007 (012) 337 1680
<b>Website:</b>	<a href="http://www.labour.gov.za">www.labour.gov.za</a> or <a href="https://ufiling.labour.gov.za/uif/">https://ufiling.labour.gov.za/uif/</a>
<b>External Auditors:</b>	Auditor-General of South Africa, 4 Daventry Street, Lynnwood Bridge Office Park, Lynnwood Manor, Pretoria
<b>Bankers:</b>	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

# TOP LEADERSHIP

*A leader is one who knows the way, goes the way, and shows the way.*

— John C Maxwell

A great leader has the ability to inspire action through proper guidance and mentorship and uses their knowledge to educate others along the way.



**Teboho Maruping**  
UIF COMMISSIONER

**Boitumelo Moloi**  
DEPUTY MINISTER

**Thulas Nxesi**  
MINISTER

**Thobile Lamati**  
DIRECTOR-GENERAL



# UIF ADVISORY BOARD



**Mr Zola Luswazi**

CHAIRPERSON



**Ms Martle Keyter**

FINANCIAL ADVISORY  
COMMITTEE  
CHAIRPERSON



**Mr Edward Thobejane**

SOCIAL, ETHICS AND  
TRANSFORMATION COMMITTEE  
CHAIRPERSON



**Mr Thembinkosi Josopu**

LABOUR ACTIVATION  
PROGRAMME COMMITTEE  
CHAIRPERSON



**Ms Ogalaletseng Gaerekwe**

INVESTMENT COMMITTEE  
CHAIRPERSON



**Ms Vuyiswa Miya-Mokwana**

NATIONAL APPEALS COMMITTEE  
CHAIRPERSON



**Ms Thandiwe Mfulo**



**Dr Daluxolo Ntsinde**



**Ms Louwresse Specht**



**Ms Brenda Sibeko**



**Mr Donald Mazibuko (resigned)**



## 2. LIST OF ABBREVIATIONS/ACRONYMS

AFS	Annual Financial Statements
AGSA	Auditor-General of South Africa
MEC	Member of Executive Council
B-BBEE	Broad-Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
PFMA	Public Finance Management Act, Act 1 of 1999
TR	Treasury Regulations
SCM	Supply Chain Management

### 3. FOREWORD BY THE MINISTER

It is my privilege to submit to you the Annual Report on the activities of the Unemployment Insurance Fund (UIF) for the financial year that ended on 31 March 2022.

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 as well as the statement of financial performance for this period.

It also contains the Auditor-General's report in terms of the Public Finance Management Act (PFMA, Act 1 of 1999, as amended).

During the 2021/2022 financial year, the UIF continued to provide temporary financial relief to workers and businesses that were negatively impacted by the various COVID-19 lockdowns and restrictions.

This was made possible through the COVID-19 Temporary-Employer-Employee Relief Scheme (COVIDTERS) which was formed as part of the R500 billion stimulus package announced by his Excellency, President Ramaphosa as one of government's interventions to ameliorate the harmful effects of the COVID-19 pandemic to the economy. COVID-19 TERS played a huge role in keeping the country's economy going, helping companies stay afloat and assisting workers to meet their financial obligations, and support their families during the global pandemic.

The scheme also saved jobs, and we are grateful to the social partners at the National Economic Development and Labour Council (NEDLAC), for the role they played in deliberations at the council, which paved the way for the establishment of COVID-19 TERS.

Covid-19 TERS is by far one of the most effective monetary interventions of government. President Ramaphosa described COVID-19 TERS in one of his weekly newsletters as "a lifeline to struggling businesses and employees. It (Covid-19 TERS) made the difference between companies remaining open and being forced to close, between jobs saved and jobs lost."

We received the President's commendation with comfort but also accepted that the administration of COVID-19 TERS was not without challenges, as it required an overhaul of the UIF to meet the new mandate, whilst policies and directives also had to be developed to meet the expectation. Therefore, some mistakes were made which resulted in fraud and irregular payments. However, the Fund implemented the Auditor-General's recommendations and put stringent security measures in place, which closed the system's loopholes to prevent fraud and corruption.

We were also protected against fraud and corruption through the "Follow the Money" project to audit all employers that received Covid-19 TERS funding. In the year under review, the Fund continued auditing employers that benefitted to verify if the money was paid out to the right workers at the right time. While irregular and fraudulent payments were made, we take solace in the fact that our relentless efforts with law enforcement agencies resulted in **several employers** being referred to the Hawks via the Presidential Fusion Centre for investigation, arrest and prosecution, where wrongdoing is uncovered.

Despite the challenges of COVID-19, the UIF also continued paying normal benefits such as Unemployment, Maternity and Illness.

By the end of March 2022, the Fund had disbursed **R18 050 307 000 billion** for normal benefits. In the same period, the Fund also paid out benefits to workers affected by the unrest of July 2021, through the Workers Affected by Unrest (WABU) temporary financial relief scheme.

For the financial year under review, the UIF budgeted **R2,4 billion** for Labour Activation Programmes (LAP). The UIF will strengthen the normal TERS to continue providing relief to struggling businesses to save jobs. Through Productivity SA's Business Turnaround and Recovery Programme,



which is funded by the UIF, support was given in the 2021/2022 financial year to SMMEs, start-ups, cooperatives, and other businesses to aid our economic reconstruction and recovery plan. Through LAP, 10 202 youths participated in public employment programmes against a target of 12 210.

The Fund has positively impacted the preservation of jobs and livelihoods. However, its overall performance suffered due to resources being focused on the temporary financial relief schemes. Nonetheless, we are pleased that in 2021/2022, the performance increased slightly to 48% from the previous year's 33%.

The return of the UIF Commissioner, Mr Teboho Maruping, and other senior executives from suspension in 2021/2022 has also brought much-needed leadership stability to the UIF.

The Fund will also wind down and prepare to close COVID-19 TERS and WABU by paying all valid and remaining claims. The hard work to improve service delivery and provide social security to contributors and their beneficiaries in line with section 27 (1) (c) of the Constitution, which states that "everyone has the right to social security", will continue unabated.

The UIF remains in a sound financial position, and this will ensure future payments of normal benefit claims and administrative costs.

The UIF will also be one of the key instruments in our pursuit of fully achieving the expanded mandate of the Department of not only focusing on labour market regulation through policies and legislation but also creating and preserving jobs.

Going forward, where challenges that have been identified, particularly in relation to the AG's findings, action plans have been drafted, and implementation will be monitored regularly to improve the audit outcome.

I wish to thank all my colleagues for their support, especially Deputy Minister Ms. Boitumelo Moloi, Director-General Mr. Thobile Lamati, the UIF Commissioner and the management of the Fund.



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**MR. TW NXESI, MP**  
**Minister of Employment and Labour**  
**Date:**

## 4. FOREWORD BY THE DEPUTY MINISTER

The 2021/2022 financial year was another challenging and demanding period for the Unemployment Insurance Fund (UIF), an entity of the Department of Employment and Labour, as we continued grappling with the negative impact of the global Coronavirus (COVID-19) pandemic.

In its work of mitigating the impact of the pandemic, the government of our country, as led by His Excellency President Cyril Ramaphosa, was making strong economic recovery efforts that were already bearing fruit when the unfortunate July 2021 unrest seized the country. The unrest led to further job losses; threatened livelihoods and pushed our economy closer to the precipice once more.

These two events increased the burden on the state, calling on us to lead in reviving the economy and sustaining livelihoods. This was done through several government-led programmes primarily designed to boost the economy.

The Department of Employment and Labour has been at the forefront of the government's work in the economic recovery. Through the UIF, two main schemes were created to assist employers and employees whom the COVID-19 pandemic and the July unrest had impacted.

In response to COVID-19, the Department of Employment and Labour, through the UIF, established the ground-breaking COVID-19 Temporary Employer-Employee Relief Scheme (COVID-19 TERS). The Relief Scheme was created to save jobs and ease the financial burden on businesses but most importantly, their vulnerable workers after the country was placed on the first hard lockdown from 26 March 2020 to 16 April 2020 to contain the spread of COVID-19. In 2021/2022, the UIF continued providing wage support to workers through COVID-19 TERS.

The Fund also intervened to assist employees and businesses that were detrimentally affected by the July 2021 unrest by setting up the Workers Affected by Business Unrest (WABU) temporary financial relief scheme which saw the UIF provide assistance to affected workers.

COVID-19 TERS and WABU were innovative schemes by a responsible and caring government that placed its people first, and significantly prevented what could have been the worst calamity for our country during the year under review.

The Fund made these amazing interventions while continuing with its primary mandate of collecting contributions from employers and paying out billions in normal benefits such as unemployment and maternity, in line with the Unemployment Insurance Amendment Act and the Unemployment Insurance Contributions Act.

Despite challenges like the unrest and COVID-19, we have and will persistently do our utmost best to assist UIF clients, stakeholders, businesses, workers, and the South African economy under the firm leadership of the Honourable Minister Nxesi.

The Fund will continue providing social security to contributors and their beneficiaries in line with section 27 (1) (c) of the Constitution of the Republic of South Africa, 1996, which affirms that "everyone has the right to social security".

Notwithstanding the good interventions of the UIF to save jobs, businesses, our economy, and livelihoods, there is a need to improve customer service for normal benefits and restore hope within the Fund.

I would like to thank the Honourable Minister for his unwavering leadership. I also convey my gratitude to the Director-General, all of the Department, and UIF officials for their relentless commitment to serving our people.



The Fund will continue being a “caring, accessible and customer-centric UIF that contributes towards poverty alleviation”.

I thank you.



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**Ms Boitumelo Moloi - MP**  
**Deputy Minister of Employment and Labour**

## 5. ACCOUNTING AUTHORITY'S FOREWORD

The Unemployment Insurance Fund (UIF), an entity of the Department of Employment of Labour (DEL), makes a significant contribution towards helping the Department accomplish its mandate of providing security to vulnerable workers, as well as creating and preserving jobs.

In the 2021/2022 financial year, the Fund continued to deliver on this mandate through the disbursement of the COVID-19 Temporary Employer-Employee Relief Scheme (COVID-19 TERS) that formed part of the R500 billion stimulus package announced by President Ramaphosa, as one of government's interventions to ameliorate the harmful effects of the COVID-19 pandemic to the economy.

In 2021/2022, the UIF continued helping businesses keep their doors open, workers meet their financial obligations, and saving jobs while keeping South Africa's economic wheels going. Over and above COVID-19 TERS, the Fund has paid out **R18 064 455 000 billion** for normal benefits claims such as Unemployment, Maternity, Illness, Adoption, and Parental in 2021/2022. This helped beneficiaries and their dependants meet their financial responsibilities during the devastating Coronavirus pandemic.

During the most of July 2021, our country resembled a war zone as violence engulfed parts of KwaZulu-Natal and Gauteng province. A myriad of violence, looting and destruction of property and assets accompanied the turmoil.

In the aftermath, over 300 lives were lost, billions of rands worth of damage were reported, and our initial assessments revealed that at least 75 000 workers were affected, which may have resulted in temporary work stoppage or retrenchment.

Led by the Minister of Employment and Labour, Honourable Thulas Nxesi, the UIF established the Workers Affected by Unrest (WABU) temporary financial relief scheme to assist workers affected by the unrest. By 31 March 2022, the UIF had continued providing wage support to **workers** through WABU, which shows our commitment to saving jobs and providing relief to businesses and workers when they need us the most.

In the year under review, the Fund tightened control and security measures in the administration of Covid-19 TERS and WABU to prevent fraud and corruption. The collaborative efforts of the Fund's Risk Management Unit with financial institutions and law enforcement agencies such as the HAWKS, Special Investigation Unit (SIU) and National Prosecuting Authority (NPA) has led to at least 20 individuals being arrested and charged in relation to COVID-19 TERS fraud. The arrests have assisted in motivating some employers to return monies that may have been erroneously paid. Others were compelled to return after a visit from our forensic auditors, that are conducting the "Follow the Money" auditing and verification project. We envisage more arrests and recoveries as Phase 2 of the project gets underway in July 2022.

We are pleased by the moderate increase of the Fund's overall performance from 33% in 2020/2021 to 48% in 2021/2022. The 15% performance increase demonstrates that action plans and strategies put in place to turn the ship around are bearing fruit, notwithstanding COVID-19 restrictions which had a negative impact on the Fund's capacity to operate at its optimal level. Resources were also diverted towards the administration of COVID-19 TERS and WABU which affected overall performance. However, the moderate increase shows that the Fund is on a journey of returning to 73% achievement in 2019/20 or higher.

Working closely with the UIF Advisory Board, management and stakeholders of the Fund, we will engage regularly to ensure audit action plans and remedial actions for non-performance are implemented.

The UIF remains in a sound financial position, as its assets have increased from **R118,4 billion to R125,5 billion by 31 March 2022**, and this will ensure future payments of normal benefit claims and administrative costs. The UIF will be

one of the key instruments in our pursuit of fully achieving the expanded mandate of the DEL. The new mandate not only focuses on the labour market regulation through policies and legislation but also on creating and preserving jobs.

During the 2021/2022 financial year, the Fund will focus mainly on improving service delivery and providing social security through the payment of normal UIF benefits to contributors and their beneficiaries in line with section 27 (1) (c) of the Constitution which states that “everyone has the right to social security”.



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**Thobile Lamati**  
**Director-General of Employment and Labour**



## 6. UIF COMMISSIONER'S OVERVIEW

The 2021/2022 financial year was yet another challenging year for the Unemployment Insurance Fund (UIF), as we continued to experience the negative impact of the Coronavirus (COVID-19) pandemic.

To circumvent the detrimental impact of COVID-19 and the subsequent lockdown levels on South Africa's economy, businesses and workers, the Fund continued providing financial recompense to employers and workers through the COVID-19 Temporary Employer-Employee Relief Scheme (COVID-19 TERS) in 2021/2022.

The Scheme was formed under the leadership of the Honourable Minister of Employment and Labour, Thulas Nxesi, after the country was placed on the first hard lockdown from 26 March 2020 to 16 April 2020 to contain the spread of COVID-19. Despite the country going into lower levels of the lockdown in 2021/2022 compared to 2020/2021, several businesses continued to rely on COVID-19 TERS in the year under review.

COVID-19 TERS was successfully implemented, and by 31 March 2022, **the UIF continued paying** workers that were affected by the pandemic so they could put food on the table at their homes whilst also meeting their financial obligations. The administration of the scheme in 2021/2022 improved in contrast to 2020/2021, as we implemented the Auditor-General's findings to the letter. We also enhanced cooperation with financial institutions and law enforcement agencies to prevent fraud and bring criminals to justice. The Fund also put in place a number of stringent security controls including verification of ID's and salaries, as well as blocking all underage ID numbers from applying.

Over and above COVID-19 TERS, the Fund established the Workers Affected by Business Unrest (WABU) temporary financial relief scheme in 2021/2022 following the violent unrest that rocked parts of KwaZulu-Natal and Gauteng. WABU provided financial wage support to workers who lost income due to the unrest.

Whilst the Fund, through the COVID-19 TERS and WABU, has positively impacted the preservation of jobs and livelihoods, the performance of the Fund against its predetermined objectives has suffered.

However, the overall performance of the Fund increased moderately from the 2020/2021 performance rate of 33% to 48% in 2021/2022. The performance of the Fund has been largely attributable to the focus, resources and efforts that the Fund directed towards the COVID-19 TERS and WABU. At the height of COVID-19 lockdowns, the Fund operated with limited staff numbers, with some officials working remotely. The tools of trade, such as laptops and 3G's were also limited.

However, we are firmly on a trajectory to achieve most if not, all our targets as all staff have returned to the office and we are winding down COVID-19 TERS. All our executives, including myself that was suspended having returned to the helm of the UIF, bringing about much needed leadership stability and boosted staff morale.

The lifting of all COVID-19 restrictions in June 2022 is also poised to help us operate at an optimal level and full potential in order to meet all our targets.

The following are the performance highlights of the financial year 2021/2022:

### **Job creation**

A total of 14 771 jobs were created through UIF Funding initiatives. This was against the annual target of 5 000.

### **Youth employment**

During the period under review, a total of 10 202 youths were recruited to participate in Public Employment Programmes for enhanced employability. This was against the annual target of 12 210.

## Unemployment benefits

A total of 1 131 787 valid claims with complete information were received through various Labour Centre's and the digital uFiling platform. Of all the **unemployment benefits claims received**, 1 058 483 were finalised within 15 working days. This translates to 94% against the annual target of 90% within 15 working days.

## In-service benefits

A total of 133 544 valid claims with complete information were received through uFiling and various Labour Centre's, of which 124 642 claims were finalised within 10 working days. This translates to 93% against the annual target of 92% within 10 working days.

## Deceased benefits

A total of 15 516 valid claims with complete information were received through various Labour Centre's, of which 15 058 claims were finalised within 20 working days. This translates to 97% against the annual target of 92% within 20 working days.

## SMME's support

A total of 71 Small, Medium and Micro-Sized Enterprises (SMMEs) received various types of support through the UIF's Labour Activation Programmes (LAP). This was against the annual target of 15.

## Cooperatives support

A total of 39 cooperatives received various types of support through LAP. This was against the annual target of 30.

## Improved compliance (registration of employers)

In the 2021/2022 year, a total of 51 963 newly-registered employers were reported. The number was an underachievement by 28 037 against the annual target of 80 000.

The Fund had expected a surge in the number of new employer registrations in pursuit of the COVID-19 TERS. Instead, we registered less than our annual target as many businesses closed down and retrenched employees. The Fund has developed and will implement collaborative strategies to identify non-registered employers with a view to make them comply.

There was an increase in application volumes through the online platform, u-Filing, whilst the tools of trade and resources allocated to officials were limited or remained the same. To compound the situation, Labour Centres were operating at half capacity to comply with COVID-19 regulations.

Despite the challenges of COVID-19, we are pleased to have overachieved on our target of turnaround times to creating benefit payment documents by 4%. In addition, we exceeded our target of turnaround time to approve or reject valid claims with complete information by 4% for unemployment benefits. This great work can be credited to our provincial offices for introducing rapid response teams to support non-performing Labour Centres and our monthly performance monitoring sessions.

## Key priorities

In 2022/2023, the Fund will be primarily focused on paying normal benefits, improving service delivery, as well as creating and saving jobs. It will also prioritise 12 key priorities, which entail: achieving a clean audit; strengthening the Fund's financial position; rebuilding our image; boosting staff morale; enhancing ICT infrastructure; improving performance; and strengthening the Fund's governance.



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**Teboho Maruping**  
Unemployment Insurance Fund Commissioner

# 7. FOREWORD BY THE CHAIRPERSON

## 1. Introduction



This Board of Directors was inducted on the 13<sup>th</sup> of May 2021. At this induction, several presentations were made by Management wherein important information was shared with the incoming board. Post the induction, a further information-sharing session with both the Honourable Minister and the Honourable Deputy Minister of the Department of Employment and Labour (DEL) was held. This is where the Minister laid out his vision for the Unemployment Insurance Fund Commission (hereinafter referred to as the UIF or the institution) and more specifically his expectations from us, the Incoming Board. The Outgoing Board's Acting Chairperson also shared their handover report with us.

A combination of these resourceful sessions provided the Board with further insight into the challenges facing the UIF which led to the identification of organisational key focus areas in the short, medium and long-term planning horizon for the institution.

## 2. A high-level overview of the institution's strategy and its performance in its legislated role as the Unemployment Insurance Fund

### 2.1. Overview of overriding and key organisational strategic objectives

The institution has three overriding organisational strategic objectives, they are:

- Successful and sustainable execution of the organisational mandate;
- Achieving and maintaining good corporate governance standards punctuated by equally achieving and maintaining favourable audit outcomes; and
- Lastly, delivering a financially sound and sustainable organisation into the long term.

Organisational strategies and plans are then formulated /developed and implemented to achieve these overriding organisational strategic objectives.

### 2.2. The crystallisation of the institution's operational objectives

2.2.1 The institution's organisational mandate is twofold; to provide temporary relief to contributing employees during transitional temporary unemployment phases and secondly; to engage in strategic partnerships with both the private and public sectors to create lasting employment opportunities in the South African economy. To achieve this mandate; the institution has embarked on the following practical operational objectives:

- Implement a continuous and ongoing system and process to identify and register unregistered employers for UIF contribution purposes; simultaneously tracking compliance of the registered employers so that they continue to pay their contributions monthly. This is both a direct and an indirect process.
- Facilitate and drive the creation of lasting employment opportunities (job preservation, business turnaround solutions and temporary employee relief) in South Africa through engaging in and participating in progressive strategic partnerships with both the private and public sectors to create lasting employment opportunities in the South African economy. This is done through one of our flagship programmes the Labour Activation Programme (LAP).

2.2.2. The second overriding organisational strategic objective is to: 'Achieve and maintain good corporate governance standards characterised by yearly favourable audit outcomes.

2.2.3. The third and final overriding organisational strategic objective is to: 'Deliver a financially sound and sustainable organisation well into the long-term future'.

2.2.4. The conclusion of this planning overview (the review of the organisational strategic objectives) naturally gives birth to "The Implementation of a varied range of practical, necessary and unsubstitutable critical strategies

and sub-strategies that drive the realisation and the execution of the abovementioned strategic and operational objectives”.

### 2.3 Overview of the institution's critical strategies

The institution's critical strategies are as follows:

- The continuous monthly monitoring process of employer database growth and the matching monetary value growth of collections received directly from employers and through South African Revenue Services (SARS).
- Implement an effective internal control system through the use of effective accounting systems and processes; the deployment of the necessary and underlying information technology systems and the integration of effective operational processes to ensure that only legitimate, qualifying and objectively validated employees benefit and are paid by the UIF.
- Engaging prospective partners in the private and public sectors through transparent and adequately documented processes for the purposes of forming progressive strategic partnerships to create lasting employment opportunities in the South African economy.
- Implement internal control systems, effective accounting and information technology systems in the management of the entity's administrative financial resources and assets to ensure value for money administrative expenditure and adequate protection of the institution's administrative resources and assets.
- Prudent investment of the surplus funds as per the institution's mandate and guidelines to facilitate the growth of the net worth of the institution as a critical component to deliver a financially sound and sustainable organisation well into the long-term future. Monitor the financial performance of invested funds in investee entities actively working towards returning the best possible return on investments for the UIF from these entities.
- Implement an effective organisational performance management system starting from organisational performance target setting duly mirrored by Top Management performance targets; execution and delivery of performance targets; effective performance monitoring and evidence-based tracking of performance concluding on reporting of performance as well as the matching performance rating for the Top Management.

### 2.4. Overview of the institution's performance during the year under review

- During the prior year and related to the COVID-19 pandemic and as part of a national response to the pandemic; the institution embarked on extending COVID TERS benefits to unregistered beneficiaries with substantial negative consequences in that the proprietary of a good portion of the benefits paid could not be substantiated.
- The Operation's Directory has not been well conceptualised in terms of the underlying controls, systems and processes ordinarily set up to prevent or detect errors or fraud as and when it occurs on the key subject of processing and paying COVID TERS benefits. This is a critical risk factor.
- The institution is performing below par. Reported performance against performance targets is particularly low. There is a fundamental structural problem within the performance management system; reported organisational performance bears no relation to the individual performance of senior managers. The quality of organisational performance information is a concern. The culture of non-performance at the institution is rife, exacerbated by the absence of consequence management.
- Of the investee portfolio, unlisted investments pose and continue to pose a serious problem. The overwhelming majority of unlisted investment entities are not performing, and as a result, a notable portion of the value of this total investment has been impaired. The majority of these investee entities are failing and have failed to submit the mandatory quarterly financial reports to the UIF and fundamentally; the majority of the annual financial statements were either not submitted or submitted extremely late. As a direct result of the late submission of these annual financial statements or credible financial reports, the institution will only submit for audit the annual financial statements for the year ended 31 March 2022 a year later on the 31st of March 2023 instead of the legislated two months after year-end at 31 May 2022.
- The non-submission of the incoming financial reports by investee entities has had a direct negative impact on the audit outcomes. Similarly, there is an inherent inability to track the financial performance of these investee entities. This is due to a lack of capacity and skills to conduct own high-level/abridged due diligence on potential investments being considered for investment purposes.
- Risk Management at the institution both at the level of the standalone Risk Management Unit and also operationally at the Executing Directorates; is not operating optimally; as a result, the institution is not able to identify and act on 'High Risks Areas' before such risks occur. A case
- in point is the large-scale payment of COVID TERS benefits to unregistered and non-contributing employers/employees in the prior year.
- Information Communication Technology (ICT) has not fulfilled its strategic role in the entity. In the year under review, the ICT did not have any strategy to speak of. If there had been a strategy, that strategy would have been the 'Whole Enterprise Architecture' directly responding to the institution's well-documented operational challenges most of which are part of this report.

- The UIF is an insurance business. However, it neither has the requisite skills; nor is it being managed as one to the best ability as possible under the current circumstances.

### 3. Strategic Relationships

The UIF has the following strategic relationships:

<p><b>NEDLAC</b> is an important stakeholder in the welfare of workers in the Republic. NEDLAC is represented at UIF through each of its three constituencies Business, Community and Labour Constituencies each having four Board Members on the institution's Advisory Board.</p>	<p><b>South African Revenue Services (SARS):</b></p> <p>The overwhelming majority of the UIF contributions by employers on the employees' behalf come through SARS.</p>
<p><b>Public Investments Commission, the PIC.</b> This is the legislated medium through which the UIF invests its surplus funds.</p>	<p><b>National Treasury:</b> Compliance, monitoring and key strategic advice to the institution</p>
<p><b>The Commission for Conciliation, Mediation and Arbitration (the CCMA).</b> Engages the UIF to assist businesses in distress through job retention by providing financial support on salaries to the maximum benefit payable by the UIF per employee per month.</p>	<p><b>All the SETAS.</b> The role of SETAS is to enhance the skills of workers through training during the relief period whereby they provide training and the cost associated with the training.</p>

### 4. Challenges faced by Board

In the year under review, the Board has faced the following challenges:

- The single biggest challenge faced by the Board is that it is an Advisory Board versus an Executive Board. Therefore, the Board is not legally able to take decisions and thus implement them. This renders Board ineffective.
- The foregoing structural defect is exacerbated by the overall culture of organisational non-performance. Practically that means that key Board resolutions are not implemented.

The result of the foregoing is that the Board is not in a position to implement its turnaround vision for the institution.

### 5. The strategic focus over the medium to long-term period

The strategic focus areas over the medium to long-term period are as follows:

- Development and implementation of a "Whole and Responsive Enterprise Architecture ICT Strategy" that holistically addresses all the organisational challenges starting at the individual transaction level (effective elimination of the possibility of fraud and error at the individual transaction level); to data integrity protection during transit and storage and more.
- Through the ICT, the accounting system and the operating system; implement effective internal control systems.
- Work out an exit plan in respect of investee entities in distress without a prospect of recovery. As a strategy going forward and until this is officially reviewed and amended if merited; the strategy going forward is that no new investments are being made on unlisted investee entities.
- Implement an effective, practical and hands-on strategy to manage the remaining unlisted investee entities; driving turnaround strategies through the relevant Finance Directorate team. Recruit and engage the appropriate Financial Management skills to professionally manage the institution's investment portfolio.
- The institution has embarked on an organisational review where the whole organogram is being reviewed as to whether or not "It Is Fit For Purpose". Overall skills sharpening at the institution is mandatory going forward. Where necessary, this may include the recruitment of new resources. The institution has to migrate to being managed like a proper insurance business.
- As a skill both at the structured unit level i.e. the Risk Management Unit and at Executing Directory level, the entity needs to be 'advanced skilled' in risk management.
- Overhaul the institution's Performance Management System, inclusive of consciously and actively working on changing

the culture of non-performance. Implement consequence Management.

- The portion of COVID TERS that could not be substantiated is being substantiated through a specific project called, "Follow the Money Project".
- The postponement of the submission of annual financial statements by a whole ten months will not recur; Management has a responsibility to achieve qualitative compliance at all costs.
- The issue of the Board's ineffectiveness as a result of its legal status as an Advisory Board; has been referred to the Minister for resolution.
- The LAP Programme needs to be remodelled to be 'Demand Driven' versus being a legacy training programme with no impact on unemployment.

## 6. Highlights

Highlights for the year are as follows:

- Notwithstanding the challenge of substantial unsubstantiated COVID TERS being paid; it nonetheless remains factually correct that a good number of jobs were preserved through the same COVID TERS and also through normal TERS.
- Equally strategic financial support on employee earnings for business entities under distress during the year under review was provided. Accordingly, some jobs were retained through the provision of this strategic financial support.

## 7. Acknowledgements

The Board would like to acknowledge the following stakeholders:

- The Honourable Minister of the Department of Employment and Labour (the Department) and the Ministry Team for the leadership provided.
- The Chairperson of the Public Investment Commission (the PIC) the Honourable Deputy Minister of Finance Dr D Mabuza for his strategic support despite the challenges.
- The Director General of the Department.
- The Commissioner and the Management Team.
- NEDLAC.
- The PIC Management.

## 8. Conclusion

From the synopsis presented in the foregoing report, it is evident that substantial work remains ahead. The Honourable Minister and the Ministry; the Director General, the Board, the Commissioner and the Management Team will collectively have to work hard to achieve the critical and major milestones remaining unexecuted.



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**Z. Luswazi**  
**UIF Board Chairperson**

# 8. 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 audited by the Auditor-General of South Africa.

The annual report is complete, accurate and is free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the standards applicable to the public entity.

The Accounting Authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing and implementing a system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2022.

Yours faithfully



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**UIF Commissioner**  
**Teboho Maruping**



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**Director-General of Employment and Labour**  
**Thobile Lamati**



# 9. STRATEGIC OVERVIEW

## 9.1. Vision

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

## 9.2. Mission

Through multiple channels UIF will provide social insurance benefits and improve coverage to vulnerable workers and contributors. UIF will further contribute to economic growth through Funding the retention and re-entry of contributors into employment.

**The new mission can be further elaborated as follows:**

- **Multiple Channels** - the UIF will ensure accessibility of its services through various channels and across different physical locations.
- **Social Insurance Benefits** - refers to the following financial benefit claims provided under the Unemployment Insurance Act, 2001 (Act No.63 of 2001) and Labour Laws Amendment Act, 2016 (Act No.10 of 2016) and paid out to UI Contributors:
  - Unemployment Benefits
  - Maternity Benefits
  - Illness Benefits
  - Adoption Benefits
  - Dependant's Benefits
  - Parental Benefits
- **Vulnerable Workers** - The UIF will contribute to the improvement of the lives of the vulnerable workers by Funding their training and business development interventions.
- **Improve Coverage** - UIF benefits access is currently limited to employees as defined in the UI Contributions Act, 2002 (Act No.4 of 2002), and no other persons outside the scope defined in the Act can access the benefits, including self-employed persons, persons working in the informal sector, artists in the arts and entertainment and recent graduates. The Act will be amended to increase much-needed coverage of these workers in order to reduce unemployment and contribute to job creation and entrepreneurship.
- **Funding the retention and re-entry of contributors into the employment** - in order to improve the lives of the UIF contributors, ensure their continuation of contribution payments and contribute to economic growth, the UIF will provide funding for interventions (such as training, business development) that are aimed at enabling retrenched workers to re-enter into the labour market (as employees or as self-employed).

## 9.3 Values

	VALUES	DESCRIPTION
	Transparency	We will be open to all stakeholders without reservations 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 service	The customer should be placed at the centre of the UIF's processes and procedures. Business activities and relief processes should support the idea of being customer centric.
	Integrity	We will communicate openly, honestly and build relationships based on trust.
	Accountability	We will own up to our responsibilities in relation to our behaviour, actions and results.
	Teamwork	We will involve each other, work together across the organisation, 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.

# 10. LEGISLATIVE AND OTHER MANDATES

## 10.1. Constitutional mandate

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

## 10.2. Legislative and policy mandates

### i. Legislative Mandate

The mandate of UIF is stated in the Unemployment Insurance Act, 2001 (Act No.63 of 2001) as amended. The UIF was established in terms of section 4(1) of the Unemployment Insurance Act. The Act empowers UIF to register all employers and employees in South Africa and pay those who qualify for unemployment insurance benefits. The Unemployment Contributions Act, 2002 (Act No.4 of 2002) empowers the South African Revenue Service Commissioner and the Unemployment Insurance Fund Commissioner to collect monthly unemployment insurance contributions.

**Section 9** of the Unemployment Contributions Act empowers the UIF Commissioner to collect contributions from all those employers who are not required to register as employers in terms of the fourth schedule of the Income Tax Act, 1962 (Act No.58 of 1962) and who are not liable for the payment of the skills development levy in terms of the Skill Development Act, 1999 (Act No.9 of 1999). These contributions are used to pay benefits and other expenditure reasonably incurred relating to the application of the Act.

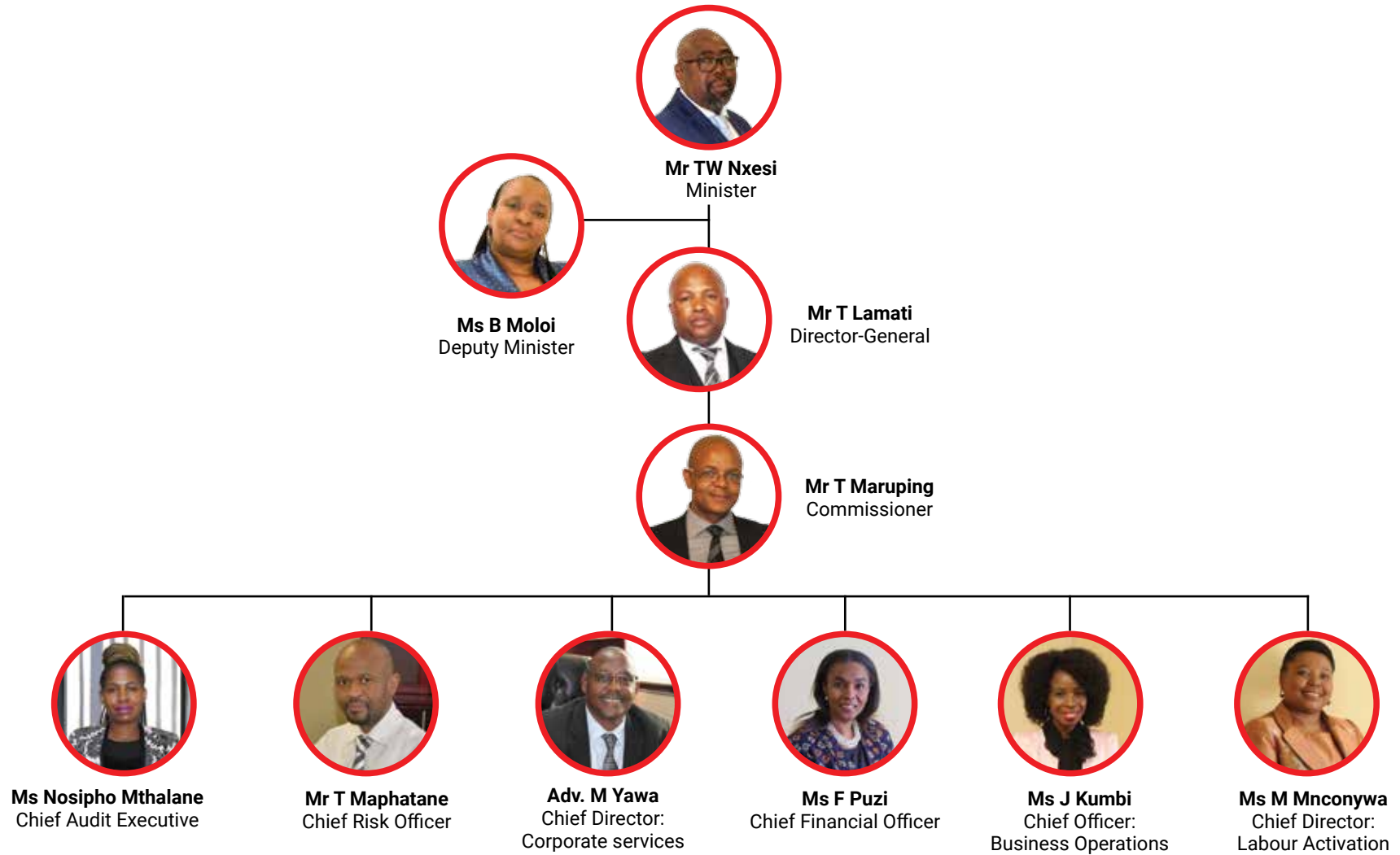
### ii. Policy Mandate.

**The UIF is expected to contribute to the following priorities of the sixth administration:**

- Priority 1: A Capable, Ethical and Developmental State,
- Priority 2: Economic Transformation and Job Creation,
- Priority 4: Consolidating the Social Wage through Reliable and Quality Basic Services,

Overall, the policy mandate of the UIF is to provide adequate social safety nets to protect vulnerable workers.

# 11. ORGANISATIONAL STRUCTURE



The page features a modern, abstract design with large, overlapping geometric shapes in shades of blue, red, and light gray. In the upper left, there are several overlapping rounded rectangles in various shades of blue. Below these, a small red diamond and a small blue rounded square are positioned. At the bottom right, a large red triangle points upwards. The background is a light gray gradient.

## **PART B: PERFORMANCE INFORMATION**

# 1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

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

Refer to page 104 of the Auditor's Report, published as Part E: Financial Information.

## 2. OVERVIEW OF PERFORMANCE

### 2.1. Performance Summary

The Fund had a total of 25 annual targets planned for the 2021/22 financial year, of these 12 (48%) were achieved, and 13 (52%) were not achieved. Performance summary per programme is as follows:

Programme	Annual targets	Achievement	Not Achieved	% Achievement
1. Administration	12	4	8	33%
2. Business Operations	8	5	3	63%
3. Labour Activation Programmes	5	2	3	40%
Overall performance	25	11	14	44%

## 2.2. Service Delivery Environment

### **Job creation.**

A total of 14 771 jobs were created through UIF funding and investment initiatives. This was against the annual target of 5 000.

### **Youth employment.**

During the period under review, a total of 10 202 youths were recruited to participate in Public Employment Programmes for enhanced employability. This was against the annual target of 12210.

### **Unemployment benefits.**

A total of 1 131 787 valid claims with complete information were received through various Labour Centres, of which 1 058 483 claims were finalised within 15 working days. This translates to 94% against the annual target of 90% within 15 working days.

### **In-service benefits.**

A total of 133 544 valid claims with complete information were received through various Labour Centres, of which 124 642 claims were finalised within 10 working days. This translates to 93% against the annual target of 92% within 10 working days.

### **Deceased benefits.**

A total of 15 516 valid claims with complete information were received through various Labour Centres, of which 15 058 claims were finalised within 20 working days. This translates to 97% against the annual target of 92% within 20 working days.

### **Improved compliance (Registration of employers).**

A total of 51 963 newly-registered employers were reported against the target of 80 000. The number was underachieved by 28 037 against the annual target of 80 000.

### **SMME's support.**

A total of 71 SMMEs received various types of support through UIF Labour Activation Programmes. This was against the annual target of 15.

### **Cooperatives support.**

A total of 39 cooperatives received various types of support through UIF Labour Activation Programmes. This was against the annual target of 30.



## 2.3. Organisational Environment

The UIF Managers (UIF Commissioner, Chief Financial Officer, Chief Operating Officer, Director: Supply Chain Management and Chief Director: Labour Activation Programmes) who were placed on pre-cautionary suspension during the 2020/21 Financial year returned to work during the 2021/22 financial year.

## 2.4. Key Policy Developments and Legislative Changes

There were no legislative changes.

## 2.5 Progress Towards Achievement of Institutional Impacts and Outcomes

Impact statement: A labour market which is conducive to decent employment			
Outcome	Outcome Indicators	Five-year target	Progress
Functional and Efficient UIF	Improved audit opinion obtained from the Auditor-General	Clean audit opinion obtained by March 2024	62% (132/213)
	Wasteful, fruitless and irregular expenditures reduced	100% elimination of wasteful and fruitless expenditure	Expenditure increased by 0,7%. (R129 630) as at 31 March 2022  (R128 718) as at 31 March 2021.
		75% reduction of irregular expenditure by March 2024	No movement (R111 133) as at 31 March 2022  R111 133 as at 31 March 2021.
	Improved turnaround time to pay suppliers	100% valid invoices paid 30 calendar days after receipt by March 2025	98.9% ( 5 149 / 5 205) of invoices were paid within 30 days
	Improved resolution of reported incidents of Fraud and corruption	95% resolution of reported incidents of Fraud and corruption by March 2024	23% (79/347)
	COVID-19 interventions implemented	90% of COVID-19 TERS applications with valid, accurate and complete information paid within 5 working days after receipt by March 2021.	100% of valid, accurate and complete applications were paid within 5 working days.
	COVID-19 TERS ICT system implemented	COVID-19 TERS ICT system developed and deployed by March 2021	COVID-19 TERS ICT system was developed and deployed, and daily reports produced.
	Identified COVID-19 cases verified.	100% of identified COVID-19 cases verified by March 2021	2.5% of COVID-19 cases verified. Number of cases allocated to companies:1 998 Total number of cases verified: 49
	Functional Ethics structure	Ethics committees established and 95% adherence to Terms of reference by March 2024	Draft Terms of Reference developed
Financially sustainable UIF	Sustainable Administrative Expenditure.	≤15% by March 2025	14% ( 3 107 215 000 / 21 894 498 000)
	Improved return on listed investments.	Percentage returns on listed investments ≥ the Benchmark by March 2025.	The portfolio outperformed the set benchmarks by generated a relative return of 0.05% for 12 months rolling as at 31 March 2022. (Total Benchmark Average 11,35% and Total UIF Portfolio Performance Average 11,40%).
Strengthened institutional capacity of the Fund.	Improved Human Resource Capacity	≤5% by March 2025.	9.8% (59 posts / 602 establishment)
More decent jobs created	% of Unemployment Insurance Fund (UIF) Assets Under Management (AUM) Funds set aside to Fund Employment Creation Schemes	10% set aside by March 2025.	22% by 31 March 2021

**Impact statement: A labour market which is conducive to decent employment**

Outcome	Outcome Indicators	Five-year target	Progress
An inclusive and responsive social security coverage	Integrated claims management System (ICMS) implemented, support and maintenance provided	Support and maintenance of the Integrated Claims Management System by March 2023.	Replacement of Siyaya with SAP system is still in progress. Claims Management business process Blue Print developed and approved
An inclusive and responsive social security coverage	Improved social security coverage	4 600 000 newly registered employees by March 2025.	1 724 501 newly registered employees
		450 000 newly registered employers by March 2025	107 334 newly registered employers
		100% of new companies created with registration document (UI54) within 5 working hours by March 2024.	99% 106 627 / 107 334 within 1 working day
		100% of applications with complete, accurate and verified information issued with compliance certificates, tender letters or non-compliance letters within 48 working hours by March 2024	0% (As evidence not in line with Technical Indicator Descriptions). 23 968 / 28 154 were reported to have been received and processed within 10 working days.
		98% of Unemployment benefit claims with complete, accurate and verified information approved or rejected within 8 working days by March 2024.	90% 1 913 565 / 2 116 287 within 15 working days
		98% of In-service benefits; Maternity, illness and adoption benefit claims with complete, accurate and verified information approved or rejected within 5 working days by March 2022.	89.9% within 10 working days ( 214 761/238 733) within 10 working days
	98% of deceased benefit claims with complete, accurate and verified information approved or rejected within 10 working days by March 2022	91.6% ( 26 342 / 28 728) within 20 working days	
	Improved social security coverage	99% of complete, accurate and verified benefit payment documents created after receipt within 3 working days after receipt by March 2022.	99% ( 6 612 431/ 6 675 202) within 5 working days
Equal opportunities, inclusion and redress	Improved representation of the designated groups across occupational levels	≥ 75% of Africans in middle and senior management level by March 2024.	86.5% (64 /74 filled posts).
		≥ 2.5% of persons with disabilities between the age of 15 and 65 employed in line with the Employment Equity Act by March 2024	2.8% (15 officials / 543 filled).

# 3. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

## 3.1. Programme 1: Administration

Programme 1: Administration								
Purpose: provide management, strategic and administrative support services to management								
Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual target 2021/22	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement 2021/22	Reasons for deviations
Functional and Efficient UIF.	Reduced wasteful and fruitless expenditure	% of wasteful and fruitless expenditure	No target	-2.6% (R79 897 326.14 at January 2020 R82 019 848.70 for March 2021) (Increased)	30%	<b>Target not achieved</b> Wasteful and Fruitless expenditure increased by 39% (R129 630 113) as at 31 March 2022 versus R128 718 000 as at 31 Mar 2021	Target missed by 30% as expenditure increased by 0.7% instead of reducing by 30%	The increase in the wasteful and fruitless expenditure was caused by the SAP License that was paid for but not used as the license was procured ahead of the process to develop the SAP system.  The Fund contributed funds towards the procurement of the license for the entire Department and the actual procurement of the license was centralised at the DEL Head Office and not done directly by the Fund.

**Programme 1: Administration**

**Purpose: provide management, strategic and administrative support services to management**

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual target 2021/22	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement 2021/22	Reasons for deviations
Financially sustainable UIF								<p>The Fund through its Contract Management process to ensure that procurement of goods and services is done Just-in-Time to avoid fruitless and wasteful expenditures</p> <p>The Fund has also introduced Financial misconduct advisory committee to oversee all cases of Fruitless, Wasteful and irregular expenditure transactions and further provide recommendations, including consequence management where there is cause for such.</p>
	Reduced irregular expenditure	% of irregular expenditure	No target	-6% R92 777 116.13 at January 2020 R99 063 167.84 for March 2021) (Increased)	20%	<p><b>Target not achieved</b> Irregular expenditure was not reduced and thus remained the same.</p> <p>(R111 133 000 as at 31 March 2022 versus R111 133 000 as at 31 March 2021).</p>	Target missed by 20%	The consequence management process to determine either the recovery of the expenditure or condonation of the expenditure has not been fully completed. Over 90% of the total irregular expenditure was incurred from one irregular contract.

**Programme 1: Administration**

**Purpose: provide management, strategic and administrative support services to management**

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual target 2021/22	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement 2021/22	Reasons for deviations
	Administrative expenditure (excluding capex) as compared to revenue maintained	% of Administrative expenditure	13% (2 713 278/ 20 548 628)	15% (R2 819 694 000/ R18 867 373 000)	≤ 15%	<b>Target Achieved</b>  14% (3 107 215 000/ 21 894 498 000)	Target exceeded by 1%	The target requires 15% or less
Functional and Efficient UIF.	Suppliers paid within 30 Calendar days	% of valid invoices paid within 30 Calendar days after receipt	99.9% (6 654 / 6 655).	99.9% (2036/2039) of invoices were paid within 30 days	100% within 30 Calendar days	<b>Target not achieved</b>  98% (3113/3166)	Target missed by 2%	<b>Inadequate controls and a fragmented system for receipt, processing and tracking of invoices leading to:</b> <ul style="list-style-type: none"> <li>Multiple entry points of invoices into the Fund leading to difficulties with the timeous tracking of invoices,</li> <li>Business units holding onto invoices longer than it is necessary and thus leading to delays</li> </ul>

**Programme 1: Administration**

**Purpose: provide management, strategic and administrative support services to management**

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual target 2021/22	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement 2021/22	Reasons for deviations
								<p>A centralised, single entry point of all invoices is being explored as part of the new ICT enhancements.</p> <ul style="list-style-type: none"> <li>• Invoices received will be allocated to a specific resource that will be responsible for tracking the invoice whilst obtaining signatures in line with delegations and to ensure payment occurs within timeframes.</li> <li>• Management to effect corrective action against officials holding onto invoices without just cause</li> </ul>

**Programme 1: Administration**

**Purpose: provide management, strategic and administrative support services to management**

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual target 2021/22	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement 2021/22	Reasons for deviations
Strengthened institutional capacity of the Fund	Reduced vacancy rate	% of vacancy rate	7.1% (43 posts/ 602) 602= establishment 559 = filled post 43= vacant posts	Vacancy rate at the end of March 2021 was 7.1% (43 vacant Funded posts / 602 establishment	Vacancy rate maintained at ≤9%	<b>Target not achieved</b> 9.8% (59 vacant posts / 602 establishment)	Target missed by 0.8%	<p>There was a temporary pause on the advertisement of vacancies in the newspapers as the National Treasury issued a directive to halt procurement above R30 000.00.</p> <p>This directive impacted on the filling of vacancies between salary level 9 and 12 as the procurement of advertisement space would have exceeded the limit and violated the directive. On the other hand, there is a recruitment governance requirement to advertise vacancies on these salary levels in newspapers.</p> <p>Secondly, the recruitment process is manual whilst the volume of applications received was very high against limited human resource capacity to process the volumes and thus leading to long process to fill vacancies.</p>



**Programme 1: Administration**

**Purpose: provide management, strategic and administrative support services to management**

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual target 2021/22	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement 2021/22	Reasons for deviations
Equal opportunities, inclusion and redress	Increased of persons with disabilities employed	% of persons with disabilities employed in line with Employment Equity Act.	No target	2.86% of persons with disabilities employed by the end of March 2021 (16 officials / 559 filled)	≥2%	<b>Target Achieved</b> 2.8% of persons with disabilities employed. (15 officials / 543 filled).	Target exceeded by 0.8%	The target requires 2% or more.
	Representation of Africans in Senior and middle management levels maintained	% representation of Africans in Senior and middle management levels maintained in line with Employment Equity Act	No target	87.8% representation of African in Senior and Middle Management level by the end of March 2021 (65 / 74 filled posts)	≥75%	<b>Target Achieved</b> 86.5% (64 /74 filled posts).	Target exceeded by 11.5%	The target requires 75% or more

**Programme 1: Administration**

**Purpose: provide management, strategic and administrative support services to management**

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual target 2021/22	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement 2021/22	Reasons for deviations
An inclusive an responsive social security coverage	Ease of doing business	Integrated claims management System (ICMS) implemented.	Request for handover submission has been approved by the National Treasury.	There were contractual issues that delayed handover and system testing processes.	Replacement of Siyaya with SAP system	<b>Target not achieved</b>  Replacement of Siyaya with SAP system is still in progress. Claims Management business process Blue Print developed and approved.	Replacement of Siyaya with SAP system not completed	The failure to deploy the system was caused by the non-availability of the license required for the development of the actual Integrated Claims Management System. The procurement of the license was centralised at the Head Office of the Department.  Bilateral between the UIF EXCO and the DEL to explore ways to resolve the license challenge. UIF's EXCO/Management to direct and oversee project progress in order to assist in unblocking stumbling blocks.
More decent jobs created	Reduced unemployment rate	Number of jobs created through UIF Funding and Investment initiatives	No target	150	5000	<b>Target Achieved</b>  14 771	Target exceeded by 9 771	The UIF funded a project with an implementing partner where 14 771 food handlers were trained and placed by the Department of Education (KwaZulu-Natal)

**Programme 1: Administration**

**Purpose: provide management, strategic and administrative support services to management**

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual target 2021/22	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement 2021/22	Reasons for deviations
Functional and Efficient UIF.	Unqualified audit opinion	% of Internal and External audit findings resolved	No target	50% (59/119) Internal Audit Findings: 30/51=59% AGSA findings: 29/68= 43%	100%	<b>Target not achieved</b> 78% (73/94) of Internal and External audit findings resolved. 87% (59/68) of external audit findings resolved. 54% (14/26) of internal audit findings resolved.	Target missed by 22%	Majority of non-resolved findings required an overhaul of the ICT System. However, due to challenges with the procurement of the license to proceed with the development of the enhanced ICT systems, the ICT-related audit findings could not be resolved as well.

**Programme 1: Administration**

**Purpose: provide management, strategic and administrative support services to management**

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual target 2021/22	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement 2021/22	Reasons for deviations
								<p>Part of the rationale to undertake the new ICT projects that are currently underway was to address the audit findings caused by the legacy ICT system. UIF EXCO/Management will collaborate with DEL in order to resolve the license challenge.</p> <p>The Fund is also introducing a digitalised monitoring tool to track the implementation and resolution of audit findings</p>
COVID-19 Fraud cases and ordinary Fraud cases investigated	% of Fraud cases finalised within specified time frames.	No target	31% of CO-VID-19 cases finalised within 60 days  (71 / 227 CO-VID-19 within cases finalised within 60 days)	90% of cases finalised (simple cases finalised within 30 working days, complex cases within 90 working days and COVID-19 cases within 60 working days)	<b>Target not achieved</b>	6.7% cases finalised within timeframes (8 cases out of 120) 93 out of 120 finalised outside of the turnaround time	Target missed by 93.3%	<p>The investigation cases particularly those related to COVID-19 TERS were generally complex and thus required more than the targeted timeframe.</p> <p>The existing HR capacity was also inadequate to deal with volumes of complex cases received</p>

**Programme 1: Administration**

**Purpose: provide management, strategic and administrative support services to management**

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to Actual Achievement 2021/22	Reasons for deviations
								<p>Management to oversee the optimal deployment and utilisation of the current inadequate capacity.</p> <p>The 2023-2024 planning and targeting to take into account the resources and case dynamics</p>
	Functional structure	Ethics and Transformation Committee established and quarterly reports produced within 30 working days after end of Quarter	No target	Ethics and Transformation Committee not established and reports not produced	Ethics and Transformation Committee established and reports produced	<p><b>Target not achieved</b></p> <p>Ethics and Transformation Committee was neither established nor reports produced. Draft ToR developed</p>	Ethics and Transformation Committee was neither established nor reports produced	<p>Due to limited capacity and the high volumes of reported COVID-19 TERS cases, the available human resources were directed towards the resolution of such (COVID-19 TERS cases) and thus creating a lag in the attainment of the target on the establishment of an Ethics and Transformation committee</p> <p>The establishment of the Committee to be pursued in the next financial year</p>

### 3.2. Programme 2: Business Operations

Programme 2: Business Operations								
Purpose : To collect contributions and pay benefits								
Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual target 2021/22	*Actual Achievement 2021/22	Deviation from planned target to Actual Achievement 2021/22	Reasons for deviations
An inclusive an responsive social security coverage	Improved compliance to UI legislation	Number of newly registered employers	59 984	55 371 New employers registered	80 000	<b>Target not achieved</b> 51 963 employers registered	Target missed by 28 037	<p>There is inadequate capacity to enforce Unemployment insurance legislation so that employers that are not compliant (or registered) with the Unemployment Insurance legislation, could be pursued and made to comply</p> <p>Secondly, poor economic conditions resulted in less companies established and registered in compliance with the Unemployment Insurance legislation</p> <p>Long-term solution - to request information from employers electronically for purpose of payroll audit instead of travelling to the employer premises.</p> <p>Collaborate with other government and private institutions that hold employer data in order to collaboratively advocate for compliance with Unemployment Insurance legislation.</p>

**Programme 2: Business Operations**

**Purpose : To collect contributions and pay benefits**

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual target 2021/22	*Actual Achievement 2021/22	Deviation from planned target to Actual Achievement 2021/22	Reasons for deviations
		Number of newly registered employees	797 563	924 680	860 000	<p><b>Target not achieved</b></p> <p>799 821 employees registered</p>	<p>Target missed by 60 179</p>	<p>There is inadequate capacity to enforce Unemployment insurance legislation so that employers that are not compliant in terms of registering their employees with the Unemployment Insurance legislation, could be pursued and made to comply</p> <p>Secondly, poor economic conditions resulted in less companies established, and less employees registered</p> <p>Long-term solution - to request information from employers electronically for purpose of payroll audit instead of travelling to the employer premises.</p> <p>Collaborate with other government and private institutions that hold employer data in order to collaboratively advocate for compliance with Unemployment Insurance legislation.</p>

**Programme 2: Business Operations**

**Purpose : To collect contributions and pay benefits**

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual target 2021/22	*Actual Achievement 2021/22	Deviation from planned target to Actual Achievement 2021/22	Reasons for deviations																																																								
	Improved turnaround time to create a registration document (UI54)	Percentage of new companies with complete, accurate and verified information created with registration document (UI 54) within specified timeframes	96% (57 394/59 984) within 1 working day.	99% within 1 working day (54 842/55 371)	95% within 1 working day	<p><b>Target Achieved</b></p> <p>100% within 1 working day</p> <table border="1"> <thead> <tr> <th>Province</th> <th>Created</th> <th>Finalised</th> <th>Finalised %</th> </tr> </thead> <tbody> <tr> <td>CIPC</td> <td>10 522</td> <td>10 522</td> <td>100%</td> </tr> <tr> <td>Eastern Cape</td> <td>1 127</td> <td>1 122</td> <td>100%</td> </tr> <tr> <td>Free State</td> <td>870</td> <td>859</td> <td>99%</td> </tr> <tr> <td>Gauteng</td> <td>58</td> <td>57</td> <td>98%</td> </tr> <tr> <td>Head Office</td> <td>3 917</td> <td>3 826</td> <td>98%</td> </tr> <tr> <td>KwaZulu-Natal</td> <td>854</td> <td>849</td> <td>99%</td> </tr> <tr> <td>Limpopo</td> <td>518</td> <td>508</td> <td>98%</td> </tr> <tr> <td>Mpumalanga</td> <td>41</td> <td>39</td> <td>95%</td> </tr> <tr> <td>North West</td> <td>507</td> <td>500</td> <td>99%</td> </tr> <tr> <td>Northern Cape</td> <td>535</td> <td>533</td> <td>100%</td> </tr> <tr> <td>uFiling</td> <td>31 551</td> <td>31 547</td> <td>100%</td> </tr> <tr> <td>Western Cape</td> <td>1 463</td> <td>1 423</td> <td>97%</td> </tr> <tr> <td><b>Grand Total</b></td> <td><b>51 963</b></td> <td><b>51 785</b></td> <td><b>100%</b></td> </tr> </tbody> </table>	Province	Created	Finalised	Finalised %	CIPC	10 522	10 522	100%	Eastern Cape	1 127	1 122	100%	Free State	870	859	99%	Gauteng	58	57	98%	Head Office	3 917	3 826	98%	KwaZulu-Natal	854	849	99%	Limpopo	518	508	98%	Mpumalanga	41	39	95%	North West	507	500	99%	Northern Cape	535	533	100%	uFiling	31 551	31 547	100%	Western Cape	1 463	1 423	97%	<b>Grand Total</b>	<b>51 963</b>	<b>51 785</b>	<b>100%</b>	Target exceeded by 5%	<p>The following electronic employer registration platforms made it easy for employers to register on UIF Employer database:</p> <ul style="list-style-type: none"> <li>• BIZ Portal</li> <li>• U-filing</li> </ul>
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**Programme 2: Business Operations**

**Purpose : To collect contributions and pay benefits**

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual target 2021/22	*Actual Achievement 2021/22	Deviation from planned target to Actual Achievement 2021/22	Reasons for deviations
	Improved turnaround time to issue compliance certificates, tender letters or non-compliance letters.	Percentage of applications with complete information issued with compliance certificates, tender letters or non-compliance letters within specified time-frames	93% (8098 / 8 677) within 10 working days.	Applications with complete information = 6 682 Application issued within 10 days = 2496 Percentage = 37%	90% within 10 working days	<b>Target not achieved</b>  0% (as evidence not in line with Technical Indicator Descriptions). 21 472 applications received and it is claimed that 21 472 ( 100%) applications were issued within 10 working days.	The whole target has been missed (90% within 10 working days)	The evidence supporting the claimed 100% achievement was neither in line with the TID nor adequate as the evidence lacked the date of application  ICT will need to enhance the Electronic Compliance Certificate System by adding a Date of Application functionality so that the turnaround time can be calculated with a backing of evidence that shows both date of application and date on which compliance certificates were issued

**Programme 2: Business Operations**

**Purpose : To collect contributions and pay benefits**

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	Improved turn-around time to create Benefit payment documents	Percentage of complete, accurate and verified benefit payment documents created after receipt within specified time frame	99% (3 287 380/3 309 029)	99% within 5 working days (3 069 077/3 106 426)	95% within 5 working days	<p><b>Target Achieved</b></p> <p>99% within 5 working days</p> <table border="1"> <thead> <tr> <th>Province</th> <th>Created</th> <th>Finalised</th> <th>Finalised %</th> </tr> </thead> <tbody> <tr> <td>Eastern Cape</td> <td>333 454</td> <td>332 951</td> <td>100%</td> </tr> <tr> <td>Free State</td> <td>188 433</td> <td>187 776</td> <td>100%</td> </tr> <tr> <td>Gauteng</td> <td>1 021 188</td> <td>1 019 232</td> <td>100%</td> </tr> <tr> <td>Head Office</td> <td>73 054</td> <td>62 703</td> <td>86%</td> </tr> <tr> <td>KwaZulu-Natal</td> <td>617 067</td> <td>613 215</td> <td>99%</td> </tr> <tr> <td>Limpopo</td> <td>256 686</td> <td>256 284</td> <td>100%</td> </tr> <tr> <td>Mpumalanga</td> <td>225 276</td> <td>221 107</td> <td>98%</td> </tr> <tr> <td>North West</td> <td>128 264</td> <td>126 918</td> <td>99%</td> </tr> <tr> <td>Northern Cape</td> <td>79 177</td> <td>78 597</td> <td>99%</td> </tr> <tr> <td>Western Cape</td> <td>646 177</td> <td>644 571</td> <td>100%</td> </tr> <tr> <td><b>Grand Total</b></td> <td><b>3 568 776</b></td> <td><b>3 543 354</b></td> <td><b>99%</b></td> </tr> </tbody> </table>	Province	Created	Finalised	Finalised %	Eastern Cape	333 454	332 951	100%	Free State	188 433	187 776	100%	Gauteng	1 021 188	1 019 232	100%	Head Office	73 054	62 703	86%	KwaZulu-Natal	617 067	613 215	99%	Limpopo	256 686	256 284	100%	Mpumalanga	225 276	221 107	98%	North West	128 264	126 918	99%	Northern Cape	79 177	78 597	99%	Western Cape	646 177	644 571	100%	<b>Grand Total</b>	<b>3 568 776</b>	<b>3 543 354</b>	<b>99%</b>	Target exceeded by 4%	Provincial offices introduced rapid response teams to support under-performing Labour Centres
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	Improved turnaround time to approve or reject valid claims with complete information	Percentage of valid claims (Unemployment benefit) with complete, accurate and verified information approved or rejected within specified time frames	93% (798 151/ 854 639) 15 working	87% within 15 working days (855 082/984 500)	90% within 15 working days	<p><b>Target Achieved</b></p> <p>94% within 15 working days</p> <table border="1"> <thead> <tr> <th>Province</th> <th>Created</th> <th>Finalised</th> <th>Finalised %</th> </tr> </thead> <tbody> <tr> <td>Eastern Cape</td> <td>135 586</td> <td>129 392</td> <td>95%</td> </tr> <tr> <td>Free State</td> <td>59 197</td> <td>59 022</td> <td>100%</td> </tr> <tr> <td>Gauteng</td> <td>242 329</td> <td>238 786</td> <td>99%</td> </tr> <tr> <td>Head Office</td> <td>41 341</td> <td>12 631</td> <td>31%</td> </tr> <tr> <td>KwaZulu-Natal</td> <td>182 181</td> <td>175 498</td> <td>96%</td> </tr> <tr> <td>Limpopo</td> <td>94 227</td> <td>82 111</td> <td>87%</td> </tr> <tr> <td>Mpumalanga</td> <td>86 685</td> <td>83 120</td> <td>96%</td> </tr> <tr> <td>North West</td> <td>48 194</td> <td>44 766</td> <td>93%</td> </tr> <tr> <td>Northern Cape</td> <td>35 931</td> <td>33 914</td> <td>94%</td> </tr> <tr> <td>Western Cape</td> <td>206 116</td> <td>199 243</td> <td>97%</td> </tr> <tr> <td><b>Grand Total</b></td> <td><b>1 131 787</b></td> <td><b>1 058 483</b></td> <td><b>94%</b></td> </tr> </tbody> </table>	Province	Created	Finalised	Finalised %	Eastern Cape	135 586	129 392	95%	Free State	59 197	59 022	100%	Gauteng	242 329	238 786	99%	Head Office	41 341	12 631	31%	KwaZulu-Natal	182 181	175 498	96%	Limpopo	94 227	82 111	87%	Mpumalanga	86 685	83 120	96%	North West	48 194	44 766	93%	Northern Cape	35 931	33 914	94%	Western Cape	206 116	199 243	97%	<b>Grand Total</b>	<b>1 131 787</b>	<b>1 058 483</b>	<b>94%</b>	Target exceeded by 4%	<p>Provincial offices introduced rapid response teams to support non-performing Labour Centers.</p> <p>There are Monthly performance monitoring sessions in the form of Operations Forum facilitated by Head office and includes all Provinces</p>
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An inclusive an responsive social security coverage	Improved turnaround to approve or reject valid claims with complete information	Percentage of valid claims (In-service benefits; Maternity, illness and adoption benefits) with complete, accurate and verified information approved or rejected within specified time frames	92% (126 442/ 136 897) within 10 working days	86% within 10 working days (90 119/ 105 189)	92% within 10 working days	<b>Target Achieved</b>	Target exceeded by 1%	The achievement is attributed to the controls and workflow processes in place. One-day service delivery has been introduced to Processing centres. Realisation (results) of the impact of platforms introduced for UIF services																																															
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	Improved turnaround to approve or reject valid claims with complete information	Percentage of valid claims (Deceased benefit) with complete, accurate and verified information approved or rejected within specified time frames	95% (14 539/15 337) within 20 working days.	85% within 20 working days (11 284/13 212)	92% within 20 working days	<p><b>Target Achieved</b> 97% within 20 working days</p> <table border="1"> <thead> <tr> <th>Province</th> <th>Created</th> <th>Finalised</th> <th>Finalised %</th> </tr> </thead> <tbody> <tr> <td>Eastern Cape</td> <td>1 621</td> <td>1 568</td> <td>97%</td> </tr> <tr> <td>Free State</td> <td>1 144</td> <td>1 139</td> <td>100%</td> </tr> <tr> <td>Gauteng</td> <td>3 879</td> <td>3 812</td> <td>98%</td> </tr> <tr> <td>KwaZulu-Natal</td> <td>2 819</td> <td>2 757</td> <td>98%</td> </tr> <tr> <td>Limpopo</td> <td>1 105</td> <td>1 047</td> <td>95%</td> </tr> <tr> <td>Mpumalanga</td> <td>1 601</td> <td>1 560</td> <td>97%</td> </tr> <tr> <td>North West</td> <td>830</td> <td>760</td> <td>92%</td> </tr> <tr> <td>Northern Cape</td> <td>518</td> <td>494</td> <td>95%</td> </tr> <tr> <td>Western Cape</td> <td>1 999</td> <td>1 921</td> <td>96%</td> </tr> <tr> <td><b>Grand Total</b></td> <td><b>15 516</b></td> <td><b>15 058</b></td> <td><b>97%</b></td> </tr> </tbody> </table>	Province	Created	Finalised	Finalised %	Eastern Cape	1 621	1 568	97%	Free State	1 144	1 139	100%	Gauteng	3 879	3 812	98%	KwaZulu-Natal	2 819	2 757	98%	Limpopo	1 105	1 047	95%	Mpumalanga	1 601	1 560	97%	North West	830	760	92%	Northern Cape	518	494	95%	Western Cape	1 999	1 921	96%	<b>Grand Total</b>	<b>15 516</b>	<b>15 058</b>	<b>97%</b>	Target exceeded by 5%	The achievement is attributed to the controls and workflow processes in place. One-day service delivery has been introduced to Processing centres. Realisation (results) of the impact of online platforms introduced for UIF services
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### 3.3. Programme 3: Labour Activation Programme

Programme 3: Labour Activation Programme								
Purpose: Labour market integration measures that seek to introduce, retain or reintroduce workers into employment by enhancing their employability, enabling entrepreneurship and preserving jobs.								
Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual target 2021/22	*Actual Achievement 2021/22	Deviation from planned target to Actual Achievement 2021/22	Reasons for deviations
More decent jobs created	Increase in the number of Youths participating on Public Employment Programmes for enhanced employability	Number of youths participating on Public Employment Programmes	No target	5 419 Participating in Public Employment Programmes	12 210	<b>Target not achieved</b> 10 202	Target missed by 2008	<p>The process leading to participants recruited consists of receipt and screening of proposals, entering into funding agreements and the recruitment of learners. These processes took too long to complete due to process inefficiencies across the value chain leading to delays in the actual recruitment.</p> <p>The process of receipt, screening and contracting needs to be reviewed, strengthened, and improved such that the process can ultimately culminate in timely recruitment of the required quantities.</p> <p>Recruitment projects in the pipeline will be completed in the new financial year.</p>

### Programme 3: Labour Activation Programme

Purpose: Labour market integration measures that seek to introduce, retain or reintroduce workers into employment by enhancing their employability, enabling entrepreneurship and preserving jobs.

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual target 2021/22	*Actual Achievement 2021/22	Deviation from planned target to Actual Achievement 2021/22	Reasons for deviations
More decent jobs created	Jobs preserved in distressed companies	Percentage of Temporary Employer Employee Relief Scheme (TERS) applications approved/ rejected by the delegated authority within 15 working days.	92% (23/25) within 15 working days	23% (3/13) within 15 working days	90% within 15 working days	<p><b>Target not achieved</b></p> <p>0% (0/27) within 15 working days.</p> <p>2 out of 27 applications were finalised outside of the prescribed 15 working days and reported as such in previous reporting period</p>	Target missed by 90%	For the received applications to be approved or rejected within the 15 days timeframe, the rulings by the CCMA need to be accompanied by all required compliance documents from the applicant companies. The two applications that were received did not have accompanying company compliance documents and thus taking long for the applicant companies to provide all valid documents.

**Programme 3: Labour Activation Programme**

**Purpose: Labour market integration measures that seek to introduce, retain or reintroduce workers into employment by enhancing their employability, enabling entrepreneurship and preserving jobs.**

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual target 2021/22	*Actual Achievement 2021/22	Deviation from planned target to Actual Achievement 2021/22	Reasons for deviations
								<p>Planning (indicators/targets) to be revised accordingly to ensure that counting starts when a complete valid application is received with all accompanying documents.</p> <p>The Fund should engage the CCMA with a view to ensure that the consideration of TERS applications from companies are accompanied by all required before recommendation or approval granted.</p>



**Programme 3: Labour Activation Programme**

**Purpose: Labour market integration measures that seek to introduce, retain or reintroduce workers into employment by enhancing their employability, enabling entrepreneurship and preserving jobs.**

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual target 2021/22	*Actual Achievement 2021/22	Deviation from planned target to Actual Achievement 2021/22	Reasons for deviations
	UIF contributors retained at work or re-introduced back to employment	Number of UIF contributors provided learning with opportunities	36 198	7962	40 700	<b>Target not achieved</b> 21 073	Target missed by 19 627	<p>The process leading to participants recruited consists of receipt and screening of proposals, entering into funding agreements and the recruitment of learners. These processes took too long to complete due to process inefficiencies across the value chain leading to delays in the ultimate recruitment.</p> <p>The process of receipt, screening and contracting needs to be reviewed, strengthened, and improved such that the process can ultimately culminate in timely recruitment of the required quantities.</p> <p>Recruitment projects in the pipeline will be completed in the new financial year.</p>

### Programme 3: Labour Activation Programme

Purpose: Labour market integration measures that seek to introduce, retain or reintroduce workers into employment by enhancing their employability, enabling entrepreneurship and preserving jobs.

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual target 2021/22	*Actual Achievement 2021/22	Deviation from planned target to Actual Achievement 2021/22	Reasons for deviations
More decent jobs created and sustained	Developed Enterprises	Number of Cooperatives supported	No target	20	30	Target Achieved 39	Target exceeded by 9	An implementing partner implemented mixed farming project for 5000 beneficiaries and formed a number of co-operatives than anticipated.
		Number of SMMEs supported	No target	0	15	Target Achieved 71	Target exceeded by 56	TERS companies undergo Business Turnaround and Recovery programme and this has led to the increase of support provided to SMMEs

## 4. STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE.

The UIF will continue to implement the following strategies to address under performance in the next financial year.

- a) Fast-track the deployment of improved ICT infrastructure to respond to the operational needs of the Fund and its clients.
- b) Increase the human resource capabilities of the Fund by filling critical permanent positions and deploy contract workers in areas of chronic shortage of human resource capabilities.
- c) Finalise the process to develop the fit-for-purpose structure, which will help build appropriate, permanent institutional capability to deliver quality services to clients.
- d) Finalise the procurement and deployment of tools of trade to provinces to enable provinces deliver on their mandate.
- e) With regard to the implementation of the APP, there will be a vigorous in-year monitoring and auditing of monthly reports in order to regularly advise management on issues that require urgent remedial actions and decision-making.
- f) There will continue to be regular performance management sessions with the business units where:
  - Tighter management controls to be put in place.
  - Stricter implementation of policies on performance management.
  - Integrate Employee Health and Wellness into organisational performance and productivity plans.
  - Follow-ups on planned corrective actions on areas of non-achievement.
  - Root causes analysis to be conducted on areas of poor performance.
  - Hosting of regular performance reviews, which will include comparisons between expenditures and performance.
  - Implementation of consequence management, and
  - Tightening of internal controls.

## 5. LINKING PERFORMANCE WITH BUDGETS

In assessing the achievement of the outputs in comparison to the planned targets, the public entity must consider the linkages and the relation to the resources available to the public entity, in particular, the financial resources. Therefore, the following financial information should be presented. The financial information must agree to the information in the annual financial statements.

### a) Summary of expenditure

Item	2021/2022			2020/2021		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Benefits payments	38 331 283	21 872 911	16 458 372	101 942 725	74 496 826	27 445 899
Change in benefits payable	14 401 439	2 111 466	12 289 973	16 876 524	3 724 380	13 152 144
Labour Activation Programmes (Schemes)	2 372 268	704 827	1 667 441	2 755 535	768 971	1 986 564
Administration	4 917 565	3 113 641	1 803 924	4 322 362	2 948 926	1 373 436
<b>TOTAL</b>	<b>60 022 555</b>	<b>27 802 845</b>	<b>32 219 710</b>	<b>125 897 146</b>	<b>81 939 103</b>	<b>43 958 043</b>

### b) Summary of income

Item	2021/2022			2020/2021		
	Budget	Actual Revenue	(Over)/Under Expenditure	Budget	Actual Revenue	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Revenue collected	19 287 006	21 894 419	-2 607 413	18 485 072	18 870 925	-385 853
<b>TOTAL</b>	<b>19 287 006</b>	<b>21 894 419</b>	<b>-2 607 413</b>	<b>18 485 072</b>	<b>18 870 925</b>	<b>-385 853</b>

### c) Summary of Investment Revenue/Losses, Fair value adjustment, Other income and Technical Reserve

Item	2021/2022			2020/2021		
	Budget	Actual Income	(Over)/Under Expenditure	Budget	Actual Income	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Other income	29 899	29 674	225	7 477	27 222	-19 745
Income from equity-accounted investments	✓	23 998	-23 998	✓	94 923	-94 923
Investment Revenue	6 300 067	6 889 093	-589 026	4 575 644	6 731 771	-2 156 127
Fair value adjustment	✓	254 272	-254 272	✓	28 099 223	-28 099 223
Realised Gains/Losses on investments	✓	3 661 360	-3 661 360	✓	-8 737 298	8 737 298
Impairment on other financial assets	✓	-481 920	481 920	✓	-2 772 591	2 772 591
Impairment on investments in associates	✓	-51 953	51 953	✓	-22 841	22 841
Technical Reserve	11 105 494	✓	11 105 494	5 394 015	✓	5 394 015
<b>TOTAL</b>	<b>17 435 460</b>	<b>10 324 524</b>	<b>7 110 936</b>	<b>9 977 136</b>	<b>23 420 409</b>	<b>-13 443 273</b>

✓ NB: The Fund does not budget for these items.

## Summary of Financial Information

### Summary of income, expenses and reserves

Item	2021/2022			2020/2021		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Total revenue	19 287 006	21 894 419	-2 607 413	18 485 072	18 870 925	-385 853
Other income	29 899	29 674	225	7 477	27 222	-19 745
Income from equity accounted investments	✓	23 998	-23 998	✓	94 923	-94 923
Administration expenditure	-4 917 565	-3 113 641	-1 803 924	-4 321 095	<b>-2 948 925</b>	-1 372 170
Benefit Expenditure	-38 331 283	-21 872 912	-16 458 371	-101 942 725	-74 496 826	-27 445 899
Change in benefits payable	14 401 439	2 111 466	12 289 973	-16 876 524	-3 724 380	-13 152 144
Labour Activation Programmes	-2 372 268	-704 827	-1 667 441	-2 755 535	-768 971	-1 986 564
Fair value adjustment	✓	254 273	-254 273	✓	28 099 223	-28 099 223
Realised Gains/Losses on investments	✓	3 661 360	-3 661 360	✓	-8 737 298	8 737 298
Transfer of IT assets to the Department	✓	✓	✓	✓	<b>-369</b>	369
Investment Revenue	6 300 067	6 889 094	-589 027	4 575 644	6 731 771	-2 156 127
Impairment on other financial assets	✓	-481 920	481 920	✓	<b>-2 772 591</b>	2 772 591
Reversal of other financial assets	✓	1 131 768	-1 131 768	✓	<b>41 510</b>	-41 510
Gain /losses on the disposal of property plant and Equipment	✓	-90	90	-1 267	<b>-182</b>	-1 085
Impairment on investments in associates	✓	-51 953	51 953	✓	<b>-22 841</b>	22 841
Technical Reserve	11 105 494	✓	11 105 494	5 394 015	✓	5 394 015
<b>Net Surplus for the year</b>	<b>5 502 789</b>	<b>9 770 709</b>	<b>-4 267 920</b>	<b>-97 434 938</b>	<b>-39 606 809</b>	<b>-57 828 129</b>

The overall performance information of the Fund from 01 April to 31 March 2022 is at 44% of targets that were achieved. 55% of the budget was spent for the financial year 2021/22

Programme 01 - Administration						
	2021/2022			2020/2021		
	Budget	Actual	(Over)/Under	Budget	Actual	(Over)/Under
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Programme 01 - Administration</b>						
Improve Financial Management	2 367 663	482 827	1 884 836	2 047 521	4 029 675	-1 982 154
<b>TOTAL</b>	<b>2 367 663</b>	<b>482 827</b>	<b>1 884 836</b>	<b>2 047 521</b>	<b>4 029 675</b>	<b>-1 982 154</b>

The programme's purpose is to provide management, strategic and administrative support services to the Fund. To carry out this objective, Programme 01 spent 20% of the allocated budget for the financial year 2021/22 and achieved 42% of the set targets

Programme 02 - Business Operations						
	2021/2022			2020/2021		
<b>Programme 02 - Business Operations</b>						
Improve service delivery	40 877 146	23 905 424	16 971 722	104 215 325	76 169 520	28 045 805
<b>TOTAL</b>	<b>40 877 146</b>	<b>23 905 424</b>	<b>16 971 722</b>	<b>104 215 325</b>	<b>76 169 520</b>	<b>28 045 805</b>

The programme's purpose is to collect contributions and pay benefits. To carry out this objective, Programme 02 spent 58% of the allocated budget for the financial year 2021/22 and achieved 62% of the set targets

Programme 03 - Labour Activity Programme						
	2021/2022			2020/2021		
<b>Programme 03 - Labour Activation Programme</b>						
Labour Activation Programmes	2 376 306	705 236	1 671 070	2 757 776	770 004	1 987 772
<b>TOTAL</b>	<b>2 376 306</b>	<b>705 236</b>	<b>1 671 070</b>	<b>2 757 776</b>	<b>770 004</b>	<b>1 987 772</b>
<b>Total Administrative budget</b>	<b>45 621 115</b>	<b>25 093 487</b>	<b>20 527 628</b>	<b>109 020 622</b>	<b>80 969 199</b>	<b>28 051 423</b>

The programme's purpose is to provide labour market programmes. To carry out this objective, Programme 03 spent 30% of the allocated budget for the financial year 2021/22 and achieved 40% of the set targets. The programme is also mandated to Fund Labour Activation schemes. The transfers made to entities responsible for the implementation of Labour Activation Programmes were 55% of the allocated budget

## 6. REPORTING ON THE INSTITUTIONAL RESPONSE TO THE COVID-19 PANDEMIC

Programme/ Sub Programme	Intervention	Geographic location (Province/ District/local municipality) (Where Possible)	No. of beneficiaries (Where Possible)	Disaggregation of Beneficiaries (Where Possible)	Total budget allocation per intervention (R'000)	Budget spent per intervention	Contribution to the Outputs in the APP (where applicable)	Immediate outcomes
<p><b>Temporary Employee/Employer Relief Scheme (TERS)</b></p> <p>(Initiative of government which is aimed at providing support to businesses that are in distress due to the COVID-19 pandemic)</p> <p>(TERS provides relief for those whose income has been impacted by COVID-19)</p> <p>(TERS benefits are for those employees who are temporarily unable to work or who are unable to work at normal capacity due to the COVID-19 lockdown period.</p>	Implementation of TERS to support businesses that are in distress due to the COVID-19 pandemic.	All Provinces	890782	N/A	<b>R30,014,023,660.28</b>	<b>R3 808 456 000</b>		Financial relief to businesses and employees in distress

## 7. REVENUE COLLECTION

Sources of revenue	2021/2022			2020/2021		
	Estimate	Actual Amount Collected	(Over)/Under Collection	Estimate	Actual Amount Collected	(Over)/Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Revenue including interest and penalties	19 287 006	21 894 419	(2 607 413)	18 485 072	18 870 924	(385 852)
<b>TOTAL</b>	<b>19 287 006</b>	<b>21 894 419</b>	<b>(2 607 413)</b>	<b>18 485 072</b>	<b>18 870 924</b>	<b>(385 852)</b>

2021/2022: Revenue from non-exchange transactions exceeded the budget by 13.5% reasons being that the Statistics South Africa recorded an increase of 262 thousand people employed in Q4:2021 (Oct – Dec) and 370 thousand in Q1:2022 (Jan – Mar). The reported increase in employment by STATS SA resulted in the FUND registering 51 000 new commercial and domestic employers for the year under review.



# 8. CAPITAL INVESTMENT

All the Fund's unlisted properties are currently classified as Investment Properties and under the Public Investment Corporations (PIC's) management as part of the investment portfolio. 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 administrative purpose.

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. Thereafter, 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.

The Fund separately discloses expenditure to repair and maintain investment property.

The service PIC renders to the Fund as asset manager 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 for approval neither does the Fund sign these commitments. The PIC's internal procurement and approval processes are followed in rendering this service as agent of the Fund. The Fund pays PIC a management fee for this service.

Infrastructure projects Buildings	31 March 2022							31 March 2021						
	Purchase Price	Additions	Rehabilitation	Dis-Dis-Requirement	Carrying Amount	Fair Value Adjustments	Valuation	Purchase Price	Additions	Rehabilitation	Dis-Dis-Requirement	Carrying Amount	Fair Value Adjustments	Valuation
Erf 895 (a portion of erf 252) Bisho	41 350,00	23 255 920,42	-	-	23 297 270,42	- 7 297 270,42	16 000 000,00	41 350,00	23 255 920,42	-	-	23 297 270,42	- 7 297 270,42	16 000 000,00
Portion 5 (remainder extent) of erf 43, Thohoyandou	1 939 890,36	-	34 889 766,87	-	36 829 657,23	- 17 379 657,23	19 450 000,00	1 939 890,36	-	32 313 779,69	-	34 253 670,05	- 14 132 262,02	18 999 782,21
Erf 1112, Marshalltown, City of Johannesburg	74 897 609,90	-	-	-	74 897 609,90	- 9 697 609,90	65 200 000,00	74 897 609,90	-	-	-	74 897 609,90	- 4 197 609,90	70 700 000,00
Erf 222, Amnatsale, Polokwane (Bachab)	10 118 204,52	-	400 955,23	-	10 519 159,75	- 2 530 940,25	13 090 000,00	10 118 204,52	-	115 566,04	-	10 233 770,56	- 3 940 945,25	13 574 715,81
Erf 7339, Bender, Extension 35, Polokwane	4 090 328,47	-	18 262 997,76	-	20 423 326,23	- 6 148 326,23	14 275 000,00	4 090 328,47	-	864 968,01	-	4 925 296,48	- 500 296,48	4 425 000,00
Portion 87 (a portion of portion 21) on Farm Syferkuil (Rustim)	-	-	32 203 535,97	-	32 203 535,97	- 25 203 535,97	7 000 000,00	-	-	6 007 985,26	-	6 007 985,26	- 1 375 211,37	7 126 000,01
WIF Nikomo Building	7 875 000,00	41 615 636,81	352 342 146,98	-	491 832 782,79	- 174 932 782,79	226 900 000,00	7 875 000,00	41 615 636,81	346 526 792,85	-	396 018 428,66	- 47 158 282,02	220 730 000,00
Sunnyside Campus	54 078 213,00	-	197 612 539,59	-	251 690 752,59	- 137 390 752,59	114 300 000,00	54 078 213,00	-	161 052 223,06	-	215 130 436,06	- 82 768 614,46	124 699 925,10
<b>Total</b>	<b>153 070 596,25</b>	<b>64 871 556,23</b>	<b>633 811 942,40</b>	<b>-</b>	<b>851 694 094,88</b>	<b>- 375 519 094,88</b>	<b>476 175 000,00</b>	<b>153 070 596,25</b>	<b>64 871 556,23</b>	<b>346 880 336,91</b>	<b>-</b>	<b>564 762 469,39</b>	<b>- 57 901 648,43</b>	<b>475 824 421,13</b>

## Investment property in the process of being constructed or developed

### Erf 895 (a portion of Erf 252), Bisho

Extent 826 m<sup>2</sup>, Title deed number: T376/1985-CS

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 R151/m<sup>2</sup>, escalating at 6% per annum.

The valuation was performed by Manna Holdings (Pty) Ltd, professional registered valuers. 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.

### Portion 5 (remainder extent) of Erf 43, Thohoyandou

Extent of portion 5: 2 051 m<sup>2</sup>, Title deed number: TG83891/1992T

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 property is currently improved with 1 903m<sup>2</sup> of existing office building and is deemed as the highest and best use of the property. Office rentals range between R83/m<sup>2</sup> and R114/m<sup>2</sup> in the market for this designated area. A rental amount of R127/m<sup>2</sup> was applied and considered market related. Our subject property offers Office space and the comparable sales sold between the year 2018 and 2019. Selling prices of between R6 500 000 and R45 000 000 could be achieved for offices in the vicinity with capitalization rates of 9.5% and 12.3%. The rode report and the SAPOA report for capitalization rates have been analysed and looking into the location, condition and appeal, a capitalization rate of 10% was concluded to be appropriate for the subject property. The subject property is a multi-tenanted investment property and the tenants lease agreement is up for renewal in 2025 and 2026. The current rental paid by the tenant is considered to be in line with the market.

The valuation was performed by Manna Holdings (Pty) Ltd, professional registered valuers. The valuation experts elected to apply the Discounted Cash Flow Method, as the primary method, in order to determine the value. A gross monthly market rental of R1,27/m<sup>2</sup> was assumed in the valuation with an annual escalation of 6%.

#### **Erf 1112, Marshalltown, City of Johannesburg**

Extent 2 082 m<sup>2</sup>, Title deed number: T37743/2018

The Building comprises of 18 floors configured to 4 basement parking levels and 14 floors above including the ground floor. The outside of the building is concrete, plastered with aluminium glass finishes with black steel fence around the street facing ends. Access into basement parking is both on Marshall Street and Anderson Street. The inside of the building has A-grade finishes which are white boxed with a combination of open office space and glass partitioned reception landing areas. The basement offers a space for a gym facility for tenants and 170 basement parking bays. There are 6 operational lifts. The subject property fully vacant, has been for some time and without constant upkeep its condition will deteriorate. The valuation was performed by Spectrum Valuation and Asset Solutions, professional registered valuers. The valuers elected to apply through the interpretation and forecast of the 10 Year Discounted Cashflow Method of Valuation to determine the fair value. A gross monthly market rental of R85/m<sup>2</sup> and basement parking rental of R750 per parking bay was assumed in the valuation.

#### **Erf 222, Annadale, Polokwane**

Extent 2 855 m<sup>2</sup>, Title deed number: T2409/2019

This property has been improved with six three-storey residential blocks currently utilised as student accommodation. Property has 180 units at R3,595.00 per unit per month. The property also has 46 bays of covered parking and 8 bays of uncovered parking. There is currently a lease in place with the Tshwane University of Technology to use the property as student accommodation for its students. The Fund has a 25% share in this property.

The valuation was performed by Manna Holdings (Pty) Ltd, professional registered valuers. The Income Capitalisation method was considered the most appropriate for this Student Accommodation asset.

#### **Erf 7339, Bendor, Extension 86, Polokwane**

Extent 6 819 m<sup>2</sup>, Title deed number: 3656/2019T

The subject property is currently under construction of an intended 408 units of student accommodation and is deemed as the highest and best use of the property. As per the zoning, a total area of FAR of 1.8 say 5155m<sup>2</sup> could be developed. Limited vacant sales were available in the area due to a moratorium that was imposed on development in 2013. However, one sale obtained indicated that a bulk rate of roughly R 1700/ bulk m<sup>2</sup> on the proposed zoning.

The valuation was performed by Manna Holdings (Pty) Ltd, professional registered valuers. The valuation expert has taken note of the purchase price in 2018 of R14 000 000 that show a rate of R1140/m<sup>2</sup> based on the bulk land, also the selling price the previous land value showed an 8% year on year increase that seems to be to the higher end of the market but not unreachable in the large Polokwane area. The valuator elected to apply the Income Method, as the primary method, in order to determine the value. Computing the Capitalisation of the first year's income, into perpetuity. It is then that the Net Present Value (NPV) of all future inflows is determined to determine the potential current land value.

#### **Portion 67 (A portion of portion 12) of the farm Syferkuil 921, Limpopo**

Extent 5,0 During December 2017, The Fund together with GEPF and CF, through their duly authorised representative PIC, entered into an unincorporated joint venture agreement with KSL. The Fund has a 25% share in the unincorporated joint venture and as a result, 25% share in the lease right. The property is currently under construction of an intended 2924 units of student accommodation and is deemed as the highest and best use of the property. Limited vacant sales were available in the area due to a moratorium that was imposed on development in 2013. This said, one sale obtained indicated that a bulk rate of roughly R 1700/ bulk m<sup>2</sup> on the proposed zoning. Other sales range between R1 450/m<sup>2</sup> and R1 650/m<sup>2</sup>. Property professionals however indicated that bulk rates for similarly zoned properties would range between R 1 250/ bulk m<sup>2</sup> and R 1 700/ bulk m<sup>2</sup>.

The valuation was performed by Manna Holdings (Pty) Ltd, professional registered valuers. The valuation expert's primary method of valuation applied was the valuation of the 1st years income, Projection of potential future inflows and

discounting to the Net present Value.07m<sup>2</sup>, Title deed number: T337/2020

**Erf 3384, Pretoria, Reg. Div. J.R. Gauteng**

Extent 8,454m<sup>2</sup>, Title deed number: 8852/1992T

The property is currently being developed with an eight-storey commercial office building. The building improvements are to further comprise of a cafeteria and event space on the roof of the parkade. Site improvements will include a guardhouse, parking bays as well as a perimeter boundary wall with guarded single access and exit points. On completion, the improvements are expected to be of modern A-grade standard, with routine maintenance and cleaning noted as required in order to ensure that the improvements and the property as a whole remain in well-maintained condition.

The valuation was performed by Spectrum Valuations and Asset Solutions, professional registered valuers. The valuers elected to apply the Discounted Cash Flow Method, as the primary method, in order to determine the value. A gross monthly market rental of R150/m<sup>2</sup> was assumed in the valuation. The valuation expert applied the interpretation and forecast of the 10 Year Discounted Cashflow Method of Valuation.

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

Extent 2,519m<sup>2</sup> and Extent 6,720m<sup>2</sup>, Title deed number: 93418/2015T

Currently the process to consolidate and register Remainder of Erf2, Remainder of Portion1 of Erf5, Remainder of Portion2 of Erf6, Remainder of Erf60, Erf82 and Erf83 Trevenna into Erf90 Trevenna will be finalized post the valuation date. The consolidation and registration processes of Remainder of Portion50 of Erf843, Remainder of Portion39 of Erf834, Remainder of Erf1422, Erf1432 and Erf1432 into Erf1458 Sunnyside will also be finalized post the valuation date. The Municipality has approved the consolidation and rezoning of the above properties. The Surveyor Generals Office and Deeds Offices processes are yet to be finalised. The process to transfer and register Remainder of Erf2, Remainder of Portion1 of Erf5, Remainder of Portion2 of Erf6 and Remainder of Erf60 from the City of Tshwane Municipality to the UIF has not been finalized, however a sale agreement is in place and signed by all parties and a lodgement will be submitted to the Deeds Office in the new financial year. The valuation expert applied all these assumptions as conditions in the valuation as at 31 March 2022. The Fund bought the properties which are adjacent to each other to develop a 11,661m<sup>2</sup> "Labour Campus" to accommodate the Fund, Compensation Fund and the Department of Employment and Labour. National Treasury has granted approval for the Compensation Fund and the Department of Labour to participate in the development. Improvements to the Property will comprise of three 24 storey office buildings with 13 floors of office space, 10 levels of parking including 4 basement level parkings, and a service level at the top. The buildings will comprise of P Grade office accommodation with superior finishes and facilities.

The valuation was performed by Spectrum Valuations and Asset Managers, professional registered valuers. The valuation expert applied the interpretation and forecast of the 10 Year Discounted Cashflow Method of Valuation.

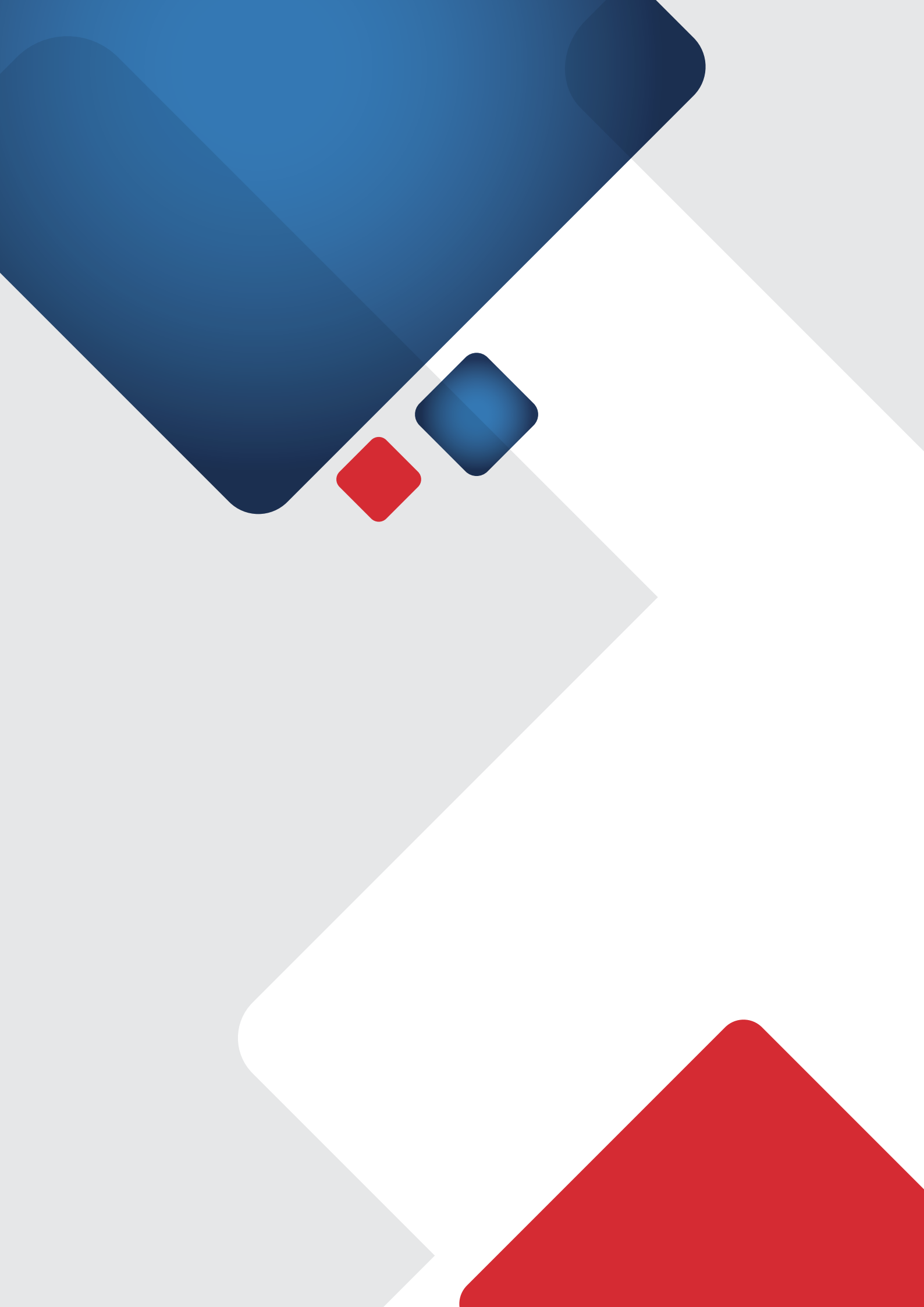
## 9. SOCIAL RESPONSIBLE INVESTMENTS

The Fund, through its asset manager the PIC, is committed to responsible investing by ensuring active participation in environment, social and governance (ESG) matters at its investees, aligning these ESG objectives with United Nations Principles for Responsible Investing, the UN Global Compact and its endorsement and support for both the Code for Responsible Investing SA (CRISA) and the Sustainable Development Goals (SDGs).

The pandemic focused attention on social issues such as emerging labour practices. The precariousness of work was exposed, with workers left critically vulnerable by the economic downturn. Disability was also in the spotlight. While always of serious concern, equal opportunity and skills development for people with disabilities have not always received the attention that gender and race equity have. An ESG focus ensures that disability is on the agenda as a transformation imperative.

Labour management is an enduringly important issue for companies, particularly in economically challenging conditions. The Fund managed to achieve the following positive social impact during the period under review:

DEVELOPMENTAL INDICATORS	MEASUREMENT	ACHIEVEMENTS
Employment Opportunities	Permanent	15 367
	Temporary	6 588
	Total number of Jobs undisclosed (Permanent and Temporary)	8217
	<b>Total number of Jobs sustained</b>	<b>30 172</b>
SME	Number of SMEs supported	0
Energy	Megawatts to generate	177
Housing	Total number of houses committed	1 575
	Complete	1 309
	*Under construction	0 (construction put on hold)
	Buildings under construction	6
Education and Student Accommodation)	Student beds under Management	13 819
	Student beds under Refurbishment	352
	Student beds under construction	9 228
	Financial support	Value of student loans R 166,200,000.00
Health Care	Hospitals & Clinics	(29 Hospitals & Centres and 3 clinics)
	Hospital beds	2637
Agriculture	Farms supported	7



The page features a decorative graphic with overlapping blue and red shapes. A large dark blue shape is at the top left, with a smaller dark blue shape below it. A red diamond is positioned between the two dark blue shapes. A light gray shape is on the right side, and a large red shape is at the bottom right.

# **PART C: GOVERNANCE**

# 1. INTRODUCTION

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

## 2. PORTFOLIO COMMITTEES

During the 2020/21 financial year, the UIF was requested to appear before the Portfolio Committees and Select Committees, as reflected in the table below:

DATE	COMMITTEE	BRIEFING/ TOPIC
05 May 2021	PC on Employment and Labour	Briefing on the APP and Strat plans.
25 May 2021	SCOPA	Hearing on the Annual Report and Financial Statement of the UIF 2019/20, as well as irregular, fruitless and wasteful expenditure.
28 May 2021	PC on Employment and Labour	Briefing by AGSA on UIF and CF Audit Matters before SCOPA.
8 June 2021	PC on Employment and Labour	Briefing PC on Labour on Matters raised by AGSA on 28 May 2021.
14 Sep 2021	SCOPA	Update on SCOPA resolutions.
10 Nov 2021	PC on Employment and Labour	Briefing by AGSA on DEL and its entities on Audit Outcome.
23 Nov 2021	SCOPA	Update on SCOPA resolutions.
09 Feb 2022	PC on Employment and Labour	2021/22 Quarter 1 Report.
09 March 2022	PC on Employment and Labour	Response on SONA and Budget Vote.
30 March 2022	PC on Employment and Labour	Briefing on Budget Review including APP and Strat plans.

### Areas of risk and what implementation plans/actions did the public entity undertake. SCOPA recommendations of the hearing conducted on 25 May 2021.

- The Committee requested the Report on the Accenture matter, including other cases of irregular and Fruitless cases and their rand value
- Over and the above this report, the following reports were requested:
  - Audit Response Plan
  - Black-listing of companies
  - Disciplinary process of SMS members (Consequence Management Report)

Progress on the above SCOPA recommendations was reported to SCOPA on 14 Sept and 23 Nov, respectively.

## 3. EXECUTIVE AUTHORITY

The Minister of Employment and Labour, through NEDLAC (social partners) nominations, appointed eleven new members for continuity in the new term of the Advisory Board (“the Board”). The new members were appointed on 01 May 2021 for a three-year period ending on 30 April 2024. The prior Board member’s term was extended to 31 April 2021 due to delays in the finalisation of the nomination and process of approval through Cabinet. The UIF appointed a new Board Chairperson in 2021 for a three-year term to end on 30 April 2022.

One of the new Board members representing the business constituency resigned in October 2021. The process to appoint the replacement member was effected. The Board is appointed to advise the Minister of Employment and Labour on issues related to the administration of the UIF as a social security instrument. The Minister held regular meetings with the UIF Board during the 2021/22 financial year, amongst others, to induct the Board member and address general UIF matters, which included discussions around handover reports, social responsibility investments and the responsibilities of the board.

## 4. THE ACCOUNTING AUTHORITY / BOARD

### Introduction

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

### THE ADVISORY BOARD

In terms of section 47 of the Unemployment Insurance Act, the Minister of Employment and Labour must establish the Unemployment Insurance Board. All members were appointed in terms of section 49 (2) of the UI Act, 2001, which outlines that each NEDLAC constituency (Organised labour, Organised Business and Organised Community) must be represented by three members and three state representatives on the Board. During the 2021/22 reporting year, the Board constituted of 11 members, including a Chairperson due to a delay in appointment of the third Labour constituency.

### UIF Board key highlights/achievements

- The UIF Board participated in the launch and visits to LAP projects to fully understand the operation, assess the implementation processes, impact on society and benefits of unemployment LAP projects for the purpose of advising the Minister.
- Board Constitution and Committee Charters were approved by the Delegated Authority.
- Implementation of yearly conflict of interest declaration process.
- Implementation of the UI Act amendment No.10 of 2016, section 36 A (1) to facilitate the appointment of the Regional Appeals Committee members throughout the provinces of South Africa.
- Recommended and drafted the Social Ethics and Transformation Committee Charter for establishment as the new Board committee by the Honourable Minister: DEL
- Joint Boards, Investment Committees(IC) and EXCO with the Public Investment Corporation were held in order to address relevant strategic outcomes and to advise the Minister on matters of concern.
- Improved and Maintained information management (Board Committee workshops were conducted).

### The role of the Board is as follows

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

- Unemployment Insurance policy,
- Policies arising out of the application of this Act,
- Policies for minimising unemployment,
- The creation of schemes to alleviate the effects of unemployment,



- Make recommendations to the Minister on changes to legislation in so far as it impacts on policy on unemployment or policy on unemployment insurance, and
- Perform any other function which may be requested by the Minister for purposes of giving effect to this Act.

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

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

**In terms of section 36(A)1 of the Unemployment Insurance amended Act No. 10 of 2016, the role of the Board is to;**

- Appoint the Regional Appeals Committee for each region as determined by the Minister

**BOARD CHARTER**

The Board Charter outlines the main corporate governance practices in place for the Unemployment Insurance Fund Board and to which the Board, committees and management are collectively 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. Governance processes are continuously improving, with the Board Charters and the Board Constitution setting out responsibilities implemented and adhered to to achieve the highest standards of corporate governance. The reviewed charters for the Board and all committees were adopted in 2021/22. The Board and Committees' compliance to its constitution and charters was monitored at the end of the year, which was conducted by UIF's Board and Governance Directorate. The Board and Committee Charters align and comply with the Unemployment Insurance Act and Board Constitution. The UIF Board and Governance Directorate facilitate the internal yearly assessment and produce the respective report of the Board and its Committees based on the responses from the Board members. The main objective of the Board, Governance, and Compliance functions is to assist the Board and its Committees in adopting the most appropriate governance standards for the Fund. During the 2021/22 financial year, the Board held one (1) special meeting with the Honourable Minister, one (1) induction, two (2) quarterly meetings, six (5) special meetings and two (2) workshop were held during lockdown to enable the board to be in a position to facilitate the provision of advice to the Minister of Employment and Labour on matters and decisions concerning WABU.

## Composition of the Board

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned/ Termination date	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
Mr Z Luswazi	Independent appointment by Minister	01-May-21	30-Apr-24	Bachelor of Accounting Science (UNISA), Certificate of theory in Accountancy (UNITRA); Chartered Accountants ( SA)	MFS Chartered Accountants, Audit, Corporate Governance and Financial management.	N/A	UIF Board Committee	11
Ms L Specht	Business Constituency	01-May-21	30-Apr-24	LLB, MBA, certificate in HRM	Legal & Compliance; Corporate Governance; Finance and Strategy	N/A	Audit Committee Financial Advisory Committee; Invest Committee; Board Committee	29 10 Board Meetings

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned/ Termination date	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
Mr E Thobejane	Labour Constituency	01-May-21	30-Apr-24	Grade 11 (currently registered with Department of Basic Education to write. Matric in November 2020)	Labour Relation; Policy development.	National Minimum Wage Commission (NMWC); National Economy Development and Labour Council(NEDLAC) EXCO and MANCO; METAL and Engineering Bargain Council(MEIBC); Millennium Labour Council(MLC); Compensation fund( CF); National A council of Trade Union(NACTU); Central Committee as Deputy National General Secretary.	Investment Committee; Labour Activation Programme Committee National Appeals Committee Board Committee	24 9 Board Meetings
Dr D Ntsinde	Community Constituency	01-May-21	30-Apr-24	Bachelor of Biblical Studies, Honorary Doctoral Degree Award: Doctor of Philosophy	Engineering / electrical	N/A	Investment Committee Financial Advisory Committee Audit Committee Board Committee	21 11 Board Meetings

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned/ Termination date	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
Ms B Sibeko	State Representative Department of Social Development	01-May-21	30-Apr-24	Bachelor of Commerce, Certificate in Economic Policy Formulation, Masters in Social Security Policy and Administration	Social Security; Economics and Policy Development and implementation.	N/A	Labour Activation Programme Committee  National Appeals Committee  Board Committee	16   7 Board Meetings
Mr T Josopu	Community Constituency	01-May-21	30-Apr-24	Higher Certificate in Public Management, Bachelor of Arts, Bachelor of Arts Honours (2020). Currently studying MEd in Education and Work.	N/A	National Skills Authority (NSA) Board Deputy Chairperson; African Peer Review Mechanism APRM; National Economy Development and Labour Council (NEDLAC) EXCO and MANCO and South African National AIDS Council (SANAC).	Investment Committee  Labour Activation Programme Committee  Board Committee	18   11 Board Meetings
Ms V Miya	Business Constituency	01-May-21	30-Apr-24	LLB, Post Graduate Diploma in Labour Law	Legal & Labour and commercial Law. Litigations , Mediation ; Corporate Governance;	Compensation Fund (CF), National Nuclear Regulator ( NNR), Metal industry benefits Fund Administrators( MIBSA).	National Appeals Committee Labour Activation Programme Committee Board Committee	17  8 Board Meetings

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned/ Termination date	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
Ms A Mfulu	Community Constituency	01-May-21	30-Apr-24	Social Entrepreneur Programme, Inclusive Education and Diploma Secretarial Course	N/A	N/A	Investment Committee National Appeals Committee Board Committee	20 11 Board Meetings
Ms O Gaarekwe	State Representative National Treasury	01-May-21	30-Apr-24	B. Com, CMA	Financial /Budget management	N/A	Investment Committee Financial Advisory Committee Audit Committee Board Committee	30 10 Board Meetings
Ms M Keyter	Labour Constituency	01-May-21	30-Apr-24	National Diploma: Labour Relations Practice, BPROC,	Legal, Financial, Corporate Governance	N/A	Financial Advisory Committee Audit Committee Board Committee	19 10 Board Meetings
Mr D Khumalo	Business Constituency	01-May-21	2021/10/30 /Resigned	HR Excellence Programme, Advanced Executive Programme, Management Development Programme, BA Hons Degree, RESIGNED BA Degree	RESIGNED	RESIGNED	Investment Committee  Board Committee	10 7 Board Meeting
Mr M Ngubane	State Representative DHET	01-May-21	30-Apr-24	B.Tech Public Management, National Diploma: Public Management, NQF6 Certificate programme: Total Quality Management	N/A	N/A	Financial Advisory Committee Board Committee	2 1 Board Meeting

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned/ Termination date	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
Mr S Ngcongo	Business Constituency	01-Jul-22	30-Apr-24	Diploma in Business Management; Professional Body of Psychology; Management Development Phase3; Bachelor of Art in Personnel Management (Fort Hare)	N/A	N/A	Not Yet a Member	Not Yet a Member

	SURNAME	FIRST NAME	REPRESENTATIVE	APPOINTMENT DATE	TERMINATION DATE	QUALIFICATIONS	COMPETENCES OR AREA OF EXPERTISE	BOARD DIRECTORSHIP (List the entities)	BOARD COMMITTEE	IC	FAC	LAPC	AC	NAC
Ms	Mfulo	Alina Thandiwe	Community Constituency	01-May-21	30-Apr-24	Social Entrepreneur Programme, Inclusive Education and Diploma Secretarial Course		NONE	11	6				3
Mr	Khumalo	Donald	Business Constituency	01-May-21	2021/10/30 /Resigned	HR Excellence Programme, Advanced Executive Programme, Management Development Programme ,BA Hons Degree , BA Degree	RESIGNED	RESIGNED	7	3				
Dr	Ntsinde	Hamilton Daluxolo	Community Constituency	01-May-21	30-Apr-24	Bachelor of Biblical Studies, Honorary Doctoral Degree Award: Doctor of Philosophy	Engineering / electrical	NONE	11	1	7		2	
Mr	Luswazi	Zola	Independent appointment by Minister	01-May-21	30-Apr-24	Bachelor of Accounting Science (UNISA), Certificate of theory in Accountancy( UNITRA); Chartered Accountants ( SA);	MFS Chartered Accountants, Audit, Corporate Governance and Financial management.	NONE	11					
Mr	Thobejane	Edward Malometje	Labour Constituency	01-May-21	30-Apr-24	Grade 11 (currently registered with Department of Basic Education to write. Matric in November 2020)	Labour Relation; Policy development.	National Minimum Wage Commission ( NMWC); National Economy Development and Labour Council(NEDLAC) EXCO and MANCO; METAL and Engineering Bargain Council( MEIBC); Millinium Labour Concil(MLC); Compensation fund( CF); National Acouncil of Trade Union(NACTU); Central Committee as Deputy National General Secretary.	9	6		6		3

	SURNAME	FIRST NAME	REPRESENTATIVE	APPOINTMENT DATE	TERMINATION DATE	QUALIFICATIONS	COMPETENCES OR AREA OF EXPERTISE	BOARD DIRECTORSHIP (List the entities)	BOARD COMMITTEE	IC	FAC	LAPC	AC	NAC
Ms	Keyter	Martle	Labour Constituency	01-May-21	30-Apr-24	National Diploma: Labour Relations Practice , BPROC,	Legal, Financial, Corporate Governance		10		7		2	
Mr	Josopu	Thembinkosi	Community Constituency	01-May-21	30-Apr-24	Higher Certificate in Public Management, Bachelor of Arts Honours (2020) .Currently studying MEd in Education and Work.		National Skills Authority (NSA) Board Deputy Chairperson; African Peer Review Mechanism APRM; National Economy Development and Labour Council (NEDLAC) EXCO and MANCO and South African National AIDS Council ( SANAC).	11	1		6		
Mr	Ngubane	Mbunda	State Representative DHET	01-May-21	30-Apr-24	B, Tec h Public Management, National Diploma :Public Management, NQF6 Certificate programme:Total Quality Management		NONE	1		1			
Ms	Sibeko	Brenda	State Representative Dept of Social Development	01-May-21	30-Apr-24	Bachelor of Commerce, Certificate in Economic Policy Formulation, Masters in Social Security Policy and Administration	Social Security; Economics and Policy Development and implementation.	NONE	7			6		3
Ms	Gaarekwe	Ogalaletseng Anastasia	State Representative National Treasury	01-May-21	30-Apr-24	BCom , CMA	Financial /Budget management	NONE	10	6	6		8	
Ms	Specht	Louwresse	Business Constituency	01-May-21	30-Apr-24	LLB, MBA, certificate in HRM	Legal & Compliance; Corporate Governance; Finance and Strategy	No other Directorships and Board Memberships.	10	4	7		8	



	SURNAME	FIRST NAME	REPRESENTATIVE	APPOINTMENT DATE	TERMINATION DATE	QUALIFICATIONS	COMPETENCES OR AREA OF EXPERTISE	BOARD DIRECTORSHIP (List the entities)	BOARD COMMITTEE	IC	FAC	LAPC	AC	NAC
Ms	Miya	Vuyiswa	Business Constituency	01-May-21	30-Apr-24	LLB, Post Graduate Diploma in Labour Law	Legal & Labour and commercial Law. Litigations , Mediation ; Corporate Governance;	Compensation fund (CF), National Nuclear Regulator (NNR), Metal industry benefits Fund Administrators (MIBSA).	8			6		3
Mr	Sam	Ngcongo	Business Constituency	01-Jul-22	30-Apr-24	Diploma in Business Management; Professional Body of Psychology; Management Development Phase3; Bachelor of Art in Personnel Management(Fort Hare)			Not Yet a Member					
									11	6	7	6	10	3

## Committees composition

Financial Advisory Committee Chairperson: Ms Martle Keyter								
Current Member					Alternate Member			
Title	Name	Surname	Constituency	Committee	Title	Name	Surname	Constituency
Ms	Louwresse	Specht	Business	FAC				Business
Ms	Martle	Keyter	Labour	FAC	Mr	Edward	Thobejane	Labour
Dr	Daluxolo	Ntsinde	Community	FAC				Community
Mr	Mabunda	Ngubane	State	FAC	Ms	Ogalaletseng	Gaarekwe	State
Labour Activation Programme Chairperson: Thembinkosi Josopu								
Current Member					Alternate Member			
Title	Name	Surname	Constituency	Committee	Title	Name	Surname	Constituency
Mr	Thembinkosi	Josopu	Community	LAPC	Ms	Thandiwe	Mfulu	Community
Mr	Edward	Thobejane	Labour	LAPC	Ms	Martle	Keyter	Labour
Ms	Vuyiswa	Miya	Business	LAPC	Mr	Donald	Khumalo	Business
Ms	Brenda	Sibeko	State	LAPC	Ms	Mabunda	Ngubane	State
Investment Committee Chairperson: Ms Ogalaletseng Gaarekwe								
Current Member					Alternate Member			
Title	Name	Surname	Constituency	Committee	Title	Name	Surname	Constituency
Mr	Edward	Thobejane	Labour	IC	Ms	Martle	Keyter	Labour
Ms	Thandiwe	Mfulu	Community	IC	Dr	Daluxolo	Ntsinde	Community
Mr	Donald	Khumalo	Business	IC	Ms	Vuyiswa	Miya	Business
Ms	Ogalaletseng	Gaarekwe	State	IC	Ms	Brenda	Sibeko	State

**Audit Committee Chairperson: Dr Dala**

Current Member					Alternate Member			
Title	Name	Surname	Constituency	Committee	Title	Name	Surname	Constituency
Ms	Louwresse	Specht	Business	AC				Labour
Ms	Ogalaletseng	Gaarekwe	State	AC				State

**National Appeals Committee Chairperson**

Current Member					Alternate Member			
Title	Name	Surname	Constituency	Committee	Title	Name	Surname	Constituency
Ms	Vuyiswa	Miya	Business	NAC				Business
Mr	Edward	Thobejane	Labour	NAC	Ms	Martle	Keyter	Labour
Ms	Thandiwe	Mfulu	Community	NAC				Community
Ms	Brenda	Sibeko	State	NAC	Mr	Mabunda	Ngubane	State

## The outgoing Board

BOARD MEMBER DETAILS						
	SURNAME	FIRST NAME (S)	Date Appointed	Date Term Ends	Qualifications	Competences / Area of Expertise
Dr	Nzimande	Welcome	01-Feb-19	N/A Passed on 2020	Honorary PhD(visual & performing arts) B Admin MDP( Management Development Programme)-UKZN LDP (Leadership Development Programme)-GIBS	Management and Leadership
Mr	Mchunu	Mondi	01-Nov-17	30-Apr-21	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)	Business Leadership; Employee Relations; Labour Laws in South Africa, Lesotho, Eswatini, Botswana, Namibia, Zambia, Ghana, Kenya and Nigeria. Pension/retirement Funds.
Mr	Matshani	Msuthu	01-Nov-17	30-Apr-21	Baccalaureus Luris (B. Luris); Bachelor of Laws; Certificate Programm in Industrial Relations; Master of Laws (LLM. Labour Law)	Law
Adv	Nwedo	Eric	01-Nov-17	30-Apr-21	Admitted Advocate of the High Court of South Africa & Accredited Mediator: Master's 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

BOARD MEMBER DETAILS						
	SURNAME	FIRST NAME (S)	Date Appointed	Date Term Ends	Qualifications	Competences / Area of Expertise
Mr	Maphoto	David	01-Nov-17	30-Apr-21	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 M&E management
Mr	Mahlangu	Jan	01-Nov-17	30-Apr-21	Certificates CCMA, Certificate on Basic-Advance Trustee Training, Certificate Introduction to Investment and Finance, Certificate Financials and Financial Accounting & Certificate Principles of Economics	Financial Management, Investment ; Negotiation Skills, Leadership & Governance Skill. Retirement & other Workers' benefits
Mr	Franks	Tony	01-Nov-17	30-Apr-21	Legal Labour Law Certificate IMMSA Arbitration Certificate CCMA Certificate HRM Certificate Project Management Training	Labour Law; Project Management and Human Resources Management
Ms	Kganyago	Laura	01-Nov-17	30-Apr-21	Project Management	Community Dev. Programmes & Training
Mr	Tshefuta	Thulani	01-Nov-17	30-Apr-21	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,
Mr	Mthlane	Dumisani	01-Nov-17	30-Apr-21	Matric	Experience in management, evaluation and knowledge management, monitoring and evaluation. Good analytical skills and knowledge in planning. Strong financial accounting and management.

BOARD MEMBER DETAILS						
	SURNAME	FIRST NAME (S)	Date Appointed	Date Term Ends	Qualifications	Competences / Area of Expertise
Mr	Macikama	Mvuyisi	01-Nov-17	30-Apr-21	B. Comm: Accounting (UWC) Postgrad 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
Dr	Dala	Prittish	23-Jun-20	30-Apr-21	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). Certified Data Privacy Solution Engineer (CDPSE).	ICT, Information Security, Auditing, Privacy, Corporate Governance, Risk Management, Compliance, Forensics and Research.
Mr	Musekwa	Takalani	08-Nov-18	30-Apr-21	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.
Ms	Bronkhorst	Marsha	Acting UIF Commissioner		BA Honours. Master of Arts Degree (MA)	Operations Management
Mr	Maruping	Teboho	N/A	N/A		
Mr	Terhoeven	Carel	23-Jun-20	31-Jan-23		Auditing
Ms	Nkosi	Jabulile	23-Jun-20	31-Jan-23		
Dr	Skeepers	Natalie				
Mr	Morajane	Cameron	01-Mar-19	Resigned	Resigned	Resigned

## Committees

### Prior Board

Committee	No. of meetings held	No. of members	Name of members
Financial Advisory Committee( FAC)	0	7	Mr M. Mchunu; Adv. M. Matshani; Mr J. Mahlangu; Mr T. Franks; Ms L. Kganyago; Mr D. Mthalane; Mr M. Macikama
Investment Committee (IC)	0	7	Mr M. Mchunu; Adv. E Nwedo; Mr J. Mahlangu; Mr D. Mthalane; Mr M. Macikama; Mr T. Tshefuta; Mr D. Maphoto
Labour Activation Programme Committee (LAPC)	0	7	Mr T. Tshefuta; Mr M. Mchunu; Adv. M. Matshani; Mr J. Mahlangu; Ms L. Kganyago; Mr M. Macikama; Mr D. Maphoto;
Regional Appeals Committee (RAC)	0	4	Mr A. Barichiev; Mr T. Williams; Mr A. Ngqanaka; Mr N. Mpulu

### New Board

Committee	No. of meetings held	No. of members	Name of members
Financial Advisory Committee( FAC)	7	4	Ms M. Keyter ; Ms O. Gaarekwe; Dr D. Ntsinde and Ms L. Specht
Investment Committee (IC)	6	4	Ms O. Gaarekwe; Ms T. Mfulu; Mr D. Khumalo; Mr E. Thobejane and Ms L. Specht
Labour Activation Programme Committee (LAPC)	6	4	Mr T. Josopu; Ms V. Miya; Ms B. Sibeko and Mr E. Thobejane
National Appeals Committee (NAC)	3	4	Ms V. Miya; Ms T. Mfulu ; Mr E. Thobejane and Ms B. Sibeko

### Remuneration of board members

#### How remuneration of Board members is determined

- The remuneration of the Board and its committee members for the full term of their office is based on the approved rates as prescribed by the National Treasury. The yearly approved rates are applied upon approval by the Finance Minister, which is received in the circular TR 20.2.2. The Board members are eligible to also claim data costs as approved by the Accounting authority in order to compensate for the use of data for purposes of attending the Board and its Committee meetings for the period of 2021/22 financial year. The rate of the data cost is R80.00 per hour for the entire duration of the meeting, limited to the hours per meeting as prescribed by National Treasury TR20.2.2
- The two UIF Board members nominated to attend the Audit Committee in line with their term of office are remunerated differently for attending Audit Committee meetings. The two members were paid at the rate applicable to Audit Committee members approved by the Accounting Authority. The SAICA rates are the base of the approved rates for the Audit Committee.
- The State representative was eligible to claim travelling costs and data costs for the period of 2021/22 financial year. The State member who claimed payment for the attendance of meetings for their travelling costs from UIF were processed.
- Audit Committee and Risk Committee members are paid at the rate approved by the Accounting Authority. The SAICA rates are the base of the approved rates for the Audit Committee. The Audit Chairperson attends Board Meetings in the capacity of an independent member and not a Board member and is paid at the approved rates of the Audit Committee for the duration of the Board meetings attendance.

## Company/Board Secretary

2022		R'000			R'000		
Board Members		2021-2022			2020-2021		
		Fees for services	Expense allowances	Total	Fees for services	Expense allowances	Total
Gaarekewe O	Appointed: 1 May 2021	-	1 764.45	1 764.45	-	-	-
Josopu T	Appointed: 1 May 2021	53 748.58	3 402.82	57 151.40	-	-	-
Khumalo D	Appointed: 1 May 2021	25 856.18	293.82	26 149.56	-	-	-
Luswazi Z- Board Chairperson	Appointed: 1 May 2021	-	-	-	-	-	-
Mfulo A	Appointed: 1 May 2021	72 003.29	16 469.37	88 472.66	-	-	-
Miya V	Appointed: 1 May 2021	31 292.22	4 494.34	37 075.78	-	-	-
Ntsinde D	Appointed: 1 May 2021	7 936.00	-	7 936.00	-	-	-
Sibeko B	Appointed: 1 May 2021	-	-	-	-	-	-
Specht L	Appointed: 1 May 2021	88 212.90	3 616.12	91 829.02	-	-	-
Thobejane EM	Appointed: 1 May 2021	105 296.34	5 773.83	111 070.17	-	-	-
Kganyago L	Re-appointed: 1 November 2017	-	-	-	234	7	241
Mahlangu J	Appointed: 1 November 2017	-	-	-	76	10	86
Maphoto D	Appointed: 1 November 2017	-	-	-	-	3	3
Matshani ME	Appointed: 1 August 2021	-	-	-	32	3	35
Mchunu M	Appointed: 1 November 2017	-	-	-	98	10	108
Mthlane D	Appointed: 1 November 2017	-	-	-	4	-	4
Nwedo NE	Re-appointed: 1 November 2017	-	-	-	141	8	149
Nzimande WZ	Re-appointed: 1 February 2019	-	-	-	47	3	50
Tshefuta T	Board	-	-	-	80	13	93
		<b>384 345.51</b>	<b>35 814.31</b>	<b>420 159.82</b>	<b>712</b>	<b>57</b>	<b>769</b>
<b>Audit Committee</b>							
Terhoeven CF	Appointed: 20 June 2020	150 471.12	2 48.30	150 719.42	148	-	148
Dala P	Appointed: 1 February 2017	464 752.34	-	464 752.34	599	6	605
Nkosi J	Appointed: 1 July 2020	239 577.03	6 947.84	246 523.87	143	-	143
		<b>854 800.49</b>	<b>7 196.14</b>	<b>861 996.63</b>	<b>890</b>	<b>6</b>	<b>896</b>
<b>Risk Committee</b>							
Skeepers N	Appointed: 1 October 2018	435 338.00	5 844.32	441 182.32	378	7	385
De Kock C	Appointed: 1 October 2018	33 308.00	560.00	33 868.00	76	-	76
		<b>468 646.00</b>	<b>6 404.32</b>	<b>475 050.32</b>	<b>454</b>	<b>7</b>	<b>461</b>
<b>Appeals Committee</b>							
Barichievu BA	Regional	-	-	-	2	-	2
Kula N	Regional	-	-	-	1	-	1
Mabuza TS	Regional	-	-	-	30	-	30
Mokoena T	Regional	-	-	-	1	-	1
Mpulu N	Regional	-	-	-	2	-	2
Ngqaneka A	Regional	-	-	-	5	-	5
Tibane M	Regional	-	-	-	1	-	1
Williams T	Regional	-	-	-	3	-	3
Makhado F	Regional	4 544.00	397.28	4 941.28	-	-	-
Nkosi A N	Regional	10 259.50	560.00	10 819.50	-	-	-
Saku E M	Regional	17 032.30	1301.97	11 334.27	-	-	-
Zwane T	Regional	7 402.00	2 772.00	18 334.27	-	-	-
Leyden S	Regional	10 224.00	1 246.70	10 174.00	-	-	-
Sethusha L	Regional	6 050.30	1 161.28	7 211.58	-	-	-
		<b>55 512.10</b>	<b>7 439.23</b>	<b>62 951.33</b>	<b>45</b>	<b>0</b>	<b>45</b>
		<b>1 763 304.10</b>	<b>57 253.78</b>	<b>1 820 158.10</b>	<b>2101</b>	<b>70</b>	<b>2171</b>

## COMPANY/BOARD SECRETARY

In terms of the UIF Act (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. The UIF establishment caters for this requirement. The Director Board, Governance and Security is appointed to manage the Board governance and administration matters.



# 5. AUDIT COMMITTEE REPORT

The Unemployment Insurance Fund (UIF) Audit Committee (AC) is pleased to present its report for the financial year ended 31 March 2022.

## **Audit Committee Responsibility**

The Audit Committee is an advisory body that reports and makes recommendations to the Accounting Authority, however the Accounting Authority retains responsibility for implementing such recommendations. The Committee provides independent assurance to the Accounting Authority with regard to 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 provide oversight in relation to the following aspects in executing its oversight responsibilities:

- Functional reporting of the Internal Audit function - Internal Audit Charter, budget, activities, staffing, skills and organisational structure of the Internal Audit;
- Review the external auditors' proposed audit scope, approach and audit fees for the year;
- Enterprise risk management (risk management, combined assurance, compliance, business continuity management as well as anti-corruption and fraud);
- Adequacy and effectiveness of the internal control system and governance;
- Quarterly financial and non-financial (performance information) reporting;
- Information technology and cyber security;
- Human resource management and legal matters;
- Internal and external audit reports; and
- Annual financial statements and annual report (annual performance information).

## **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 Advisory Board. For the financial year, the AC convened seven times. A list of the members and their respective qualifications as well as a record of their attendance is provided below:

Name of Member	Qualifications	Internal or external	Date Appointment	Date Resigned / End of Term	No. of Meetings Attended
Dr. P. Dala	PhD (IT), M.IT, BSc Hons in Computer Science, B.IT, CISA, CISM, CISSP, CRISC, CGEIT, CEH, CHFI and LA27001.	Independent Member from February 2017 to November 2018.  Independent Acting Chairperson from Dec 2018 to May 2020.  Independent Chairperson from June 2020	Feb 2017 to Jan 2020 (First Appointment)  Feb 2020 to May 2020 (Extension of Term)  Jun 2020 to Jan 2023 (Re-appointment)	N/A	9 of 9
Adv. E. Nwedo **	Admitted Advocate of the High Court of South Africa, AFSA 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) and Certificate in Pension Funds Law.	Member nominated by the UIF Board from November 2017 to March 2021.	Nov 2017 to Oct 2020  Nov 2020 to Apr 2021 (Extension of Term)	Apr 2021	1 of 9
Ms. L. Kganyago **	Project Management.	Member nominated by the UIF Board from November 2017 to March 2021.	Nov 2017 to Oct 2020  Nov 2020 to Apr 2021 (Extension of Term)	Apr 2021	1 of 9
Ms. O. Gaarekwe	B Com,  CMA.	Member nominated by the UIF Board from April 2021.	May 2021 to Apr 2024	N/A	8 of 9

Name of Member	Qualifications	Internal or external	Date Appointment	Date Resigned / End of Term	No. of Meetings Attended
Ms. L. Specht	LLB, MBA, Certificate in HRM.	Member nominated by the UIF Board from April 2021.	May 2021 to Apr 2024	N/A	8 of 9
Dr. N. Skeepers	PhD (Engineering Management), M.Phil. HIV/AIDS Management, MSc in Health Safety and Environment and B Tech Environmental Health.	Independent Member and Risk Management Committee Chairperson from March 2018.	Mar 2018 to Feb 2021 Apr 2021 to Aug 2021 (Extension of Term) Sept 2021 to Sept 2024. (Re-appointment)	N/A	9 of 9
Mr. C. Terhoeven	M.Com (Taxation), CA (SA) and RA.	Independent Member from May 2019.	May 2019 to Jan 2020 (First Appointment) Feb 2020 to May 2020 (Extension of Term) June 2020 to Jan 2023 (Re-appointment)	N/A	9 of 9
Ms. J. Nkosi	B Compt. Accountancy, Higher Diploma in Computer Auditing, CIA and CISA.	Independent Member from July 2020.	June 2020 to Jan 2023 (First Appointment)	N/A	9 of 9
<b>**Note Prior</b> Advisory Board Members whose appointment was extended to 30 April 2022.					

## **The Effectiveness of Internal Control, Risk Management and Governance**

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 (Committee) by Auditor-General South Africa (AGSA), reveals that the internal control environment has not improved and requires improvement.

### **CORPORATE GOVERNANCE**

The committee acknowledges management interventions in introducing proactive measures such as probity. Significant decline was noted on areas of irregular expenditure, however the establishment of clean audit and loss control committees has not contributed positively to the overall internal controls due to identification of repeat findings by internal and external audit processes. The audit action plan was developed, however it was not adequate to address previous qualification in the areas of unlisted investment, follow the money, material errors in the annual financial statements and performance report.

The delay in the submission on time of the annual financial statements has further identified challenges in providing the archived information resulting in limitation of scope during the assurance processes.

### **RISK MANAGEMENT**

Risk management within the UIF requires significant improvement with a focus on adequately and effectively executing the entire enterprise risk management mandate (risk management, anti-corruption and fraud, business continuity management, compliance and combined assurance). Although the anticorruption and fraud committee was established it could not demonstrate impact in reducing fraud related matters in the operations.

### **INTERNAL CONTROL**

The overall state of the internal control environment, risk management and governance are primarily as a result of not adequately and timeously addressing the root causes of the findings identified by the internal and external auditors as well as the non-implementation of specific recommendations provided by governance oversight structures and further compounded by the instability at leadership level, poor record keeping and lack of accountability.

### **PERFORMANCE MANAGEMENT**

An improvement is required to ensure that the performance report submitted to the Auditor General is free from material statements. Despite the overall achievement of 63% on Business operations programme, qualification was noted, largely on two areas; adequacy of evidence submitted and differences in the calculated turnaround times for benefit claims).

Management was urged to improve on measures implemented by provincial offices in timeously capturing and accounting for benefits claims.

### **FINANCIAL MANAGEMENT**

An improvement is required to ensure that the financial statements submitted to the Auditor-General are prepared in accordance with the financial reporting framework and are free from material misstatements. Despite management efforts put in place to address challenges posed by unlisted investments and the follow the money intervention, repeat findings contributed to a qualified audit opinion. Furthermore poor accounting controls contributed to uncorrected material misstatements.

An urgent need exists to capacitate the Finance, Investment division and follow the money team with capacity and experienced staff.

## **IN-YEAR MANAGEMENT QUARTELY REPORTING**

UIF has reported to the National Treasury in accordance with the requirements of the PFMA. However, due to the scope limitation posed by Management, the committee was not able to execute its oversight responsibilities relating to the Q2 financial and non-financial information.

The instability at executive level revealed lack of depth of knowledge and expertise within UIF and it was reflected in the quality of the financial reporting which regressed as well as the overall performance of the Fund. However, the committee as well as assurance providers offered management with recommendations on how to improve the quality of quarterly financial and performance information reporting.

## **INTERNAL AUDIT**

The committee is satisfied with the work performed by Internal Audit in terms of governance, risk and internal controls as per the approved risk-based audit plan. At the end of the financial year, 93% of the approved risk-based audit plan was reported as complete.

Reviews were concluded on performance management, compliance, governance, general controls, and security. Furthermore, value adding consulting engagements were also completed.

## **EXTERNAL AUDIT**

The committee notes with concern the qualified audit opinion by the AGSA, the scope limitations experienced by assurance providers as well as oversight structures, instability at leadership and executive level as well as the overall state of internal control, risk management and governance at the UIF during the 2021/22 financial year. The audited annual financial statements may be read together with the audit report of the AGSA.

## **COMBINED ASSURANCE**

Collaborative efforts amongst various assurance providers are acknowledged with a noted area of improvement. The combined assurance framework for the preparation of the annual financial statements was implemented, however gaps identified during the external audit process should be considered and corrected.

Management is urged to extend the combined assurance approach to other high risks areas such as supply chain management, operations and provinces.

## Way Forward

The return of the Commissioner and key executives is welcomed to provide the much-needed stability and lead interventions to improve the overall governance, risk management and internal control environment, which will contribute significantly to the achievement of serviced delivery and improved audit outcome. The turnaround strategy should continue to focus on the aspects that are driving the culture of accountability.

Post audit workshop will focus on extensive root cause analysis to guide the development of the audit action plan to address all the control deficiencies identified with a specific emphasis on all the qualification and non-compliance aspects;

- Submitting the financial statements on time;
- Strengthening of the goervrnance processes, risk management and control environment,;
- Effective clean audit forum to monitor progress on the implementation of audit action plan;
- Capacitation of the Finance, investment, Follow the money function;
- Improving the quality of quarterly and annual financial and non-financial information reporting;
- Improving the overall performance of the institution and implementing consequence management in the event of non-performance;
- Establishing adequate and effective records management system; and
- Allow the assurance providers (internal and external audit) and governance oversight structures (Risk Mangement Committee, ICT Steering Committee, Audit Committee and the Advisory Board) to effectively execute their respective mandates and ensure timeous implementation of the recommendations provided.



**Ms. JA Nkosi CIA, CISA**

Chairperson of the Audit Committee

## 6. INTERNAL CONTROL UNIT

The Fund does not have an Internal Control Unit. However, the fund uses a Computron system, which has built-in controls to prevent duplication of invoice numbers for the same supplier. Fraud prevention and detection is the responsibility of each unit in the Fund. Fraud in the procurement area is prevented by ensuring proper implementation of Supply Chain Management prescripts including Treasury instructions, guidelines and practice notes. The Risk Management and Fraud Unit is tasked with the responsibility to perform risk assessments, evaluate risk prevention plans and monitor the implementation of the plans throughout the financial year.

## 7. INTERNAL AUDIT AND AUDIT COMMITTEES

### Key activities and objectives of the internal audit.

In accordance with the definition of internal auditing, and the authority to establish and maintain an internal audit function as contained in the PFMA and its Treasury Regulations, the objectives of the UIF internal audit function are to:

- provide professional, independent and objective assurance and consulting activities designed to add value and improve the operations of UIF;
- assist UIF in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes;
- to develop and implement a rolling three-year and annual audit plan based on UIF's key areas of risk, including any risks or control concerns identified by management, and submit the plan to the Audit and Risk Committee for review and approval, as well as periodic updates;
- to build a professional audit staff with sufficient knowledge, skills, experience and professional certifications to meet the requirements of the Internal Audit Charter;
- to consider the scope of work of the external auditors and other assurance providers, as appropriate, for the purpose of providing optimal audit coverage;
- to provide independent assurance over governance, risk management and systems of internal control, as well as over a combined assurance framework;
- to provide a written assessment of the effectiveness of the company's system of internal control, performance and risk management to the UIF; and
- to perform an objective assessment of the adequacy and effectiveness of risk management and all other elements of the internal control framework.

### Summary of audit work conducted during the 2021/2022 financial year

For the year 2021/2022, Internal Audit conducted a wide range of operational, financial, compliance, performance information, cyclical, consulting and information technology audit assignments in line with the audit plan approved by the audit committee. In addition to planned audits, Internal Audit also responded to ad-hoc management requests and assignments.

TYPE OF AUDITS	PLANNED AUDITS	COMPLETED AUDITS
Financial Audits	3	2
Regularity Audits/Operational Audits	8	8
Compliance Audits	9	7
Performance Information	5	5
Information And Communication Technology Audits	6	3
Cyclical Audits	2	2
Follow Up Audits	4	4
Consulting	4	3
<b>TOTAL</b>	<b>41</b>	<b>34</b>

The outstanding audits have been carried over to the next financial year, and will be prioritised for completion by quarter 1.

## Assessment of Internal Control, Risk Management and Governance Processes

Internal auditors exercise due professional care by considering the adequacy and effectiveness of governance, risk management and control processes. The opinion on internal controls, risk management and governance processes is based on an accumulative view of audits performed for the 2021/22 financial year.

### 7.1. Internal Controls

In our opinion, the overall internal control environment of UIF is **Unsatisfactory** due to the significance of the findings raised, internal controls not fully managing the key risks, non-compliance with the policies and procedures, recurring audit findings and risks which are not managed effectively.

### 7.2. Risk Management

In our opinion, risk management within the UIF is **unsatisfactory** due to ineffective controls in addressing the key risks facing the Fund, ineffective implementation of risk management processes and limitation of scope noted during audit reviews.

### 7.3. Governance

In our opinion, governance processes within the UIF **needs improvement** due to non-compliance with the policies and procedures, policies implemented in draft format, inadequate policy framework and terms of reference, ineffective functioning of the oversight structures, governance documents not approved and risks that are not managed effectively.

Furthermore, internal audit noted with concern a number of scope limitations experienced during the year under review such as non-submission and/or delays in submission of documentation for audit purposes.

Furthermore, internal audit noted the recurring findings due to inadequate action plans and/or non-implementation of audit action plans that required intervention by the Commissioner with a specific focus on ICT, Risk management, Ethics Management, Provincial Operations, Irregular, Fruitless and wasteful expenditure, Follow up on Internal Audit and AGSA findings, Supply Chain Management and Contract Management.

### Overall Conclusion of the Control Environment

In our opinion, the control environment within the areas audited is rated as **“Unsatisfactory”** due to the significance of issues raised, internal controls not fully managing the key risks and controls not implemented fully, non-compliance with the policies and procedures, recurring audit findings and risks which are not managed effectively”, Based on the findings raised, which could negatively impact the accomplishment of good governance practices for certain business objectives, management is advised to address raised findings through remedial actions using existing levels of management and authority.



## 8. COMPLIANCE WITH LAWS AND REGULATIONS

Compliance with laws and regulations within the Fund is a management-led function that cuts across business units. In its line of duty, management is expected to ensure that laws and regulations are complied with and that either corrective action, consequences or both are effected where there are instances of non-compliance. The Organisational Effectiveness directorate develops standard operating procedures in collaboration with the Research and Policy development to ensure that there are clear policy and implementation processes within the Fund. The Risk Management function from a compliance perspective is tasked with the responsibility to formulate the compliance policy, framework and universe as well as compliance monitoring thereof. This is meant to ensure that risks that may compromise compliance with laws and regulations are addressed. Internal audit evaluates the effectiveness of internal controls, risk management, and governance processes so as to improve their effectiveness.

## 9. FRAUD AND CORRUPTION

The Fund is mandated by the Public Service Regulation, 2016 Chapter 3 Part 3 Anti-Corruption and Ethics Management 22(a)-(e) wherein the Fund subscribes to a culture of zero tolerance to fraud and corruption and emphasises a high level of awareness against any form of fraud, corruption, theft, or irregularities. As part of fraud and corruption detection mechanism, the Fund has and maintained a whistle blowing policy. The reporting mechanisms utilised are Fraud Hotlines, Fraud Email, Fax Line, Anonymous letters and Personal visits. Any fraud or corruption reported was pursued through investigation including; amongst others: The public entity's fraud prevention plan and the progress made in implementing the fraud prevention plan

- Disciplinary steps/action in terms of Resolution 1 of 2003, Disciplinary Code and Procedure for the Public Service.
- Instituted civil action in terms of the PFMA and the Public Service Act/Regulations.
- Initiated criminal prosecution by reporting the matter to the South African Police Services or any other relevant law enforcement agency.
- Fusion Centre
- The Fund has established an anti-corruption capability that focuses on three elements of anti-fraud and anti-corruption measures namely; prevention, detection and enforcement. Prevention measures entail that all applicants, following an interview, are screened before an appointment is made. Employees are required to be vetted. All senior managers and designated employees are obliged to disclose their financial interests annually.
- The Fund provides for a whistle blowing platform that enables any member of staff or the public to report suspected fraud and corruption.

## 10. MINIMISING CONFLICT OF INTEREST

The implementation of the Public Service Regulations brought about the prohibition of employees to do business with any organs of state or of being a director of a public or private company conducting business with an organ of state. A process was put in place that required employees to either withdraw from such practices or resign from public service. An electronic submission of financial disclosure was also introduced, and various new areas were introduced for disclosure. These new measures assist the Fund to raise awareness of possible conflict of interest for employees and to avoid them.

## 11. CODE OF CONDUCT

The UIF adheres to the Public Service Code of Conduct which forms part of the Public Service Regulations. The Code is shared with officials of the UIF, and they are educated on its content. Furthermore, the UIF adheres to the Grievance Rules and Disciplinary Procedures in the Public Service and any breach of the Code of Conduct is dealt with through relevant policy directives.

The Department of Employment of Labour develops Human Resource Management policies for the Department and its Schedule 3A Public Entities. The policies ensure the uniform implementation of Human Resource Management practices, identify roles and responsibilities in the execution of activities and outline matters pertaining to non-compliance to the policies

## 12. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

The UIF as an employer considers its employees to be its most valuable assets 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. Health and Safety inspections are furthermore conducted regularly and reports are presented to the management and OHS and Security Committee of the Fund.

## 13. COMPANY /BOARD SECRETARY

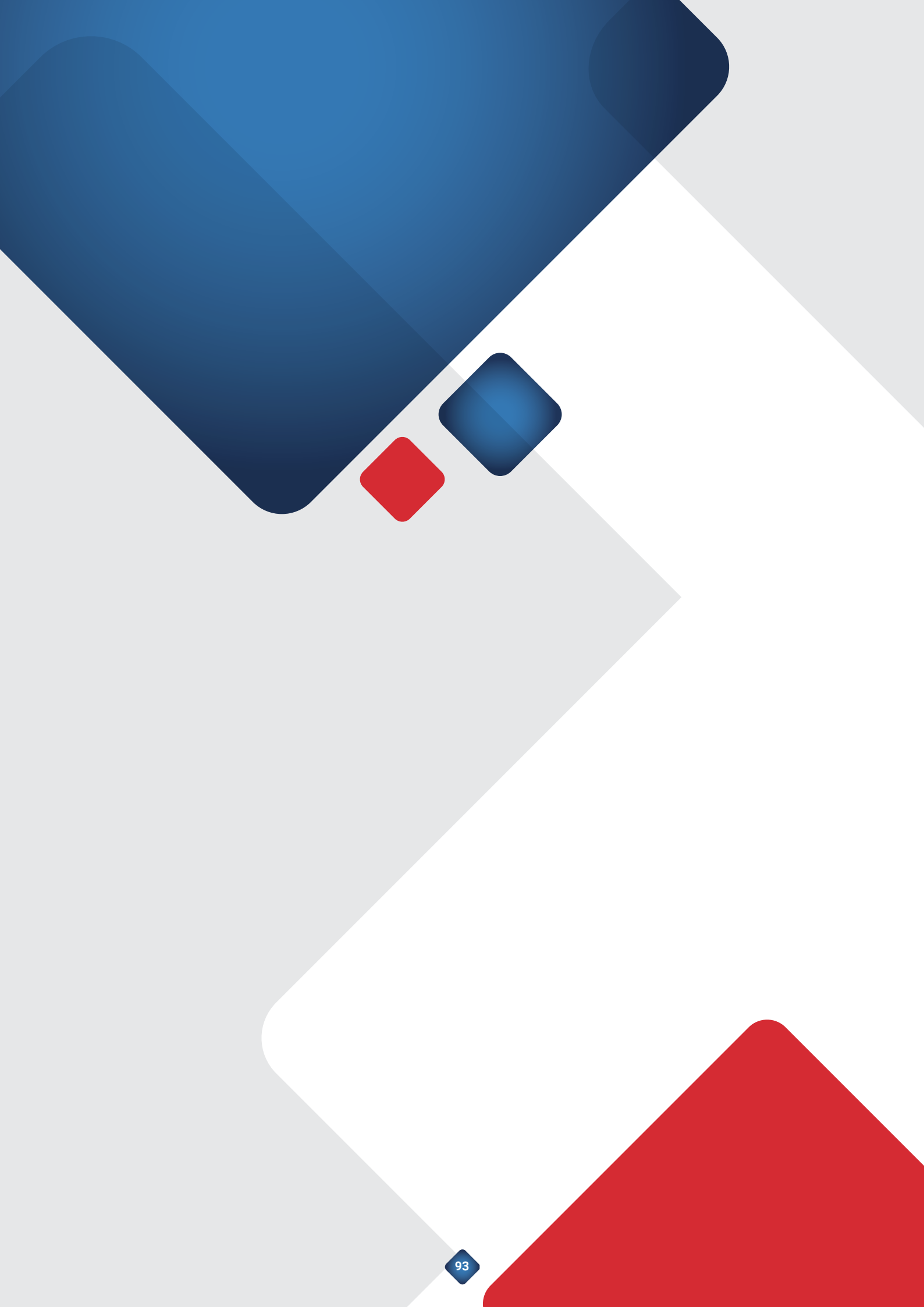
In terms of the UI Act (2001, as amended) section 51, the Commissioner is responsible for administering the affairs of the Board. In order to enable the Board to perform its functions effectively, the Director-General must provide the Board with the necessary financial and administrative resources. The UIF establishment caters for this requirement. The Director Board, Governance and Security is appointed to manage the Board governance and administration matters.

## 14. SOCIAL RESPONSIBILITY

The Fund's participation in job creation is also achieved through various investment activities undertaken through the Public Investment Corporation (PIC). Social Responsible Investments 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 bulk of UIF investments under this portfolio encompass Economic infrastructure, Social infrastructure, Agriculture, and Environmental infrastructure.

## 15. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The UIF has not developed its own incentive and preferential policies. It follows the National Treasury PPPFA/ B-BBEE policies, guidelines and practice notes.



The background features a large, abstract graphic composed of overlapping geometric shapes. A large, dark blue shape with rounded corners is positioned in the upper left. Below it, a smaller, bright red diamond shape is centered. To the right of the red diamond is a dark blue rounded square. The bottom right corner is dominated by a large, bright red triangle pointing upwards. The overall design is clean and modern, using a palette of blue, red, and grey.

# **PART D: HUMAN RESOURCE 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 and performance, providing relevant human capital, optimising employee well-being, 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.
- Implementing learning and development initiatives for staff.
- Promoting sound labour relations.
- Promoting employee health and wellness and implementing diversity management programmes.
- Implementation of the Employee Engagement and Change Management strategies.
- 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 2022, the establishment of the Fund comprised of 602 permanent posts. The percentage of posts filled was 90.2% and 9.8% was vacant.

The Fund placed a high priority on employment equity in support of government transformation initiatives. 53.2% of employees in the UIF establishment were women, whilst 46.8% were men. 56% of Senior Management posts were filled by women. People with disability represented 2.8% of the total number of employees.

## 1.3. Organisational Effectiveness

The Directorate Organisational Effectiveness (OE) implemented the Employee Engagement strategy, which included the onboarding of newly appointed employees and conducted interviews for exiting employees in order to find the reasons behind staff turnover. Feedback was provided to the leadership through the change engagement reports. The feedback obtained will assist the UIF to reposition itself to be the employer of choice and to close gaps that result in staff turnover. 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 through staff turnover. The Directorate also facilitated the implementation of the performance management system aimed at aligning the key deliverables of employees to the strategic objectives of the Unemployment Insurance Fund. 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 process of finalising UIF staff performance assessments, moderation and payments thereof for the 2021 / 2022 financial year was delayed due to the COVID-19 pandemic implications, especially around staff not being permanently in the office. The assessments for the above financial year are now at the stage where they have been subjected to the Local Performance Management Review Board and are currently awaiting the seating of the National Performance Management Review Board and, ultimately the signature of the Director-General and payments.

## 1.5. Skills Development

The Departmental Skills Development policy is committed to the Education, Training and Development of its employees. In pursuit of this commitment, 286 officials were trained in skills programmes through the implementation of the Workplace Skills Plan (WSP) and other training initiatives. The Fund has also supported provincial offices by rolling out Customer Care and Supervisory skills training projects, and a total number of 651 officials were trained. In addition, 36 officials were awarded Departmental bursaries to further their studies during the 2021/22 financial year.

## 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 2021/22 financial year, twelve (12) grievances were received of which 100% were resolved within 30 working days. During the 2021/22 financial year, a total of eight (8) disciplinary cases were referred to Employee Relations to institute disciplinary action. Four (4) disciplinary cases were finalised, and four (4) disciplinary cases were in progress by the end of March 2022. During the reporting period, four (4) sanctions were implemented as outcomes of disciplinary cases.

## 1.7. Employee Health and Wellness Programmes

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

## 1.8. Key challenges

- Impact of the COVID-19 pandemic on all human resource management activities.
- Increase in vacancy rate.
- Finalisation of misconduct cases within the stipulated timeframe.
- Challenges related to the online performance management system.
- Non-adherence to stipulated timeframes for the submission of performance agreements and assessments.
- Performance agreement norms not complying with the SMART principle.
- Non-adherence to stipulated timeframes for the signing of job profiles.

## 1.9. Key strategic focus for 2022/23

- Maintaining a low vacancy rate and addressing the turnaround time for the filling of vacancies.
- Employment of people from designated groups.
- Implementing learning and development initiatives for staff.
- Implementing the UIF Internship Programme.
- Promoting sound labour relations.
- Promoting employee health and wellness and implementing diversity management programmes.
- Review of the organisational architecture.
- Implementation of the Employee Engagement and Change Management strategies.
- Management of business processes and standard operating procedures.
- Implementing organisational development and design interventions.
- Management of performance.

## 2. HUMAN RESOURCE OVERSIGHT STATISTICS

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

### 2.1. Personnel-related expenditure

#### Personnel Cost by Programme

Programme/ activity/objective	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	3 070 487	1 515 610	49,36%	3 655	415

#### 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)
Senior Management (SR 13-16)	47 975	3.17	38	1263
Professional qualified (SR 9-12)	289 745	19.12	358	809
Skilled (SR 6-8)	1 114 163	73.51	2 787	400
Semi-skilled (SR 3-5)	63 414	4.18	304	209
Unskilled (SR 1-2)	312	0.02	168	2
<b>TOTAL</b>	<b>1 515 610</b>	<b>100.00</b>	<b>3 655</b>	<b>415</b>

The information contained in the following tables provides an oversight of human resources statistics pertaining to the employees of 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	Performance rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management (SR15)	0	0	0
Senior Management (SR13-14)	0	0	0
Professional qualified (SR9-12)	0	0	0
Skilled (SR7-8)	0	0	0
Semi-skilled (SR4-6)	0	0	0
Unskilled (SR1-3)	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Training Costs

Programme/ activity/objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expen- diture as a % of Personnel Cost.	No. of employees trained	Avg training cost per employee
UIF	1 515 610	8 134	0.5%	937	8 681

## Employment and vacancies

Programme/ activity/objective	2020/2021 No. of Employees	2021/2022 Approved Posts	2021/2022 No. of Employees	2021/2022 Vacancies	% of vacancies
UIF	559	602	543	59	9.8

Programme/ activity/objective	2020/2021 No. of Employees	2021/2022 Approved Posts	2021/2022 No. of Employees	2021/2022 Vacancies	% of vacancies
Top Management (SR15)	1	1	1	0	0.0
Senior Manage- ment (SR13-14)	22	24	24	0	0.0
Professional quali- fied (SR9-12)	136	159	132	27	4.5
Skilled (SR7-8)	193	201	182	19	3.1
Semi-skilled (SR4-6)	198	208	195	13	2.2
Unskilled (SR1-3)	9	9	9	0	0.0
<b>TOTAL</b>	<b>559</b>	<b>602</b>	<b>543</b>	<b>59</b>	<b>9.8</b>

The vacancy rate of the Fund increased to 9.8% by the end of the financial year. The vacancy rate was highest in the SR 9-12 salary ranges, which represent management positions. Efforts were made to ensure that posts were filled within 4 months; however recruitment and selection processes were impacted by the COVID-19 pandemic, high volumes of applications received, manual recruitment processes and increased number of service terminations compared to the previous financial year.

## Employment changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	1	0	0	1
Senior Management	22	2	0	24
Professional qualified	136	8	12	132
Skilled	193	6	17	182
Semi-skilled	198	5	8	195
Unskilled	9	0	0	9
<b>TOTAL</b>	<b>559</b>	<b>21</b>	<b>37</b>	<b>543</b>



## Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	2	5.41
Resignation	12	32.43
Dismissal	0	0.0
Retirement	10	27.02
Ill health	0	0.0
Promotion/ Transfer out of the Fund	13	35.14
<b>TOTAL</b>	<b>37</b>	<b>100%</b>

The number of service terminations increased from eighteen (18) in the 2020/21 financial year to thirty-seven (37) in the 2021/22 financial year. The main reasons for officials leaving were due to promotions/transfers out of the Fund, resignations and retirement. The high number of service terminations was one of the main reasons for the increase in the overall vacancy rate.

## Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	0
Written Warning	1
Final Written warning	2
Salary Suspension + final written warning	1
Dismissal	0

## Equity Target and Employment Equity Status

Levels	MALE							
	African		Coloured		Indian		White	
	Current %	Target %	Current %	Target %	Current %	Target%	Current%	Target%
Top Management (15-16)	100	82.0	0.0	0.5	0.0	0.6	0.0	2.4
Senior Management (13-14)	37.5	39.6	0.0	0.5	4.2	3.7	0.0	2.4
Professional qualified (11-12)	53.1	52.5	0.0	1.8	2.0	1.9	4.1	5.0
Skilled (9-10)	47.1	46.0	0.0	0.5	2.4	2.1	1.2	3.1
Semi-skilled (6-8)	39.2	40.4	1.0	1.1	0.0	0.6	1.0	3.2
Unskilled (3-5)	56.0	53.4	0.0	0.5	1.3	1.5	1.3	3.3
<b>AVERAGE (%)</b>	<b>55.48</b>	<b>52.32</b>	<b>0.17</b>	<b>0.82</b>	<b>1.65</b>	<b>1.73</b>	<b>1.27</b>	<b>3.23</b>

Levels	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current %	Target %	Current %	Target %	Current %	Target %	Current %	Target %
Top Management (15-16)	0.0	11.6	0.0	0.5	0.0	0.4	0.0	1.9
Senior Management (13-14)	41.7	38.9	0.0	0.5	4.2	3.5	12.5	11.0
Professional qualified (11-12)	36.7	34.7	2.0	0.5	0.0	0.4	2.0	3.2
Skilled (9-10)	41.2	37.8	1.2	2.7	2.4	1.2	4.7	6.4
Semi-skilled (6-8)	42.1	39.0	2.3	2.0	1.3	1.7	13.3	11.9
Unskilled (3-5)	38.7	36.7	1.3	1.4	0.0	0.4	1.3	2.8
<b>AVERAGE (%)</b>	<b>33.4</b>	<b>33.12</b>	<b>1.13</b>	<b>1.27</b>	<b>1.32</b>	<b>1.27</b>	<b>5.63</b>	<b>6.2</b>

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management (15-16)	0.0	3.1	0.0	3.1
Senior Management (13-14)	0.0	3.1	0.2	3.1
Professional qualified (11-12)	0.0	3.1	0.0	3.1
Skilled (9-10)	0.4	3.1	0.0	3.1
Semi-skilled (6-8)	1.1	3.1	0.9	3.1
Unskilled (3-5)	0.2	3.1	0.0	3.1
<b>TOTAL</b>	<b>1.7</b>	<b>-</b>	<b>1.1</b>	<b>-</b>

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

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# **PART E: FINANCIAL INFORMATION**

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## General Information

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<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	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.
<b>Registered office</b>	ABSA Towers 230 Lilian Ngoyi Street Pretoria 0001
<b>Business address</b>	ABSA Towers 230 Lilian Ngoyi Street Pretoria 0001
<b>Postal address</b>	ABSA Towers 230 Lilian Ngoyi Street Pretoria 0001
<b>Accounting authority</b>	Director-General Department of Employment and Labour: T Lamati
<b>Auditors</b>	The Auditor-General of South Africa
<b>Legislated fund manager</b>	Public Investment Corporation

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Index

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

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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 Medium-sized Entities
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
ICT	Information and Communications Technology
LAP	Labour Activation Programme
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 Report

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 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 Standards of 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 judgments and estimates.

The Accounting Authority acknowledges that he is ultimately responsible for the system of internal financial control established by entity 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 Fund and all employees are required to maintain the highest ethical standards in ensuring Fund's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in Fund is on identifying, assessing, managing and monitoring all known forms of risk across Fund. While operating risk cannot be fully eliminated, 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 44 of the AFS.

The AFS set out on pages 112 to 224, which have been prepared on the going concern basis, were signed by the Accounting Authority on 31 March 2023.



**Thobile Lamati**  
**Director-General**  
**Department of Employment and Labour**

# Report of the auditor-general to Parliament on the Unemployment Insurance Fund

## 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 116 to 228, which comprise the statement of financial position as at 31 March 2022, 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 notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and 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 2022 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

### Basis for qualified opinion

#### Benefit payments

3. I was unable to obtain sufficient appropriate audit evidence that benefit payments for COVID-19 Temporary Employer-Employee Relief Scheme (TERS) for the current and previous years were properly accounted for, due to the status of the accounting records. I could not confirm the amount of benefit payments for the COVID-19 TERS by alternative means as the public entity's records did not permit the application of alternative audit procedures. Consequently, I was unable to determine whether any adjustments were necessary to COVID-19 TERS benefit payments stated at R3 808 456 000 (2021: R57 442 060 000) in note 20 to the financial statements.
4. I was unable to obtain sufficient appropriate audit evidence for unemployment benefit payments as the public entity did not implement effective systems of internal control to maintain proper accounting records. I could not confirm the amount of unemployment benefit payments by alternative means as the public entity's records did not permit the application of alternative audit procedures. Consequently, I was unable to determine whether any adjustments were necessary to unemployment benefit payments stated at R15 270 134 000 in note 20 to the financial statements.

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

5. I was unable to obtain sufficient appropriate audit evidence to substantiate the amount recognised as unlisted financial instruments, interest in joint ventures and investments in associates, disclosed in notes 3, 12 and 13 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. I could not confirm recorded respective amounts by alternative means as the public entity's records did not permit the application of adequate alternative audit procedures.
6. In addition, I was unable to obtain sufficient appropriate audit evidence to substantiate the amount recognised as income from equity accounted investments and interests as the public entity did not implement effective systems of internal control to maintain reliable accounting records and information to support the amount disclosed in the financial statements. I could not confirm the amount for income from equity accounted investments and interests by alternative means as the public entity's records did not permit the application of alternative audit procedures.
7. Consequently, I was unable to determine whether any adjustments were necessary to the following items, stated in notes 3, 12 and 13 to the financial statements:
  - Unlisted investments, stated at RB 484 369 000 (2021: R7 616 889 000)
  - Unlisted equity, stated at R726 420 000 (2021: R517 098 000)
  - Unlisted financial instruments, stated at R55 321 000 (2021: R273 037 000)
  - Interests in joint ventures, stated at R64 939 000 (2021: R64 945 000)
  - Investments in associates, stated at R4 109 841 000 (2021: R4 586 255 000)
8. I also could not determine whether any adjustments were necessary to the impairment of investments in notes 12, 13 and 31 and to income from equity accounted investments and interests in note 30, to the financial statements as it was impracticable to do so:
  - Impairment of interests in joint ventures, stated at R0 (2021: R2 773 000)
  - Impairment of investments in associates, stated at R51 953 000 (2021: R20 069 000)
  - Impairment of other financial assets, stated at R481 920 000 (2021: R2 772 591 000)
  - Income from equity accounted investments and interests, stated at R23 998 000 (2021: R94 923 000)

## Prepayments and unemployment alleviation schemes

9. The public entity did not correctly account for prepayments in compliance with GRAP 1, *Presentation of financial statements*. The public entity did not account for expenditure on services rendered on unemployment alleviation schemes in the current year relating to prepayment balances from prior year. Furthermore, prepayments were recorded relating to expenditure incurred on services rendered on unemployment alleviation schemes in the current and the previous year. Consequently, prepayments disclosed in note 7 and unemployment alleviation schemes disclosed in note 21 to the financial statements were overstated by R390 846 419 and understated by the same amount respectively. Additionally, there was an impact on the surplus and deficit for both the current period and prior period and on the accumulated surplus for the prior period.



10. Furthermore, I was unable to obtain sufficient appropriate audit evidence that expenditure on unemployment alleviation schemes for the current year had been properly accounted for, due to the status of the accounting records. I could not confirm the amount of unemployment alleviation schemes by alternative means as the public entity's records did not permit the application of alternative audit procedures. Consequently, I was unable to determine whether any adjustments were necessary to unemployment alleviation schemes stated at R704 827 000 in note 21 to the financial statements.

## Commitments

11. The public entity did not have adequate systems to maintain records of commitments and ensure that the amount of commitments was correctly calculated. This resulted in commitments being understated by R132 893 660. In addition, I was unable to obtain sufficient appropriate audit evidence for commitments as the public entity did not implement effective systems of internal control to maintain proper accounting records. I could not confirm the amount of commitments by alternative means as the public entity's records did not permit the application of alternative audit procedures. Consequently, I was unable to determine whether any further adjustments were necessary to commitments stated at R2 154 039 000 in note 34 to the financial statements.

## Contingencies

12. I was unable to obtain sufficient appropriate audit evidence for amounts disclosed as contingencies as the public entity did not implement effective systems of internal control to maintain proper accounting records. I could not confirm the amounts for contingencies by alternative means as the public entity's records did not permit the application of alternative audit procedures. Consequently, I was unable to determine whether any adjustments were necessary to contingencies disclosed in note 35 to the financial statements.

## Cash flow statement: Net cash flows from operating activities and investing activities

13. The public entity did not correctly prepare and disclose the net cash flows from operating activities as required by GRAP 2, *Cash flow statements* as the public entity incorrectly included non-cash items in determining cash flows from operating activities. I was not able to determine the full extent of the errors in the net cash flows from operating activities, as it was impracticable to do so. In addition, the public entity incorrectly classified interest from investments and dividends received as cash flows from operating activities. Consequently, net cash flows from operating activities were overstated by R6 858 966 000 and net cash flows from investing activities were understated by the same amount in the financial statements. Furthermore, since benefit payments and unemployment alleviation schemes balances were included in the determination of net cash flows from operating activities and investments in associates, interest in joint ventures and other financial assets balances were included in the determination of net cash flows from investing activities reported in the statement of cash flows, I was unable to determine whether any adjustments were necessary to the cash flows from operating and investing activities stated at R1 867 351 000 (2021:- R51 469 504 000) and - R16 089 242 000 (2021: R71 081 966 000) in the financial statements, respectively.

## 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 my report.
15. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
16. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## Responsibilities of the accounting authority for the financial statements

17. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with 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.
18. 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

19. 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.
20. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

**Introduction and scope**

- 21. 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 the selected programme presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
- 22. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or 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.
- 23. 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 public entity’s annual performance report for the year ended 31 March 2022:

Programme	Pages in the annual performance report
Programme 2: Business Operations	40 - 47

- 24. 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.
- 25. The material findings on the usefulness and reliability of the performance information of the selected programme are as follows:

**Programme 2: Business Operations**

**Various indicators**

- 26. For the indicators listed below, the achievements reported in the annual performance report materially differed from the supporting evidence provided, while in some instances I was unable to obtain sufficient appropriate evidence:

Indicator description	Reported achievement
Percentage of valid claims (unemployment benefit) with complete, accurate and verified information approved or rejected within specified time frames	94% within 15 working days
Percentage of valid claims (in-service: complete, Accurate and verified benefits; Maternity, illness and adoption benefits) with complete, verified and accurate information approved or rejected within specified time, frames	93% within 10 working days
Percentage of valid claims (deceased benefit) with complete, accurate and verified information approved or rejected within specified time frames	97% within 20 working days
Percentage of new companies with complete, accurate and verified information created with registration document (UI 54) within specified timeframes	100% within 1working day
Number of newly registered employees	799 821 employees resgistered

**Percentage of applications with complete information issued with compliance certificates, tender letters or non-compliance letters within specified time frames**

27. Adequate systems and processes were not established to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions. This was due to a lack of measurement definitions and processes. As a result, I was unable to obtain sufficient appropriate audit evidence for the achievement of 0% of applications with complete information issued with compliance certificates, tender letters or non-compliance letters within 10 days against the target of 90% of applications with complete information issued with compliance certificates, tender letters or non-compliance letters within 10 days in the annual performance report for this indicator due to a lack of accurate and complete records. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement.

**Other matter**

28. I draw attention to the matter below.

**Achievement of planned targets**

29. Refer to the annual performance report on pages 40 to 47 for information on the achievement of planned targets for the year and management’s explanations provided for the under or overachievement 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 26 to 27 of this report.

## Report on the audit of compliance with legislation

### Introduction and scope

30. 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.
31. The material findings on compliance with specific matters in key legislation are as follows:

### Annual financial statements

32. Financial statements were not submitted for auditing within the prescribed period after the end of financial year, as required by section 55(1XcXi) of the PFMA.
33. 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. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected, and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a qualified opinion.

### Consequence management

34. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against some of the officials who had permitted irregular expenditure amounting to R86 870 457 in prior years, as required by section 51(1)(eXiii) of the PFMA.
35. Disciplinary hearings were not held for confirmed cases of financial misconduct committed by members of the accounting authority, as required by treasury regulation 33.1.3.

### Expenditure management

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

## Other information

37. 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.
38. 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.

39. 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.
40. 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

41. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
42. The public entity 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.
43. The public entity developed an audit action plan to address internal control deficiencies, however, the plan was not adequately monitored to ensure that corrective measures were effectively implemented. As a result, there were recurring and significant new findings with similar root causes as those previously reported.
44. The public entity 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.
45. The public entity 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 annual performance report.
46. The public entity did not adequately review and monitor compliance with applicable laws and regulations, which resulted in non-compliance with legislation being identified during the audit.

### Other reports

47. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

48. Various investigating bodies or institutions have undertaken investigations relating to Covid-19 TERS benefit claims. At the time of issuing this report, some of the investigations had been finalised and others were still ongoing. Some of the finalised investigations resulted in referrals for criminal proceedings. It is currently not known when the ongoing investigations will be finalised and the related reports issued.

Auditor-General.

Pretoria

14 July 2023



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 public entity's 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 '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 public entity 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 provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Statement of Financial Position as at 31 March 2022

	Note(s)	2022 R'000	2021 *Restated R'000
<b>Assets</b>			
<b>Current Assets</b>			
Other financial assets	3	46 795 833	52 508 798
Receivables from exchange transactions	4	1 992	1 917
Receivables from non-exchange transactions	5	210 382	187 840
Statutory receivables from non-exchange transactions	6	1 981 687	1 680 699
Prepayments	7	480 605	79 954
Cash and cash equivalents	8	8 888 666	23 110 554
		<b>58 359 165</b>	<b>77 569 762</b>
<b>Non-Current Assets</b>			
Investment property	9	476 174	475 824
Property, plant and equipment	10	26 654	42 179
Intangible assets	11	96 140	92 819
Interest in joint ventures	12	64 939	64 945
Investments in associates	13	4 109 841	4 586 255
Other financial assets	3	62 413 375	35 607 443
		<b>67 187 123</b>	<b>40 869 465</b>
<b>Total Assets</b>		<b>125 546 288</b>	<b>118 439 227</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Operating lease liability	34	22 134	1 733
Payables from exchange transactions	14	553 945	1 118 173
Provisions	15	19 935 830	22 047 295
Benefits payable	16	38 255	44 022
Bank overdraft	8	13	14
		<b>20 550 177</b>	<b>23 211 237</b>
<b>Non-Current Liabilities</b>			
Provisions	15	18 899	21 485
<b>Total Liabilities</b>		<b>20 569 076</b>	<b>23 232 722</b>
<b>Net Assets</b>		<b>104 977 212</b>	<b>95 206 505</b>
Technical reserve	17	46 613 594	59 482 141
Accumulated surplus		58 363 618	35 724 364
<b>Total Net Assets</b>		<b>104 977 212</b>	<b>95 206 505</b>

\* See Note 44

## UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

### Statement of Financial Performance

	Note(s)	2022 R'000	2021 *Restated R'000
Revenue from non-exchange transactions	19	21 894 419	18 870 925
Benefit payments	20	(21 872 911)	(74 496 826)
Changes in benefits payable	20	2 111 466	(3 724 380)
Unemployment Alleviation Schemes	21	(704 827)	(768 971)
<b>Gross surplus (deficit)</b>		<b>1 428 147</b>	<b>(60 119 251)</b>
Other revenue from exchange transactions	22	29 674	27 222
Auditors remuneration	23	(21 169)	(17 292)
Depreciation, amortisation and impairments	24	(21 984)	(21 920)
Employee costs	25	(1 515 610)	(1 487 782)
Administrative costs	26	(633 306)	(799 022)
Operating expenses	27	(921 571)	(622 910)
<b>Operating deficit</b>		<b>(1 655 819)</b>	<b>(63 040 954)</b>
Investment revenue	28	6 889 093	6 731 771
Losses on the disposal of property, plant and equipment	10	(90)	(182)
Transfer of IT Assets to DoEL		-	(369)
Fair value adjustments	29	254 272	28 099 223
Income from equity accounted investments and interests	30	23 998	94 923
Reversal of impairment of other financial assets	31	1 131 768	41 510
Impairment of other financial assets	31	(481 920)	(2 772 591)
Realised Gains/Losses on investments	29	3 661 360	(8 737 298)
Impairment of investments in associates and interest in joint ventures	12&13	(51 953)	(22 841)
Finance costs	32	-	-
<b>Surplus / (deficit) for the year</b>		<b>9 770 709</b>	<b>(39 606 809)</b>

\* See Note 44

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Statement of Changes in Net Assets

Figures in Rand Thousand	Technical reserve R'000	Accumulated surplus R'000	Total net assets R'000
<b>Balance at 01 April 2020</b>	<b>81 055 555</b>	<b>53 757 759</b>	<b>134 813 314</b>
Changes in net assets			
Deficit for the year	-	(39 606 809)	(39 606 809)
Transfer to accumulated surplus	(21 573 414)	21 573 414	-
Total changes	(21 573 414)	(18 033 395)	(39 606 809)
<b>Restated* Balance at 01 April 2021</b>	<b>59 482 141</b>	<b>35 724 364</b>	<b>95 206 505</b>
Changes in net assets			
Surplus for the year	-	9 770 709	9 770 709
Transfer to accumulated surplus	(12 868 547)	12 868 547	-
Total changes	(12 868 547)	22 639 254	9 770 707
<b>Balance at 31 March 2022</b>	<b>46 613 594</b>	<b>58 363 618</b>	<b>104 977 212</b>
Note(s)	17		

\* See Note 44

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Cash Flow Statement

	Note(s)	2022 R'000	2021 *Restated R'000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Cash receipts from contributors		22 811 939	17 789 349
Other receipts		-	-
		<u>22 811 939</u>	<u>17 789 349</u>
<b>Payments</b>			
Employee costs and other compensation		(1 515 610)	(1 487 782)
Suppliers		(1 082 524)	14 960 372
Benefit payments		(18 346 454)	(82 731 443)
		<u>(20 944 588)</u>	<u>(69 258 853)</u>
<b>Net cash flows from operating activities</b>	33	<b><u>1 867 351</u></b>	<b><u>(51 469 504)</u></b>
<b>Cash flows from investing activities</b>			
Property, plant and equipment		(1 440)	(260)
Investment property		(286 932)	(164 116)
Intangible assets		(8 430)	(6 129)
Investment in associates		448 465	971 759
Net acquisition of other financial assets		(16 240 905)	70 280 712
		<u>(16 089 242)</u>	<u>71 081 966</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(14 221 891)</b>	<b>19 612 462</b>
Cash and cash equivalents at the beginning of the year		23 110 540	3 498 077
<b>Cash and cash equivalents at the end of the year</b>	8	<b><u>8 888 653</u></b>	<b><u>23 110 540</u></b>

\* See Note 44

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Statement of Comparison of Budget and Actual Amounts

### Budget on Zero Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand Thousand						
<b>Revenue from exchange transactions</b>						
Revenue from non-exchange transactions	19 283 160	3 846	<b>19 287 006</b>	21 894 419	<b>(2 607 413)</b>	46.1
Other revenue from exchange transactions	7 274	22 625	<b>29 899</b>	29 674	<b>225</b>	
Investment revenue	4 072 025	2 228 042	<b>6 300 067</b>	6 889 093	<b>(589 026)</b>	
<b>Total revenue from exchange transactions</b>	<b>23 362 459</b>	<b>2 254 513</b>	<b>25 616 972</b>	<b>28 813 186</b>	<b>(3 196 214)</b>	
<b>Expenditure</b>						
Benefit payments	(48 101 843)	9 770 560	<b>(38 331 283)</b>	(21 872 911)	<b>(16 458 372)</b>	46.2
Changes in benefits payable	(15 025 510)	29 426 949	<b>14 401 439</b>	2 111 466	<b>12 289 973</b>	
Unemployment Alleviation Schemes	(2 926 875)	554 607	<b>(2 372 268)</b>	(704 827)	<b>(1 667 441)</b>	46.3
Auditors remuneration	(17 500)	(3 850)	<b>(21 350)</b>	(21 169)	<b>(181)</b>	
Depreciation, amortisation and impairments	(232 511)	86 176	<b>(146 335)</b>	(21 984)	<b>(124 351)</b>	46.4
Employee cost	(1 965 607)	(35 565)	<b>(2 001 172)</b>	(1 515 610)	<b>(485 562)</b>	46.5
Administrative costs	(805 050)	(77 708)	<b>(882 758)</b>	(633 306)	<b>(249 451)</b>	46.6
Operating expenses	(1 810 697)	(55 250)	<b>(1 865 947)</b>	(921 571)	<b>(944 376)</b>	46.7
Finance costs	(3)	-	<b>(3)</b>	-	<b>(3)</b>	
<b>Total expenditure</b>	<b>(70 885 596)</b>	<b>39 665 919</b>	<b>(31 219 677)</b>	<b>(23 579 912)</b>	<b>(7 639 764)</b>	
<b>Operating surplus</b>	<b>(47 523 137)</b>	<b>41 920 432</b>	<b>(5 602 705)</b>	<b>5 233 274</b>	<b>(10 835 979)</b>	
Gains/losses on the disposal of property, plant and equipment	-	-	-	1 131 768	<b>(1 131 768)</b>	
Loss on the disposal of property, plant and equipment	-	-	-	(90)	<b>90</b>	
Impairment of other financial assets	-	-	-	(481 920)	<b>481 920</b>	46.8
Impairment on Investments in associates and interest from joint ventures	-	-	-	(51 953)	<b>(51 953)</b>	46.9
Fair value adjustments	-	-	-	254 272	<b>(254 272)</b>	46.10
Realised gains/losses on investments	-	-	-	3 661 360	<b>(3 661 360)</b>	
Income from equity accounted investments	-	-	-	23 998	<b>(23 998)</b>	46.11
Technical reserve	(5 692 886)	16 798 380	<b>11 105 494</b>	-	<b>11 105 494</b>	
	<b>(5 692 886)</b>	<b>16 798 380</b>	<b>11 105 494</b>	<b>4 537 435</b>	<b>6 464 153</b>	
<b>Surplus/(Deficit) for the year</b>	<b>(53 216 023)</b>	<b>58 718 812</b>	<b>5 502 789</b>	<b>9 770 709</b>	<b>(4 267 920)</b>	
<b>Actual amount on comparable basis as presented in the budget and actual comparative statement</b>	<b>(53 216 023)</b>	<b>58 718 812</b>	<b>5 502 789</b>	<b>9 770 709</b>	<b>(4 267 920)</b>	
<b>Capital expenditure</b>	<b>1 011 314</b>	<b>(42 299)</b>	<b>969 015</b>	<b>1 436</b>	<b>967 579</b>	

## Accounting Policies

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### 1. Presentation of AFS

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 Standards of 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 AFS 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.

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 is disclosed below.

These accounting policies are consistent with the previous period, except as otherwise indicated in Note 43 of the AFS.

#### 1.1 Going concern assumption

These AFS have been prepared based on the expectation that the Fund is financially sound and will continue to operate as a going concern and be able to meet its statutory obligations for the foreseeable future. This financial soundness position was determined on the basis that would have applied to the Fund if it had been a short term insurer regulated by the South African Reserve Bank

Additional information is included in Note 41.

#### 1.2 Significant judgments, estimates and assumptions

The Fund makes judgments, estimates and assumptions concerning the future when preparing the Annual Financial Statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an annual basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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.

##### 1.2.1 Total Outstanding benefits recognised in the technical reserve

The total outstanding claims value is calculated on best estimate basis with no allowance for a risk margin using actuarial techniques, namely the Chain-Ladder and Bornhuetter- Ferguson techniques. The principle assumption of these techniques consider patterns in claims by grouping such claims into quarterly intervals based on type of claim, incident date and payment date. The TOC estimate includes estimated values for the re-assessment of all paid claims with application date on or after 18 January 2017 when the UI Amendment Act, 2016 was signed into law up to 31 December 2018 when the UI Amendment Act was effectively implemented, to ensure claims were paid in accordance with the Amendment Act when it became law.

The Claims Handling Expenditure assumption considers movements in expenses attributable to paying claims over the last 3 financial years, which is then expressed as a percentage of total claims paid. This percentage is then applied to the projected claims still to be paid (Incurred But Not Approved (IBNA) and Approved But Not Paid (ABNP)) to determine the expense reserve under the actuarial basis. This includes consideration of future planned changes to the expense structures, of which there currently are none. The Claims Handling Expenses (CHE) ratio for the 2022 financial year returned to approximately 11% of claims paid (10.94%), and was therefore used to calculate outstanding claims estimates in accordance with the Reserve Bank actuarial requirements.

The following economic assumptions were applied based on the differential between nominal and real risk-free yield curves on the Valuation Date (as supplied by the Reserve Bank's Prudential Authority):

- CPI is expected to be 5.3% over the period considered in estimating the TOC;
- Salaries (and therefore benefits) will increase at the nominal rate of risk-free return expected which is also the rate used to discount future claims;
- As the salary escalation rate equals the discount rate, the absolute levels of these assumptions do not impact the level of the estimates.

## Accounting Policies

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### 1.2.2 Premium reserves recognised in the technical reserve

The Fund's benefit structure is such that contributions received in one year entitles employees to earn benefits over a four-year period as per the UI Amendment Act, 2016.

#### Unearned Premium Reserve

The proportion of the salaries that provide entitlement for future financial periods is determined for each of the past 48 months' salaries (derived from applying the known contribution rate to the monthly contributions received by The Fund). The portions that provide cover for the period post-valuation date is the Unearned Premium Reserve.

#### Premium Inadequacy Reserves

The Unexpired Risk Reserve (URR) allows for the extent to which claims are expected to be different to the UPR.

An Additional Unexpired Risk Reserve (AURR) is determined where it is expected that future premiums (yet unearned and therefore distinct from the UPR) will be insufficient.

For this valuation, based on recent experience, it was assumed that the UPR would be sufficient to cover claims and expenses with the consequence that both the URR and AURR were zero.

A Pay-As-You-Go (PAYG) rate is calculated and applied to future expenses and used in determining the premium reserve. Historical expenses are currently not an indication of future expenses due to very high numbers of TERS and WABU payments over the past two years. Therefore, the previous PAYG rate for expenses under the New Act as 0.301% of salaries was used to determine the Premium Reserve.

### 1.2.3 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 the 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 instruments

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 and 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 a 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 a residual interest.

In terms of GRAP, 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 UI 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 the 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



## Accounting Policies

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### Classification of financial assets and liabilities

#### Financial assets and financial liabilities at fair value

##### 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 the Fund 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 is provided.

Bills and Promissory Notes (PN) were designated at fair value due to the money market yield 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.

##### 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.

## Accounting Policies

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### 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 can 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 will 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.

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 bear 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 cannot 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 investments.

The fair value of financial instruments that are not traded in an active market (unlisted securities) is determined by appointed valuation experts using appropriate valuation techniques, including (but not limited to) free cash flow, price earnings (PE) and net asset value basis (NAV) bases, the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity specific inputs. The chosen valuation technique incorporates all of the factors that market participants would reasonably take into account in pricing a transaction. Assumption made by these valuation experts are based on market conditions existing and financial information available at valuation date for each financial year-end. The Fund ensures the appointed valuation specialists' have the required competence, independence, professional qualifications and experience in performing unlisted investment valuation. The Fund evaluates the appropriateness of the valuation methodology, assumptions and judgements applied in the valuation assessments. The Fund also performs reasonable tests on the draft financial information, forecasts, investee management commentaries used by the valuator at the date of the valuation to ensure the actuarial estimates and impairment testing is reliable.

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.

## Accounting Policies

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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 asset's 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.

#### 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.

## Accounting Policies

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### 1.4 Receivables from exchange transactions

#### Rent receivable

Rent receivable is measured at initial recognition at fair value.

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 receivables are 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.

### 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. Factors considered for impairment are based on age of the overpayment debt, 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), and whether the receivable is a South African citizen or not.

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

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### 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 sequestered 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 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.

### 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 from non-exchange transactions

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.

## Accounting Policies

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The carrying amount of the statutory receivable asset is recognised in the Statement of Financial Position under statutory receivables from non-exchange transactions, whereas the contributions collected on behalf of the Fund, which are classified as non-exchange transactions are recognised and included in the Statement of Financial Performance within revenue. The statutory receivable does not pass the due date at reporting date, as it is still within the 30 day collection period. Therefore, there is no reason to be doubtful that it will not be paid by the due date.

### 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.

The Fund provides funding for training of the unemployment, Temporary Employer/Employee Relief Scheme (TERS) and Business Turn around and Recovery Programmes (BT&R) through funding agreements with LAP partners. The funding agreements provide for the terms and obligations for funding. The funding agreements make provision for, amongst other terms, prepayments to be made to LAP partners.

In terms of the funding agreements, funding is provided in tranches. Tranches are prepaid to enable the LAP partner to implement the training programme. LAP partners are required to submit an account for expenditure on the previous tranche before any subsequent tranche is released. Once the account for the outstanding amounts as per the previous tranche is accounted for, the subsequent tranche is released.

LAP partners are reimbursed for expenditure incurred in terms of the funding agreement, where such expenditure is incurred without an available advance (prepayment).

### 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.

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

## Accounting Policies

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### 1.8 Investment property (continued)

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
Furniture and fixtures	Straight-line	3 - 14 years
IT equipment	Straight-line	3 - 12 years
Leasehold improvements	Straight-line	9 - 15 years
Motor vehicles	Straight-line	5 - 7 years
Office equipment	Straight-line	6 - 11 years
Telecom equipment	Straight-line	5 - 9 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.

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.



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### 1.9 Property, plant and equipment (continued)

The gain or loss arising from the de-recognition 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 de-recognition 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 10).

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 10).

### 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.

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.



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### 1.10 Intangible assets (continued)

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
Lease rights	Straight-line	29 years

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

The Fund developed and implemented the U-Filing declaration and payment portal as a total online service that is aimed at enabling 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 foreseeable limit to the period over which U-Filing is expected to generate net cash inflows or service potential.

Intangible assets are derecognised:

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

The gain or loss arising from the de-recognition of an intangible assets is included in surplus or deficit when the asset is de-recognised (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. Some investments are made in accordance with the social responsibility mandate of the Fund and are not necessarily with invested with the intention to generate commercial return. The assets 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.

An impairment loss is recognised immediately in surplus or deficit.

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

#### 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 accounting 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 unreasonable to do so. In such a case a combination of the latest audited AFS and management accounts of investees are utilised in applying the equity accounting method which may lend itself to estimations included 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 audited financial information in order to apply the equity accounting method on Joint Ventures, but in some instances, no and or unaudited, draft financial information is received from joint ventures. The Fund can not substantiate the accuracy and completeness of draft unaudited financial information received from investees. However, in these instances, the Fund performs reasonability testing on the draft financial information received, apply its judgement and if satisfied, apply the equity accounting method on this draft financial information received to determine the amount of its share in post-acquisition surpluses or deficits. Upon receipt of the audited financial information, the Fund compares the draft financial to the audited information and makes adjustments for differences in the financial year the audited information is received.

### 1.13 Interests in joint operations

Joint operations are arrangements whereby the Fund together with other entities have joint control of the arrangement, have joint rights to the assets, and obligations relating to the agreement.

The Fund recognises its share of the joint assets, liabilities, revenue and expenditure in accordance with the requirements of the applicable GRAP Standards relating to the item.

## Accounting Policies

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

Where necessary, adjustments are made to the financial statements of associates to bring the accounting policies used in line with the Fund's accounting policies.

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.

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 accounting method. When the reporting dates of the Fund and the associate are different, the associate prepares, for the use of the Fund, draft AFS as of the same date as the AFS of the Fund, unless it is unreasonable to do so. In such a case a combination of the latest audited AFS and the management accounts of investees are utilised in applying the equity accounting method which may lend itself to estimates included in the annual figures used. The Fund may apply its judgement in using this unaudited financial information subsequent to reasonable assessment performed to determine accuracy and completeness. Estimations calculated based on these draft unaudited financial information.

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 audited financial information in order to apply the equity accounting method on its Associates, but in some instances, no, and/or inadequate, financial information is received from Associates. The Fund can not substantiate the accuracy and completeness of draft unaudited financial information received from investees. However, in these instances, the Fund performs reasonability testing on the draft financial information received, apply its judgement and if satisfied, apply the equity accounting method on this draft financial information received to determine the amount of its share in post-acquisition surpluses or deficits. Upon receipt of the audited financial information, the Fund compares the draft financial to the audited information and makes adjustments for differences in the year the audited financial information is received.

### 1.15 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.

### 1.16 Benefit payments

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 dependent's benefits related to the unemployment of such employees.

## Accounting Policies

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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.

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 dependent's 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.

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 when the Fund receives an application from a beneficiary. 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 recognised for future operating losses.

The average claim amount was estimated based on the total payments made to date, calculated separately for TERS (average of R4,411) and the Unrest benefit (average of R2,957).

The provision was estimated by multiplying the adjusted number of applicants on the error lists by these average amounts. For provision classification purposes, the TERS and WABU provisions are classified as an IBNA.

## Accounting Policies

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### 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.

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 is required to determine measurability and probability to facilitate the invoicing of contributions payable.

#### 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 Fund's 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.

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

The following revenue streams have been classified:

- SARS - Declaration and collection 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.

### 1.19 Revenue from exchange transactions

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed

### 1.20 Employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

When an employee has rendered service to the Fund during a reporting period, The Fund recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The Fund measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Fund recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

### 1.21 Unemployment alleviation schemes

#### 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.

#### Section 5(d) of the UI Amendment Act, No.10 of 2016

Section 5(d) of the UI Amendment Act provides that the Fund must be used for financing of the retention of contributors in employment and the re-entry of contributors into the labour market and any other scheme aimed at vulnerable workers.

The Fund provides funding for training of the unemployment, Temporary Employer/Employee Relief Scheme (TERS) and Business Turn around and Recovery Programmes (BT&R) through funding agreements with LAP partners. The funding agreements provide for the terms and obligations for funding. The funding agreements make provision for, amongst other terms, prepayments to be made to LAP partners



## Accounting Policies

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Prepayments represent amounts paid that relate to future reporting periods. It is recognised initially upon payment of the amount in the Statement of Financial Position and expensed when it falls due. Prepayments are measured at the amount paid less amounts relating to the present reporting period.

In terms of the funding agreements, funding is provided in tranches. Tranches are prepaid to enable the LAP partner to implement the training programme. LAP partners are required to submit an account for expenditure on the previous tranche before any subsequent tranche is released. Once the account for the outstanding amounts as per the previous tranche is accounted for, the subsequent tranche is released. The account for expenditure is measured at cost and disclosed under Unemployment Alleviation Schemes in the Statement of Financial Performance

LAP partners are reimbursed for expenditure incurred in terms of the funding agreement, where such expenditure is incurred without an available advance (prepayment). The reimbursed amounts are measured at cost and disclosed under Unemployment Alleviation Schemes in the Statement of Financial Performance

Contracts entered into with LAP partners are considered to be commitments which obligations are arising from an existing agreement that will become an actual liability upon the fulfilment of specified conditions. Contractual commitments are therefore an obligation to the external parties of the Fund which arises with respect to any legal contract made by the Fund with those external parties.

The amounts disclosed in the Fund's annual financial statements under Commitments are the outstanding contractual commitments that will require a series of payments upon the fulfilment of specified contractual conditions over an indeterminate period.

Expenditure made against these contracts are included in the Statement of Financial Performance and the Statement of Financial Position in line with the fulfilment of the conditions specified in the contract.

### **Temporary Employer-Employee Relief Schemes (formerly named Training lay-off schemes)**

The scheme is intended to provide support to distressed companies and their workers who are at risk of retrenchment. Under the scheme, the Fund funds 75% of a worker's basic salary which may not exceed the threshold earnings as determined by the Minister from time to time in terms of section 6(3) of the Basic Conditions of Employment Act. Currently, the maximum amount a worker may receive is an amount of R12 849 (R17 119.44 x 75%) per month. The duration for a company to participate in TERS may not exceed 12 months. A condition to benefiting from TERS is that the distressed employer must conclude an agreement with its workers undertaking that no retrenchments will occur and that the employer will pay all social security contributions for its workers. Furthermore, an employer applying to participate in TERS must submit a turnaround strategy demonstrating how the employer intends to turn around the entity from its distressed state. If approved for participation in TERS, an employer may be referred to the Business Turnaround and Recovery Programme (BT&RP) which is administered and managed by Productivity South Africa.

The TERS applications are received and processed by the Commission for Conciliation, Mediation and Arbitration (CCMA), thereafter the applications are adjudicated by the Single Adjudication Committee which is comprised of representatives from the CCMA, Productivity South Africa, the Department of Trade Industry and Competition, and the Fund. The Fund concludes the funding agreements with the approved companies in respect of the TERS allowances payable to the workers.

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.

### **COVID-19 TERS benefits**

The Fund was mandated to create a special benefit as per the COVID-19 Temporary Employee/Employer Relief Scheme (COVID-19 TERS). Refer to Note 20 - Benefit payments and Note 16 - Benefits payable, for further detail on these benefits.

COVID-19 TERS benefits are 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.

## Accounting Policies

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COVID-19 TERS payments are recognised on the approval of the benefit claim. Provision is made at financial year end for Received But Not Approved claims (RBNA) and Incurred But Not Received claims (IBRN). 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 occurs when an employer as a direct result of Covid -19 pandemic close its operations and suffer financial distress. When the obligation event is incurred, a liability is recognised. The Fund is liable to only pay benefits for the cost of salary for the employees during the temporary closure of the business operations. Liability is measured at the salary benefits capped to a maximum amount of R17 712, 00 per month, per employee and an employee will be paid in terms of the income replacement rate sliding scale (38 % -60 %) as provided in the UI Act. Should an employee's income determined in terms of the income replacement sliding scale fall below the minimum wage of the sector concerned, the employee will be paid a replacement income equal to minimum wage of the sector concerned.

COVID-19 TERS 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 COVID-19 TERS benefit payments in the Statement of Financial Performance and trade and other receivables - disallowances / benefits payable in the Statement of Financial Position.

Recovery of COVID-19 TERS 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.

### **Employability (Formally known as Training of the Unemployed Schemes (TOU))**

The Fund has invested in training and up-skilling programmes which are aimed at integrating the unemployed people back into the labour market and enhancing their employability. The TOU programmes are executed in partnerships with the training institutions, the various Sector Education and Training Authorities (SETAs) and other government departments engaged in poverty / unemployment alleviation initiatives

During the year under review, the Fund has prioritised the funding of TOU programmes that will result in meaningful employment for the programme beneficiaries, as well as enterprise development initiatives that have resulted in the establishment of cooperatives and Small, Medium and Micro-Enterprises (SMMEs) for the programme beneficiaries.

### **Business Turnaround & Recovery Programme (Formally known as Social Plan Funding)**

The social plan is implemented through Productivity South Africa. Productivity South Africa implements the BT&RP for the benefit of companies that seek to improve their productivity. These services of the BT&RP have also been extended to companies that are in distress and are participating in the TERS programme

### **1.22 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 2020 to 31 March 2021.

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 function. 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 responsibility 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).



## Accounting Policies

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### 1.23 Contingencies

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund.

A contingent liability is:

- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund; or
- a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34 - Contingencies

### 1.24 Commitments

Commitments are obligations arising from an existing agreement that will become an actual liability upon the fulfillment of specified conditions. Contractual commitments are therefore an obligation to the external parties of the Fund which arises with respect to any legal contract made by the Fund with those external parties.

The amounts disclosed in the Fund's annual financial statements under Commitments are the outstanding contractual commitments that will require a series of payments upon the fulfillment of specified contractual conditions over an indeterminate period.

Expenditure made against these contracts are included in the Statement of Financial Performance and the Statement of Financial Position in line with the fulfillment of the conditions specified in the contract.

### 1.25 Principal Agent Relationship

#### Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

#### Identifying whether an entity is a principal or an agent

When the Fund is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether the Fund is the principal or the agent requires the Fund to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

#### Binding arrangement

The Fund assesses whether it is the agent or the principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as the principal or the agent.

## Accounting Policies

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### 1.25 Principal Agent Relationship (continued)

#### Assessing which entity benefits from the transactions with third parties

The Fund is the agent when, in relation to transactions with third parties, all three of the following criteria are present:

- it does not have the power to determine the significant terms and conditions of the transaction;
- it does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit; and
- it is not exposed to variability in the results of the transaction.

If the Fund concludes that it is not the agent, then it is the principal in the transactions.

Where the Fund has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The Fund applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the Fund is an agent.

### 1.26 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the fruitless and wasteful expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on fruitless and wasteful expenditure, refer to note 40 - Fruitless and wasteful expenditure.

### 1.27 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements, is recorded in the register and disclosed in the notes to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end, is recorded in the register and disclosed in the notes to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements are updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority is recorded appropriately in the register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps are thereafter taken to recover the amount from the person concerned. If recovery is not possible, the accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The register is also updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto remains against the relevant programme/expenditure item, disclosed as such in the note to the financial statements and updated accordingly in the register.

For details on irregular expenditure, refer to note 39 - Irregular expenditure.

## Accounting Policies

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### 1.28 Changes in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance to GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the Fund restates the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the Fund restates the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Details of changes in accounting policies, change in estimates and correction of errors are disclosed in Note 43 to the financial statements where applicable.

### 1.29 Segment information

The Fund is organised and reports to management on a consolidated and centralised basis, i.e. there are no specifically identifiable segments, and the annual financial statements as presented are considered sufficient to provide users with an understanding of the Fund's operations.

The Fund is based in, and conducts its activities from head office.

### 1.30 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Management are those persons responsible for planning, directing and controlling the activities of the Fund, including those charged with the governance of the Fund in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Fund.

The Fund is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the Fund to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the Fund is exempt from the disclosures in accordance with the above, it discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the Fund's financial statements to understand the effect of related party transactions on its AFS.

### 1.31 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The Fund adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

## Accounting Policies

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### 1.31 Events after reporting date (continued)

The Fund discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### 1.32 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 48 - Comparative figures.

### 1.33 Administration and Operating Expenditure

The Fund discloses its expenses by function. The function of expense method analysis expenses according to the Fund's programmes.

The budget and subsequent expenditure structure of the Fund has been aligned to strategic objectives as identified in the strategic plan. In order to continue to improve the service delivery efforts, it is important that the core functions of the Fund are adequately funded and the programme structure with the budget allocated per strategic objective assists in ensuring that there is adequate funding for the core operations. The Medium Term Expenditure Framework (MTEF) for 2020/2021 budget has been developed using these budget programmes where each of the Fund's cost centres are represented under strategic objectives, and against which the Fund disburses and allocates its expenditure.

Operating costs and administrative costs are differentiated in that operating costs are related to the cost centres within the Fund to execute its business operations and services whereas administrative cost are more general in executing a supportive function to the Fund's business operations. General costs are classified and disclosed under administrative costs.

The Fund has three programmes; Programme 1; Administration, Programme 2; Business Operations and Programme 3; Labour Activation Programmes.

### **Department of Employment and Labour Claim for expenditure incurred on behalf of the Unemployment Insurance Fund**

Department of Employment and Labour functions on a basis of shared services in all its Offices. The Public is serviced in Regional Offices with regards to all services of the Department and its entities. Expenditure is therefore shared on a split percentage basis. A claim is submitted monthly for the UIF to settle the expenditure incurred by the Department of Employment and Labour as detailed in the claim.

DEL claim expenditure is recognised as expenditure when the DEL claim file summarising monthly expenditure incurred by DEL per expenditure line item as extracted from the BAS accounting system is received from the Department of Employment and Labour.

Provincial and Regional Offices are therefore required to ensure sharing of services on a fair and transparent manner. The offices have to comply with Circular no. 7 of 2011 (and previously circular no.2 of 2009) which regulates and guides sharing of expenditure incurred by the Department whilst servicing the clients of the Department and its entities.

UIF managers in Regional and Provincial Offices are tasked with verification of expenditure in accordance with Circular no. 7 Of 2011 on a monthly basis for their respective Regions and Provinces. These signed off monthly reports are submitted to UIF Head Office Finance and are compared with the DEL claim before settlement is made for re-imburement of the Department of Employment and Labour for expenditure incurred on behalf of the UIF in the Department's Offices.

## Notes to the Annual Financial Statements

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### 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 2022.

#### 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 2022 or later periods:

##### **GRAP 25 (as revised): Employee Benefits**

###### **Background**

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

###### **Key amendments to GRAP 25**

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

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.

##### **iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction**

###### **Background**

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14® ) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

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.

#### GRAP 104 (as revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments 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
- 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.

#### iGRAP 21: The Effect of Past Decisions on Materiality

##### Background

The Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3) applies to the selection of accounting policies. Entities apply the accounting policies set out in the Standards of GRAP, except when the effect of applying them is immaterial. This means that entities could apply alternative accounting treatments to immaterial items, transactions or events (hereafter called “items”).

The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially “misstated” over time. If the effect was considered material, retrospective adjustments were often made.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

iGRAP 21 addresses the following two issues:

- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

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.

### GRAP 2020: Improvements to the standards of GRAP 2020

Every three years, the Accounting Standards Board undertakes periodic revisions of the Standards of GRAP, in line with best practice internationally among standard setters.

Improvements to Standards of GRAP are aimed at aligning the Standards of GRAP with international best practice, to maintain the quality and to improve the relevance of the Standards of GRAP.

Amendments include,

#### GRAP 5 – Borrowing Costs

- For general borrowings, borrowing costs eligible for capitalisation determined by applying a capitalisation rate
  - Clarify that borrowings made specifically for purposes of obtaining a qualifying asset are excluded until substantially all the activities necessary to prepare asset for intended use or sale are complete

#### GRAP 13 – Leases

- Operating leases & Sale and leaseback transactions are currently assessed for impairment in accordance with GRAP 26
- Clarify that these arrangements may also be assessed in accordance with GRAP 21

#### GRAP 16 – Investment Property

- Clarify that GRAP 21 may be applied to assess investment property for impairment
- Include heading “Classification of property as investment property” (par 6 and 7) & delete existing headings
- Investment property under construction (within scope of GRAP 16)
  - Added heading “Guidance on initially measuring self-constructed investment property at fair value”
  - Added clarification that investment property is measured at fair value at earliest of:
    - o completion of construction or development; or
    - o when fair value becomes reliably measurable
- Clarify requirements on transfers to and from Investment property
  - Change in use involves an assessment on whether:
    - o property meets, or ceases to meet definition of investment property and
    - o evidence exists that a change in use has occurred
  - List of examples of a change in use is regarded as non-exhaustive

#### GRAP 17 – Property, Plant and Equipment

- Delete example indicating that quarries and land used for landfill may be depreciated in certain instances
  - Land has an unlimited useful life and cannot be consumed through its use

#### GRAP 20 – Related Party Disclosures

- Clarify that entity, or any member of a group of which it is part, providing management services to reporting entity (or controlling entity of reporting entity) is a related party
  - Disclose amounts incurred by the entity for the provision of management services that are provided by a separate management entity
  - If an entity obtains management services from another entity (“the management entity”) the entity is not required to apply the requirements in paragraph .35 to the remuneration paid or payable by the management entity to the management entity’s employees or those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions
  - Management services are services where employees of management entity perform functions as “management” as defined



## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

#### GRAP 24 – Presentation of Budget Information in Financial Statements

- Terminology amended
  - Primary financial statements amended to “financial statements” or “face of the financial statements”

#### GRAP 31 – Intangible Assets

- Extend requirement to consider whether reassessing useful life of intangible asset as finite rather as indefinite indicates that asset may be impaired
  - Both under cost model or revaluation model

#### GRAP 32 – Service Concession Arrangements: Grantor

- Clarify disclosure requirement for service concession assets
  - Disclose carrying amount of each material service concession asset recognised at the reporting date

#### GRAP 37 – Joint Arrangements

- Application guidance clarified
  - When party obtains joint control in a joint operation where activity of joint operation constitutes a function (GRAP 105 or GRAP 106), previous held interest in joint operation is not remeasured

#### GRAP 106 – Transfer of Functions Between Entities Not Under Common Control

- When party obtains control of joint operation and entity had rights to assets, or obligations to liabilities before acquisition date, it comprises an acquisition received in stages
  - Apply the requirements for an acquisition achieved in stages, including remeasuring previously held interest in joint operation

#### Directive 7 – The Application of Deemed Cost

- Clarify that bearer plants within scope of Directive

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.

#### 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 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.

An entity applies judgement based on past experience and current facts and circumstances. 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.



# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand	2022 R'000	2021 R'000
<b>3. Other financial assets</b>		
<b>At fair value through surplus or deficit</b>		
Bills	1 134 234	-
Bonds	63 281 867	38 833 610
Listed equity	25 533 895	40 477 513
Unlisted equity	726 420	517 098
Unlisted financial instruments	55 321	273 037
	<b>90 731 737</b>	<b>80 101 258</b>
<b>At amortised cost</b>		
Fixed deposits	9 706 146	-
Investment income receivable	286 956	398 094
Unlisted investments	8 484 369	7 616 889
	<b>18 477 471</b>	<b>8 014 983</b>
<b>Total other financial assets</b>	<b>109 209 208</b>	<b>88 116 241</b>
<b>Non-current assets</b>		
At fair value	62 413 375	35 607 443
<b>Current assets</b>		
At fair value	28 318 362	44 493 815
At amortised cost	18 477 471	8 014 983
	<b>46 795 833</b>	<b>52 508 798</b>
Non-current assets	62 413 375	35 607 443
Current assets	46 795 833	52 508 798
	<b>109 209 208</b>	<b>88 116 241</b>

### 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.

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand	2022 R'000	2021 R'000
<b>3. Other financial assets (continued)</b>		
<b>Level 1</b>		
Bonds	31 961 932	15 900 029
Listed equities	16 917 658	32 318 234
Unit trusts (foreign)	8 616 237	8 159 279
	<b>57 495 827</b>	<b>56 377 542</b>
<b>Level 2</b>		
Bills and negotiable certificates of deposits	1 134 234	-
Bonds	31 319 935	22 933 581
	<b>32 454 169</b>	<b>22 933 581</b>
<b>Level 3</b>		
Unlisted equities	726 420	517 098
Unlisted financial instruments	55 321	273 037
	<b>781 741</b>	<b>790 135</b>
	<b>90 731 737</b>	<b>80 101 258</b>

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: Valued by external valuation experts based on valuation techniques relevant to the nature of the investment.

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.

Unlisted Financial Instruments: Valued by external valuation experts based on valuation techniques relevant to the nature of the instrument.

The PIC and the Fund is negotiating with the Landbank via National Treasury on how to restructure agreements to collect the outstanding default balance from Landbank in the amount of R801,900,000. The negotiation process commenced in May 2020, but a conclusion has not been reached.

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand

2022  
R'000

2021  
R'000

### 3. Other financial assets (continued)

#### Allowance for expected credit losses

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

The following factors are considered by the external valuers in determining whether the financial assets are impaired:

- The counterparty is experiencing significant financial difficulties.
- There has been a breach of contract, such as a default.
- The Fund has, for economic or contractual reasons relating to 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 R482 million for 2022 (2021: R2,773 million).

### 4. Receivables from exchange transactions

Rent receivable	3 276	2 144
Allowance for impairment - Rent receivable	(1 315)	(389)
Sundry receivables	15 142	211
Allowance for impairment - Sundry receivables	(15 111)	(49)
	<b>1 992</b>	<b>1 917</b>

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 2022, R286.9 million (2021: R397.6 million) were past due but not impaired.

The amounts past due but not impaired are as follows:

Interest and dividends receivable	286 956	397 633
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#### Receivables from exchange transactions impaired

As of 31 March 2022, rent receivables from exchange transactions of R3.2 million (2021: R2.1 million) were impaired and an allowance raised.

The amount of the allowance was R1.3 million as of 31 March 2022 (2021: R0.4 million).

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand	2022 R'000	2021 R'000
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### 4. Receivables from exchange transactions (continued)

The ageing of these receivables is as follows:

As of 31 March 2021, sundry receivables from exchange transactions of R15.1 million (2021: R0.2 million).

The amount of the allowance for impairment was R15.1 million as of 31 March 2022 (2021: R0.05 million).

The ageing of these receivables is as follows:

#### Sundry receivables

0 to 3 months	1	126
3 to 6 months	1	-
More than 6 months	15 141	84
	<b>15 143</b>	<b>210</b>

#### Reconciliation of allowance for impairment of receivables from exchange transactions

Opening balance	438	410
Allowance for impairment	15 988	28
	<b>16 426</b>	<b>438</b>

The creation and release of the allowance for impaired receivables have been included in administrative expenses 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 impairment 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 collectability 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

Transactions under investigation debt	278 670	315 099
Allowance for impairment - transactions under investigation debt	(91 731)	(132 446)
Disallowances and overpayments debt	310 487	219 928
Allowance for impairment - disallowances and overpayments debt	(290 428)	(219 127)
Legal claims - contributions debt	7 787	10 506
Allowance for impairment - legal claims debt	(7 709)	(10 505)
Covid19 TERS Receivable	12 803	7 720
Allowance for impairment – Covid-19 TERS Receivable	(9 497)	(3 335)
	<b>210 382</b>	<b>187 840</b>

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 R219 million in 2021 to R290 million in 2022.

#### Risk of paying benefits in error

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

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand	2022 R'000	2021 R'000
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### 5. Receivables from non-exchange transactions (continued)

#### 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.

The accuracy, completeness and timeliness of the information in the Fund's declaration database impact 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 liabilities 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 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 and/or is employed. The Fund confirms 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 pursued in accordance with the UI Act, PFMA and National Treasury Regulations.

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand

2022  
R'000

2021  
R'000

### 5. Receivables from non-exchange transactions (continued)

#### 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 R122 million in total; in set offs, R117 million and bank deposits R6 million. For the financial year ended 31 March 2021 the Fund collected R99 million in total; in set offs R96 million and bank deposits of R3.4 million.

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

#### Allowance for Impairment of Covid-19 TERS Debt

As of March 2022, Covid-19 TERS Receivable from non-exchange transactions of R12,802,731.23 (2021: R7,749,631.70) were impaired and provided for. The amount of the allowance for impairment was R9,496,677.63 as of March 2022 (2021: R3,334,935.96):

Opening balance	3 335	-
Movement in prior year allowance	3 615	-
Contribution debt recovered	25	-
Allowance for impairment	2 522	3 335
	<b>9 497</b>	<b>3 335</b>

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

##### Allowance for impairment of transactions under investigation

Opening balance	132 446	10 987
Amounts added during the year	(40 715)	121 459
	<b>91 731</b>	<b>132 446</b>

##### Allowance for impairment of disallowances and overpayments debt

Opening balance	219 127	119 106
Movement in prior year allowance	(3 376)	2 859
Amounts written off as uncollectable	(66 108)	(35 360)
Disallowances and overpayments cancelled	(226)	(166)
Disallowances and overpayments recovered	(24 799)	(13 803)
New allowances for impairment	165 810	146 491
	<b>290 428</b>	<b>219 127</b>

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 (2021: R44 million)

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand	2022 R'000	2021 R'000
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### 5. Receivables from non-exchange transactions (continued)

#### Allowance for impairment of legal claims contribution debt

Opening balance	10 505	9 395
Movement in prior year allowance	(1 733)	2
Amounts written off as uncollectable	(1 550)	(404)
Contribution debt recovered	(66)	(157)
New allowance for impairment	552	1 669
	<b>7 708</b>	<b>10 505</b>

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 R1.9 million (2021: R0.4 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.

#### Covid-19 TERS

Factors considered for impairment are based on historical evidence of recoverability and non-recoverability of Covid-19 TERS debt.

### 6. Statutory receivables from non-exchange transactions

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 R17,712.00 per month.

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:

National Treasury	1 981 687	1 680 699
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#### 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.

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand	2022 R'000	2021 R'000
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### 7. Prepayments

Prepayments	480 605	79 954
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Prepayments relate to advance payments made to the following government agencies for communication, marketing and training of officials:

- Government Communication and Information System (GCIS)
- National School of Government (NSG)

Prepayments also relate to advance payments made for training programmes in terms of Section 48(1)(a)(iv) of the UI Act, as amended and Section 5(d) of the UI Amendment Act, No.10 of 2016 that provides that the Fund must be used for financing of the retention of contributors in employment and the re-entry of contributors into the labour market and any other scheme aimed at vulnerable workers. The programmes for which prepayments were made relate to LAP Training of the Unemployed (TOU) and Temporary Employer/Employee Relief Schemes. The remaining balance of advances made to Labour Activation Programmes (LAP) partners was R231 million at 31 March 2022 (R305 million at 31 March 2021).

### 8. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	5 138 666	21 510 554
Short-term deposits	3 750 000	1 600 000
Bank overdraft	(13)	(14)
	<b>8 888 653</b>	<b>23 110 540</b>
Current assets	8 888 666	23 110 554
Current liabilities	(13)	(14)
	<b>8 888 653</b>	<b>23 110 540</b>

#### Cash on hand and bank balances

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

The fair value of cash and cash equivalents is R 8 888 653 (2021: R23 110 540).

#### 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 no unused bank overdraft facilities.



# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand

2022  
R'000

2021  
R'000

### 8. Cash and cash equivalents (continued)

#### Pledged as security

None of the Fund's assets has been pledged as collateral of any kind.

#### 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

				100%
<b>Agency</b>	<b>Rating</b>	<b>Outlook</b>	<b>Date</b>	
Moody's	Ba2	Stable	Friday, 01 April 2022	
Fitch	BB-	Stable	Wednesday, 15 December 2021	
Standard & Poor's	BB-	Stable	Thursday, 30 April 2020	
Fitch	BB-	Negative	Friday, 20 November 2020	
Moody's	Ba2	Negative	Friday, 20 November 2020	
Standard & Poor's	BB-	Stable	Thursday, 30 April 2020	
Fitch	BB	Negative	Friday, 03 April 2020	
Moody's	Ba1	Negative	Friday, 27 March 2020	

## UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

### Notes to the Annual Financial Statements

Figures in Rand Thousand

#### 9. Investment property

Land and buildings

2022	2021
Cost / Valuation	Cost / Valuation
476 174	475 824

#### Reconciliation of investment property - 2022

Land and buildings

Opening balance	Additions	Fair value adjustments	Total
475 824	286 932	(286 582)	476 174

#### Reconciliation of investment property - 2021

Land and buildings

Opening balance	Additions	Fair value adjustments	Total
194 775	164 116	116 933	475 824

#### Pledged as security

No investment property was pledged as security.

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand	2022 R'000	2021 R'000
<b>9. Investment property (continued)</b>		
<b>Investment property in the process of being constructed or developed</b>		
<b>Details of property</b>		
<b>Erf 895 (a portion of Erf 252), Bisho</b>		
Extent 826 m <sup>2</sup> , Title deed number: T376/1985-CS		
- Purchase price: 1 December 2008	41	41
- Additions since purchase or valuation	23 256	23 256
- Refurbishments (work-in-progress)	-	-
- Fair value adjustment	(7 297)	(7 297)
	<b>16 000</b>	<b>16 000</b>

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 R151/m<sup>2</sup>, escalating at 6% per annum.

The valuation was performed by Manna Holdings (Pty) Ltd, professional registered valuers. Manna Holdings (Pty) Ltd is not connected to the Fund and has recent experience in the location and category of the investment property being valued.

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 SAPOA/IPD Cap and Discount Rate Survey and Rode report the following valuation parameters were applied on the investment:

- Market Capitalisation Rate of 10.5% (2021:11.0%)
- Exit Capitalisation Rate of 11.5% (2021:10.0%)
- Discount Rate of 16% (2020:15.5%)
- Escalation of new rental of 6.5% (2021:7%)
- Vacancy Rate of 2% (2021:2%)
- Expense Growth Rate of 6.5% (2021:6.5%)

### Portion 5 (remainder extent) of Erf 43, Thohoyandou

Extent of portion 5: 2 051 m <sup>2</sup> , Title deed number : TG83891/1992T		
- Purchase price: 2 July 1991	1 940	1 940
- Refurbishments (work-in-progress)	34 890	32 314
- Fair value adjustment	(17 380)	(15 654)
	<b>19 450</b>	<b>18 600</b>

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 property is currently improved with 1 903m<sup>2</sup> of existing office building and is deemed as the highest and best use of the property. Office rentals range between R83/m<sup>2</sup> and R114/m<sup>2</sup> in the market for this designated area. A rental amount of R127/m<sup>2</sup> was applied and considered market related. Our subject property offers Office space and the comparable sales sold between the year 2018 and 2019. Selling prices of between R6 500 000 and R45 000 000 could be achieved for offices in the vicinity with capitalization rates of 9.5% and 12.3%. The rode report and the SAPOA report for capitalization rates have been analysed and looking into the location, condition and appeal, a capitalization rate of 10% was concluded to be appropriate for the subject property. The subject property is a multi-tenanted investment property and the tenants lease agreement is up for renewal in 2025 and 2026. The current rental paid by the tenant is considered to be in line with the market.

The valuation was performed by Manna Holdings (Pty) Ltd, professional registered valuers. Manna Holdings (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 experts elected to apply the Discounted Cash Flow Method, as the primary method, in order to determine the value. A gross monthly market rental of R1,27/m<sup>2</sup> was assumed in the valuation with an annual escalation of 6%.

As guided by SAPOA/IPD Cap and Discount Rate Survey and Rode report the following valuation parameters were applied on the investment:

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand	2022 R'000	2021 R'000
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### 9. Investment property (continued)

- Discount Rate of 14.0% (2021:14.3%)
- Exit Capitalisation Rate of 10.0% (2021:11.5%)
- Escalation of new rental of 6% (2020:0%)
- Vacancy Rate of 2% (2021: 2%)
- Expense Growth Rate of 7.1% (2020: 3.8%)
- Rental growth rate of 3.9% (2021: 0%)

#### Erf 1112, Marshalltown, City of Johannesburg

Extent 2 082 m<sup>2</sup>, Title deed number: T37743/2018

- Purchase price: 1 December 2008	74 899	74 899
- Additions since purchase or valuation	-	-
- Fair value adjustment	(9 699)	(4 199)
	<b>65 200</b>	<b>70 700</b>

The Building comprises of 18 floors configured to 4 basement parking levels and 14 floors above including the ground floor. The outside of the building is concrete, plastered with aluminium glass finishes with black steel fence around the street facing ends. Access into basement parking is both on Marshall Street and Anderson Street. The inside of the building has A-grade finishes which are white boxed with a combination of open office space and glass partitioned reception landing areas. The basement offers a space for a gym facility for tenants and 170 basement parking bays. There are 6 operational lifts. The subject property fully vacant, has been for some time and without constant upkeep its condition will deteriorate.

The valuation was performed by Spectrum Valuation and Asset Solutions, professional registered valuers. Spectrum Valuation and Asset Solutions is not connected to the Fund and has recent experience in the location and category of the investment property being valued.

The valuers elected to apply through the interpretation and forecast of the 10 Year Discounted Cashflow Method of Valuation to determine the fair value. A gross monthly market rental of R85/m<sup>2</sup> and basement parking rental of R750 per parking bay was assumed in the valuation.

The following valuation parameters were applied on the investment:

- Vacancy Rate of 5% (2021: 5%)
- Discount Rate of 16.75% (2021:16.5%)
- Exit Capitalisation Rate of 11.5% (2021: 11.5%)
- Escalation of new rental of 5.25% (2021: 5%)
- Expense Growth Rate of 6.5% (2021: 6.5%)

#### Erf 222, Annadale, Polokwane

Extent 2 855 m<sup>2</sup>, Title deed number: T2409/2019

- Purchase price: 1 December 2008	10 118	10 118
- Additions since purchase or valuation	-	-
- Refurbishments (work-in-progress)	401	116
- Fair value adjustment	2 531	3 341
	<b>13 050</b>	<b>13 575</b>

This property has been improved with six three-storey residential blocks currently utilised as student accommodation. Property has 180 units at R3,595.00 per unit per month. The property also has 46 bays of covered parking and 8 bays of uncovered parking. There is currently a lease in place with the Tshwane University of Technology to use the property as student accommodation for its students. The Fund has a 25% share in this property.

The valuation was performed by Manna Holdings (Pty) Ltd, professional registered valuers. Manna Holdings (Pty) Ltd is not connected to the Fund and has recent experience in the location and category of the investment property being valued.

The Income Capitalisation method was considered the most appropriate for this Student Accommodation asset.

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand

	2022 R'000	2021 R'000
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### 9. Investment property (continued)

As guided by SAPOA/IPD Cap and Discount Rate Survey and Rode report the following valuation parameters were applied on the investment:

- Exit Capitalisation Rate of 10% (2021: 11.5%)
- Capitalisation rate of 9% (2021:0%)
- Vacancy Period on lease expiry: 2,3, and 6 months upon expiry on existing lease agreements
- Expense Growth Rate of 6.0% (2021: 6.0%)
- Escalation of new rental of 6% (2021: 6.0%)

#### Erf 7339, Bendor, Extension 86, Polokwane

Extent 6 819 m<sup>2</sup>, Title deed number: 3656/2019T

- Purchase price: 1 December 2008	4 060	4 060
- Refurbishments (work-in-progress)	16 363	865
- Fair value adjustment	(6 148)	(500)
	<b>14 275</b>	<b>4 425</b>

The subject property is currently under construction of an intended 408 units of student accommodation and is deemed as the highest and best use of the property. As per the zoning, a total area of FAR of 1.8 say 5155m<sup>2</sup> could be developed. Limited vacant sales were available in the area due to a moratorium that was imposed on development in 2013. However, one sale obtained indicated that a bulk rate of roughly R 1700/ bulk m<sup>2</sup> on the proposed zoning.

The valuation was performed by Manna Holdings (Pty) Ltd, professional registered valuers. Manna Holdings (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 expert has taken note of the purchase price in 2018 of R14 000 000 that show a rate of R1140/m<sup>2</sup> based on the bulk land, also the selling price the previous land value showed an 8% year on year increase that seems to be to the higher end of the market but not unreachable in the large Polokwane area.

The valuator elected to apply the Income Method, as the primary method, in order to determine the value. Computing the Capitalisation of the first year's income, into perpetuity. It is then that the Net Present Value (NPV) of all future inflows is determined to determine the potential current land value.

As guided by SAPOA/IPD Cap and Discount Rate Survey and Rode report the following valuation parameters were applied on the investment:

- Market Rent of R4,050 per bed per month
- Exit Capitalisation Rate of 10.0% (2021; 0%)
- Capitalisation Rate of 9% (2021; 0%)
- Vacancy Period on lease expiry: N/A
- Vacancy reversion rate of 2% (2021; 0%)
- Expense Growth Rate of 0% (2021; 0%)
- Escalation of new rental of 0% (2021; 0%)

#### Erf 3384, Pretoria, Reg. Div. J.R. Gauteng

Extent 8,454m<sup>2</sup>, Title deed number: 8852/1992T

- Purchase price: 13 February 1992	7 875	7 875
- Additions since purchase or valuation	41 616	41 616
- Refurbishments (work-in-progress)	352 342	146 526
- Fair value adjustment	(174 932)	24 684
	<b>226 901</b>	<b>220 701</b>

The property is currently being developed with an eight-storey commercial office building. The building improvements are to further comprise of a cafeteria and event space on the roof of the parkade. Site improvements will include a guardhouse, parking bays as well as a perimeter boundary wall with guarded single access and exit points. On completion, the improvements are expected to be of modern A-grade standard, with routine maintenance and cleaning noted as required in order to ensure that the improvements and the property as a whole remain in well-maintained condition.

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand	2022 R'000	2021 R'000
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### 9. Investment property (continued)

The valuation was performed by Spectrum Valuations and Asset Solutions, professional registered valuers. Spectrum Valuations and Asset Solutions is not connected to the Fund and has recent experience in the location and category of the investment property being valued.

The valuers elected to apply the Discounted Cash Flow Method, as the primary method, in order to determine the value. A gross monthly market rental of R150/m<sup>2</sup> was assumed in the valuation

The valuation expert applied the interpretation and forecast of the 10 Year Discounted Cashflow Method of Valuation.

The following valuation parameters were applied on the investment:

- Capitalisation Rate of 10.5% (2021; 11 %)
- Reversionary Capitalisation of 11.5%
- Discount rate of 15.75% (2021; 16%)
- Income Growth Rate of 5.25% (2021; 5%)
- Expense Growth Rate of 6.5% (2021; 6.5%)
- Applied Market rental of R150.00/m<sup>2</sup>

#### **Erf 834 portion 50, Sunnyside, Pretoria and Erf 82 and Erf 83 Trevenna, and Erf 1431 and Erf 1432 Sunnyside, Pretoria**

**Extent 2,519m<sup>2</sup> and Extent 6,720m<sup>2</sup>, Title deed number: 93418/2015T**

- Purchase price: 29 October 2015 and 22 November 2017	54 078	54 078
- Refurbishments (work-in-progress)	197 613	161 052
- Fair value adjustment	(137 391)	(90 430)
	<b>114 300</b>	<b>124 700</b>

Currently the process to consolidate and register Remainder of Erf2, Remainder of Portion1 of Erf5, Remainder of Portion2 of Erf6, Remainder of Erf60, Erf82 and Erf83 Trevenna into Erf90 Trevenna will be finalized post the valuation date.

The consolidation and registration processes of Remainder of Portion50 of Erf843, Remainder of Portion39 of Erf834, Remainder of Erf1422, Erf1432 and Erf1432 into Erf1458 Sunnyside will also be finalized post the valuation date. The Municipality has approved the consolidation and rezoning of the above properties. The Surveyor Generals Office and Deeds Offices processes are yet to be finalised.

The process to transfer and register Remainder of Erf2, Remainder of Portion1 of Erf5, Remainder of Portion2 of Erf6 and Remainder of Erf60 from the City of Tshwane Municipality to the UIF has not been finalized, however a sale agreement is in place and signed by all parties and a lodgement will be submitted to the Deeds Office in the new financial year. The valuation expert applied all these assumptions as conditions in the valuation as at 31 March 2022.

The Fund bought the properties which are adjacent to each other to develop a 11,661m<sup>2</sup> "Labour Campus" to accommodate the Fund, Compensation Fund and the Department of Employment and Labour. National Treasury has granted approval for the Compensation Fund and the Department of Labour to participate in the development.

Improvements to the Property will comprise of three 24 storey office buildings with 13 floors of office space, 10 levels of parking including 4 basement level parkings, and a service level at the top. The buildings will comprise of P Grade office accommodation with superior finishes and facilities.

The valuation was performed by Spectrum Valuations and Asset Managers, professional registered valuers. Spectrum Valuations and Asset Solutions is not connected to the Fund and has recent experience in the location and category of the investment property being valued.

The valuation expert applied the interpretation and forecast of the 10 Year Discounted Cashflow Method of Valuation.

The following valuation parameters and assumption were applied on the investment:

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand	2022 R'000	2021 R'000
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### 9. Investment property (continued)

- Income growth rate of 6%
- Expense growth rate of 6%
- Capitalisation rate of 9%
- Reversionary Capitalisation of 10%
- Discount rate of 14%
- Cost to Complete in the amount of R1,672,311,196.93

#### Portion 67 (A portion of portion 12) of the farm Syferkuil 921, Limpopo

Extent 5,007m<sup>2</sup>, Title deed number: T337/2020

- Refurbishments (work-in-progress)	32 204	6 008
- Fair value adjustments	(25 204)	1 117
	<b>7 000</b>	<b>7 125</b>

During December 2017, The Fund together with GEPF and CF, through their duly authorised representative PIC, entered into an unincorporated joint venture agreement with KSL. The Fund has a 25% share in the unincorporated joint venture and as a result, 25% share in the lease right.

The property is currently under construction of an intended 2924 units of student accommodation and is deemed as the highest and best use of the property. Limited vacant sales were available in the area due to a moratorium that was imposed on development in 2013. This said, one sale obtained indicated that a bulk rate of roughly R 1700/ bulk m<sup>2</sup> on the proposed zoning. Other sales range between R1 450/m<sup>2</sup> and R1 650/m<sup>2</sup>. Property professionals however indicated that bulk rates for similarly zoned properties would range between R 1 250/ bulk m<sup>2</sup> and R 1 700/ bulk m<sup>2</sup>.

The valuation was performed by Manna Holdings (Pty) Ltd, professional registered valuers. Manna Holdings (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 expert's primary method of valuation applied was the valuation of the 1st years income, Projection of potential future inflows and discounting to the Net present Value.

The following valuation parameters were applied on the investment:

- Market rent of R4,050/bed gross per month
- Exit Capitalisation rate of 10%
- Market Capitalisation Rate of 9.00 (2021; 9%)
- Lease discount rate of 14.50%
- Reversionary discount rate of 14.50%
- Discount Rate of 14.50%

#### Details of valuation

##### Erf 895 (a portion of Erf 252), Bisho

The effective date of the valuation is 31 March 2021. The market valuation was performed by Manna Holdings (Pty) Ltd, professional registered valuers. Manna Holdings (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 16% (2020: 15.5%). Manna Holdings (Pty) Ltd certified that the market value of the property was R16 million as at 31 March 2021.

##### Portion 5 (remainder extent) of Erf 43, Thohoyandou

The effective date of the valuation is 31 March 2021. The market valuation was performed by Manna Holdings (Pty) Ltd, professional registered valuers. Manna Holdings (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 14.3% (2020: 15.5%). Manna Holdings (Pty) Ltd certified that the market value of the property was R18.6 million as at 31 March 2021.

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand

2022	2021
R'000	R'000

### 9. Investment property (continued)

#### Erf 1112, Marshalltown, City of Johannesburg

The effective date of the valuation is 31 March 2021. 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 16.5% (2020: 15.5%). Spectrum Valuations and Asset Solutions (Pty) Ltd certified that the market value of the property was R70.7 million as at 31 March 2021.

#### Erf 222, Annadale, Polokwane

The effective date of the valuation is 31 March 2021. The market valuation was performed by Manna Holdings (Pty) Ltd, professional registered valuers. Manna Holdings (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 sales approach for the land and the discounted cash flow method together with market research in the direct vicinity of the property. The discount rate applied is 14.6% (2020: 15.25%). Manna Holdings (Pty) Ltd certified that the market value of the property was R13.5 million as at 31 March 2021.

#### Erf 7339, Bendor, Extension 86, Polokwane

The effective date of the valuation is 31 March 2021. The market valuation was performed by Manna Holdings (Pty) Ltd, professional registered valuers. Manna Holdings (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 sales approach. Manna Holdings (Pty) Ltd certified that the market value of the property was R4.4 million as at 31 March 2021.

#### Erf 3384, Pretoria, Reg. Div. J.R. Gauteng, extent 8 454 m<sup>2</sup>

The effective date of the valuation is 31 March 2021. 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 16% (2020: 0%). Spectrum Valuations and Asset Solutions (Pty) Ltd certified that the present day market value of the property was R220.7 million as at 31 March 2021.

#### Erf 834 portion 50, Sunnyside, Pretoria, extent 2 519 m<sup>2</sup> and Erf 82 and Erf 83 Trevenna, and Erf 1431 and Erf 1432 Sunnyside, Pretoria, extent 6 720 m<sup>2</sup>.

The following valuations were combined: Erf 834 portion 50, Sunnyside, Pretoria, extent 2 519 m<sup>2</sup> Title deed number: T93418/2015, Erf 82 and Erf 83 Trevenna, and Erf 1431 and Erf 1432 Sunnyside, Pretoria, extent 6 720 m<sup>2</sup> 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 m<sup>2</sup>:

The effective date of the valuation is 31 March 2021. The market valuation was performed by Spectrum Valuations and Assets Solutions (Pty) Ltd, professional registered valuers. Spectrum Valuations and Assets 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 Assets Solutions (Pty) Ltd certified that the present day market value of the property was R34 million as at 31 March 2021.



# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand	2022 R'000	2021 R'000
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### 9. Investment property (continued)

#### Erf 82 and Erf 83 Trevenna, and Erf 1431 and Erf 1432 Sunnyside, Pretoria, extent 6 720 m<sup>2</sup>:

The effective date of the valuation is 31 March 2021. 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 R90.7 million as at 31 March 2021.

#### Portion 67 (A portion of portion 12) of the farm Syferkuil 921, Limpopo, extent 5 007m<sup>2</sup>

The effective date of the valuation is 31 March 2021. The market valuation was performed by Manna Holdings (Pty) Ltd, professional registered valuers. Manna Holdings (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. Manna Holdings (Pty) Ltd certified that the market value of the property was R7.1 million as at 31 March 2021.

#### Maintenance of investment property

#### Amounts recognised in surplus or deficit

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

#### Erf 222, Annadale, Baobab Manor, Polokwane

Rent distribution received

762 -

#### Erf 895 (a portion of Erf 252), Bisho

Rent received

1 750 2 721

#### Portion 5 (remainder extent) of Erf 43, Thohoyandou

Rent received

1 743 926

**Notes to the Annual Financial Statements**

Figures in Rand Thousand

**10. Property, plant and equipment**

	2022		2021			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	14 335	(13 100)	1 235	14 360	(12 105)	2 255
IT equipment	79 476	(57 519)	21 957	78 621	(43 561)	35 060
Leasehold improvements	10 105	(8 677)	1 428	10 105	(8 086)	2 019
Motor vehicles	1 898	(1 727)	171	1 898	(1 542)	356
Office equipment	2 142	(1 561)	581	1 974	(1 312)	662
Telecom equipment	7 473	(6 191)	1 282	7 473	(5 646)	1 827
<b>Total</b>	<b>115 429</b>	<b>(88 775)</b>	<b>26 654</b>	<b>114 431</b>	<b>(72 252)</b>	<b>42 179</b>

**Notes to the Annual Financial Statements**

Figures in Rand Thousand

**10. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - 2022**

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	2 256	29	(10)	(1 040)	1 235
IT equipment	35 061	1 197	(78)	(14 223)	21 957
Leasehold improvements	2 019	-	-	(591)	1 428
Motor vehicles	356	-	-	(185)	171
Office equipment	663	210	-	(292)	581
Telecom equipment	1 828	-	-	(546)	1 282
	<b>42 183</b>	<b>1 436</b>	<b>(88)</b>	<b>(16 877)</b>	<b>26 654</b>

**Reconciliation of property, plant and equipment - 2021**

	Opening balance	Additions	Additions resulting from work-in-progress transferred	Disposals	Transfers received	Transfers	Depreciation	Total
Furniture and fixtures	3 540	-	-	(29)	-	-	(1 255)	2 256
IT equipment	39 726	235	17 633	(55)	(369)	(9 356)	(12 753)	35 061
Leasehold improvements	2 613	-	-	-	-	-	(594)	2 019
Motor vehicles	671	-	-	(85)	-	-	(230)	356
Office equipment	929	21	-	(13)	-	-	(274)	663
Telecom equipment	2 373	-	-	-	-	-	(545)	1 828
	<b>49 852</b>	<b>256</b>	<b>17 633</b>	<b>(182)</b>	<b>(369)</b>	<b>(9 356)</b>	<b>(15 651)</b>	<b>42 183</b>

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand	2022 R'000	2021 R'000
<b>10. Property, plant and equipment (continued)</b>		
<b>Pledged as security</b>		
No items of property, plant and equipment were pledged as security.		
<b>Assets subject to lease (Net carrying amount)</b>		
Leasehold improvements	1 428	2 019
<b>Property, plant and equipment in the process of being constructed or developed</b>		
<b>Cumulative expenditure recognised in the carrying value of property, plant and equipment</b>		
IT equipment	10 023	10 023
<b>Reconciliation of work-in-progress 2022</b>		
	Included within	Total
Opening balance	IT equipment	
	10 023	10 023
Additions/capital expenditure	-	-
Transferred to completed items	-	-
	<b>10 023</b>	<b>10 023</b>
<b>Reconciliation of work-in-progress 2021</b>		
	Included within	Total
Opening balance	IT equipment	
	18 318	18 318
Additions/capital expenditure	9 356	9 356
Transferred to completed items	(18)	(18)
Transferred to completed items	(17 633)	(17 633)
	<b>10 023</b>	<b>10 023</b>
<b>Expenditure incurred to repair and maintain property, plant and equipment</b>		
<b>Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance</b>		
Contracted services	7 898	11 699
Sale of goods/Inventory	475	15
	<b>8 373</b>	<b>11 714</b>

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand

2022  
R'000

2021  
R'000

### 11. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	19 233	(12 335)	6 898	15 525	(12 141)	3 384
Intellectual property	83 947	-	83 947	83 947	-	83 947
Right-to-lease	5 600	(305)	5 295	5 600	(112)	5 488
<b>Total</b>	<b>108 780</b>	<b>(12 640)</b>	<b>96 140</b>	<b>105 072</b>	<b>(12 253)</b>	<b>92 819</b>

#### Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software	3 384	8 430	(4 915)	6 899
Intellectual property	83 947	-	-	83 947
Right-to-lease	5 488	-	(193)	5 295
	<b>92 819</b>	<b>8 430</b>	<b>(5 108)</b>	<b>96 141</b>

#### Reconciliation of intangible assets - 2021

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	9 030	529	(18)	(6 157)	3 384
Intellectual property	83 947	-	-	-	83 947
Right-to-lease	-	5 600	-	(112)	5 488
	<b>92 977</b>	<b>6 129</b>	<b>(18)</b>	<b>(6 269)</b>	<b>92 819</b>

#### Pledged as security

No intangible assets were pledged as security.

#### Intangible assets in the process of being constructed or developed

#### Cumulative expenditure recognised in the carrying value of Intangible assets

Computer software, other	1 195	1 195
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#### 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.

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand	2022 R'000	2021 R'000
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### 12. Interest in joint ventures

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

Name of company	Listed / Unlisted	% holding 2022	% holding 2021	Carrying amount 2022 R'000	Carrying amount 2021 R'000	Fair value 2022 R'000	Fair value 2021 R'000
Kefolile Consumer Brands (Pty) Ltd	Unlisted	50,00 %	50,00 %	-	-	-	-
Matskeke Medical CC	Unlisted	51,00 %	51,00 %	64 939	64 945	70 748	66 140
				<b>64 939</b>	<b>64 945</b>	<b>70 748</b>	<b>66 140</b>

The carrying amounts of joint ventures are shown net of impairment losses, where applicable. Impairment losses are calculated as the difference between the fair value based on the valuations performed by the external valuers and the carrying amounts as at 31 March.

Fair values and impairment assessments were performed based on valuation estimates performed by independent external valuation experts.

2022	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	-	-	-	-	-
Matskeke Medical Consultants CC	64 945	(6)	-	-	64 939
	<b>64 945</b>	<b>(6)</b>	<b>-</b>	<b>-</b>	<b>64 939</b>

2021	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	2 773	-	-	(2 773)	-
Matskeke Medical Consultants CC	64 945	-	-	-	64 945
	<b>67 718</b>	<b>-</b>	<b>-</b>	<b>(2 773)</b>	<b>64 945</b>

2022	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 %	-	31 March
Matskeke Medical Consultants CC	RSA	Health care	-	51 %	70 748	30 June
			<b>-</b>		<b>70 748</b>	



# UNEMPLOYMENT INSURANCE FUND

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## Notes to the Annual Financial Statements

Figures in Rand Thousand

2022  
R'000

2021  
R'000

### 12. Interest in joint ventures (continued)

Audited AFS with an unqualified audit opinion at the investee's most recent reporting date together with management accounts at 31 March 2021 / 2020.

The information received was thereafter evaluated in terms of the methodology to ensure compliance with GRAP 36 Investments in Associates and Joint Ventures 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 processed to the Fund's Annual Financial Statements.

Impairment of the investments in the investees were considered and if required, investees impaired accordingly in the Fund's Annual Financial Statements.

The Fund provides the following detailed information per investee, accounted for as interests in joint ventures.

#### Kefolile Consumer Brands (Pty) Ltd

This investment is accounted for as a joint venture in accordance with GRAP 36 Investments in Associates and Joint Ventures as a result of the Fund having joint control.

The investee changed its financial year-end in 2020 from 30 June to 31 March. The investee presented audited AFS to the Fund for the period ended 30 June 2019, 1 July 2019 up to 31 March 2020, 31 March 2021 and draft AFS as at 31 March 2022. The investee's auditors issued a disclaimed audit based on the opinion that the investee is technically insolvent. However, management of the investee does not believe that a technical insolvency situation casts significant doubt over the entity's ability to continue as a going concern.

The investee applies IFRS as its reporting framework.

The investee applied the same accounting policies from prior years and no material differences were identified between the Fund's accounting policies and that of the investee.

No share in surplus/(deficit) was recognised in the current or prior reporting period, since the investment was already fully impaired. The share in surplus/(deficit) recognised in the 2020 was (R39 945 (R'000)).

	31 March 2022	31 March 2021
	R'000	R'000
Current assets	27	1 149
Non-current assets	-	-
Current liabilities	(325 107)	(2 526)
Non-current liabilities	(119 262)	(213 256)
Net assets / (liabilities)	(241 026)	(214 633)
Revenue	-	-
Surplus / (deficit)	(38 570)	(136 381)

#### Matseke Medical Consultants (Pty) Ltd

This investment is accounted for as a joint venture in accordance with GRAP 36 Investments in Associates and Joint Ventures as a result of the Fund having joint control.

The investee presented audited consolidated AFS to the Fund for the period ended 30 June 2019, 30 June 2020, 30 June 2021 and draft consolidated management accounts for the period 1 July 2021 up to 31 March 2022.

The investee applies IFRS for SMEs as its reporting framework.



# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand

2022  
R'000

2021  
R'000

### 12. Interest in joint ventures (continued)

A combination of consolidated audited AFS and management accounts were used to calculate the Fund's share in surplus/(deficit) due to the different reporting dates. The investee applied the same accounting policies from prior years and no material differences were identified between the Fund's accounting policies and that of the investee.

The Fund's share in deficit recognised is R5 (R;000), (2021: Rnil).

	31 March 2022 R'000	31 March 2021 R'000
Non-current assets	4 961	4 972
Non-current liabilities	(318)	(318)
Net assets / (liabilities)	4 643	4 654
Surplus / (deficit)	(11)	-

An impairment loss of R2.8 million was recognised in the prior period since the valuation of the investment is less than the carrying amount.

### 13. Investments in associates

Name of entity	Listed / Unlisted	% holding 2022	% holding 2021	Carrying amount 2022	Carrying amount 2021	Fair value 2022	Fair value 2021
Bright Glacier Trading (Pty) Ltd	Unlisted	40,00 %	40,00 %	-	-	-	-
Clinix Health Group (Pty) Ltd	Unlisted	20,00 %	20,00 %	199 824	200 915	216 378	200 915
Daybreak Farms (Pty) Ltd	Unlisted	33,33 %	33,33 %	379 854	370 070	640 261	661 558
Educor Property Holdings (Pty) Ltd	Unlisted	42,00 %	42,00 %	198 479	239 365	297 382	276 914
Grey Jade Trade & Invest 69 (Pty) Ltd	Unlisted	33,00 %	33,00 %	58 762	56 374	69 680	68 602
Gurb Investments (Pty) Ltd	Unlisted	- %	10,00 %	-	42 925	-	84 200
Kefolile Health Investment (Pty) Ltd		30,00 %	30,00 %	-	-	41 691	15 568
Nature Cell Africa RF (Pty) Ltd		35,00 %	35,00 %	12 768	13 266	42 332	41 291
Razorite Health and Rehabilitation Fund En Commandite Partnership	Unlisted	19,60 %	19,60 %	268 571	271 346	268 571	271 346
Razorite Health and Rehabilitation Fund En Commandite Partnership	Unlisted	43,56 %	43,56 %	725 473	711 322	747 427	755 721
Resultant Finance (Pty) Ltd	Unlisted	15,00 %	15,00 %	605 263	984 630	796 044	1 045 372
South Point Management Services (Pty) Ltd		40,00 %	40,00 %	434 924	460 230	434 924	460 230
The SA SME Fund Limited*	Unlisted	21,64 %	21,64 %	263 221	268 493	263 945	268 493
UIF Agri Fund 1 En Commandite Partnership		100,00 %	100,00 %	495 184	480 553	506 100	493 130
Urban Lifestyle Investments (Pty) Ltd	Unlisted	42,00 %	42,00 %	467 518	486 766	749 421	798 948
				4 109 841	4 586 255	5 074 156	5 442 288

\* The shareholding in Razorite Health and Rehabilitation Fund en Commandite Partnership increased to 19.60% and in Naturecell Africa (RF) (Pty) Ltd to 35% (2021: 10.40%) and Razorite Fund 2 to 43.56% (2021:35%).

\* The shareholding in Urban Life Investment Holdings (Pty) Ltd decreased to 42% (2021: 60%) and in The SA SME Fund Ltd to 21.64% (2021: 42%).

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand	2022 R'000	2021 R'000
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### 13. Investments in associates (continued)

The carrying amounts of associates are shown net of impairment losses, where applicable. Impairment losses are calculated as the difference between the fair value based on the valuations performed by the external valuers and the carrying amounts as at 31 March.

## Notes to the Annual Financial Statements

Figures in Rand Thousand

13. Investments in associates (continued)												
Movements in carrying value												
2022	Opening balance R'000	Acquisition R'000	Disposal R'000	Impairment R'000	Surplus/(deficit) for the year R'000	Management Fee R'000	Loan Income R'000	Loan acquisition R'000	Loan disposal R'000	Dividends R'000	Total R'000	
Clinix Health Group (Pty) Ltd	200 915	-	-	-	(1 091)	-	-	-	-	-	199 824	
Daybreak Farms (Pty) Ltd	370 070	-	-	-	9 784	-	-	-	-	-	379 854	
Educor Property Holdings (Pty) Ltd	239 365	-	-	-	(40 886)	-	-	-	-	-	198 479	
Grey Jade Trade & Invest 69 (Pty) Ltd	56 374	-	-	-	2 387	-	-	-	-	-	58 761	
Naturecell Africa RF (Pty) Ltd	13 266	-	-	-	(497)	-	-	-	-	-	12 769	
Razorite Health and Rehabilitation Fund En Commandite Partnership	271 346	1 135	-	(14 255)	1 482	8 864	-	-	-	-	268 572	
Razorite Fund II En Commandite Partnership	711 322	85 932	(120 457)	-	48 895	19 424	-	-	-	(19 643)	725 473	
Resultant Finance (Pty) Ltd	984 630	-	-	-	1 426	-	(104 591)	66 881	(341 993)	(1 090)	605 263	
South Point Management Services (Pty) Ltd	460 230	-	-	(37 698)	12 392	-	-	-	-	-	434 924	
The SA SME Fund Ltd	268 493	-	-	-	(5 272)	-	-	-	-	-	263 221	
UJF Agri-Fund 1 En Commandite Partnership	480 553	-	-	-	14 630	-	-	-	-	-	495 183	
Urban Lifestyle Investments (Pty) Ltd	486 766	-	-	-	(19 248)	-	-	-	-	-	467 518	
	<b>4 543 330</b>	<b>87 067</b>	<b>(120 457)</b>	<b>(51 953)</b>	<b>24 002</b>	<b>28 288</b>	<b>(104 591)</b>	<b>66 881</b>	<b>(341 993)</b>	<b>(20 733)</b>	<b>4 109 841</b>	

## Notes to the Annual Financial Statements

Figures in Rand Thousand

### 13. 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 %	216 378	30 September
Daybreak Farms (Pty) Ltd	RSA	Agriculture	-	33 %	640 261	31 March
Educor Property Holdings (Pty) Ltd	RSA	Property ownership and development	-	42 %	297 382	31 December
Grey Jade Trade & Invest 69 (Pty) Ltd	RSA	Agriculture	-	33 %	69 680	31 March
Kefolile Health Investment (Pty) Ltd	RSA	Healthcare	-	30 %	41 691	30 June
Naturecell Africa RF (Pty) Ltd	RSA	Agriculture	-	35 %	42 332	Last day of February
Razorite Health and Rehabilitation Fund En Commandite Partnership	RSA	Healthcare	-	20 %	268 571	31 March
Razorite Fund II En Commandite Partnership	RSA	Healthcare	(19 643)	44 %	747 427	31 March
Resultant Finance (Pty) Ltd	RSA	Asset rentals	(1 090)	15 %	796 044	Last day of February
South Point Management Services (Pty) Ltd	RSA	Student accommodation	-	40 %	434 924	Last day of February
The SA SME Fund Ltd	RSA	Various	-	22 %	263 945	Last day of February
UJF Agri-Fund 1 En Commandite Partnership	RSA	Agriculture	-	100 %	506 100	31 December
Urban Lifestyle Investments (Pty) Ltd	RSA	Property development	-	42 %	749 421	31 December
			<b>(20 733)</b>		<b>5 074 156</b>	

## Notes to the Annual Financial Statements

Figures in Rand Thousand

### 13. Investments in associates (continued)

#### Preference shares in associates

	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 %	88 612
Daybreak Farms (Pty) Ltd - Pref A	RSA	Agriculture	33 %	119 229
Daybreak Farms (Pty) Ltd - Pref B	RSA	Agriculture	33 %	521 032
Educor Property Holdings (Pty) Ltd	RSA	Property ownership and development	42 %	145 000
Kefolle Health Investments (Pty) Ltd	RSA	Health Care	30 %	29 273
				<b>903 146</b>

The Fund has significant influence over Resultant Finance (Pty) Ltd and Razorite Health and Rehabilitation Fund en Commandite Partnership due to material transactions with the investee. The Fund had significant influence over Resultant Finance (Pty) Ltd, Razorite Health and Rehabilitation Fund en Commandite Partnership, Gurb Investments (Pty) Ltd and LA Crushers (Pty) Ltd in the prior period due to material transactions with the investee.

#### Summary of financial information

	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
Clinix Health Group (Pty) Ltd	(78 011)	1 266 873	(82 573)	(850 572)	255 717	1 213 347	(5 453)
Daybreak Farms (Pty) Ltd	1 369 310	871 968	(489 060)	(155 663)	1 596 555	3 402 639	29 356
Educor Property Holding (Pty) Ltd	329 259	1 735 146	(229 285)	(1 090 927)	744 194	192 193	(97 347)
Grey Jade Trade & Invest 69 (Pty) Ltd	125 465	26 749	(9 373)	(122 545)	20 296	315 040	7 233
Kefolle Health Investment (Pty) Ltd	59	44 494	(1 597 338)	(252 994)	-	18 706	(134 044)
Naturecell Africa RF (Pty) Ltd	21 108	94 994	(22 557)	(109 236)	(15 692)	13 418	(1 421)
Razorite Health and Rehabilitation Fund En Commandite Partnership	73 060	436 229	(3 190)	-	506 100	54 339	14 630
Razorite Fund II En Commandite Partnership	322 118	1 422 129	(675)	-	1 743 573	167 430	112 247
Resultant Finance (Pty) Ltd	143 096	68 290	(13 317)	(30 182)	167 887	29 345	9 508
South Point Management Services (Pty) Ltd	148 713	2 099 058	(154 632)	(818 723)	1 274 415	236 468	30 981
The SA SME Fund Ltd	754 213	587 819	(18 118)	(39 017)	1 284 896	78 887	(24 360)
UJF-Afri Fund 1 en Commandite Partnership	73 060	436 229	(3 190)	-	506 100	54 339	14 630
Urban Lifestyle Investments (Pty) Ltd	175 460	1 688 216	(69 255)	(1 272 193)	522 229	102 080	(45 828)

**Notes to the Annual Financial Statements**

Figures in Rand Thousand

**13. Investments in associates (continued)**

2021

Company	Opening balance R'000	Acquisition R'000	Impairment R'000	Surplus/ (deficit) for the year R'000	Loan Income R'000	Loan acquisition R'000	Loan disposal R'000	Dividends R'000	Total R'000
Clinix Health Group (Pty) Ltd	194 477	-	(385)	6 823	-	-	-	-	200 915
Daybreak Farms (Pty) Ltd	358 960	-	-	27 802	-	-	-	(16 692)	370 070
Educor Property Holdings (Pty) Ltd	227 493	-	-	11 872	-	-	-	-	239 365
Grey Jade Trade & Invest 69 (Pty) Ltd	50 519	-	-	5 855	-	-	-	-	56 374
Gurb Investment (Pty) Ltd	43 554	-	-	(629)	-	-	-	-	42 925
Naturecell Africa RF (Pty) Ltd	17 793	-	-	(4 527)	-	-	-	-	13 266
Razorite Health and Rehabilitation Fund En Commandite Partnership	275 070	21 082	(4 789)	(20 017)	-	-	-	-	271 346
Razorite Fund II En Commandite Partnership	459 077	218 134	-	34 112	-	-	-	-	711 323
Resultant Finance (Pty) Ltd	970 439	-	-	8 646	(22 642)	337 266	(307 990)	(1 090)	984 629
South Point Management Services (Pty) Ltd	427 226	-	(13 238)	46 242	-	-	-	-	460 230
The SA SME Fund Ltd	270 676	-	(1 657)	(526)	-	-	-	-	268 493
UJF Agri-Fund 1 En Commandite Partnership	495 723	-	-	(15 170)	-	-	-	-	480 553
Urban Lifestyle Investments (Pty) Ltd	492 326	-	-	(5 560)	-	-	-	-	486 766
	<b>4 283 333</b>	<b>239 216</b>	<b>(20 069)</b>	<b>94 923</b>	<b>(22 642)</b>	<b>337 266</b>	<b>(307 990)</b>	<b>(17 782)</b>	<b>4 586 255</b>

## Notes to the Annual Financial Statements

Figures in Rand Thousand

### 13. Investments in associates (continued)

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

Normal shares in associates

	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 %	200 915	30 September
Daybreak Farms (Pty) Ltd	RSA	Agriculture	(16 692)	33,00 %	661 558	31 March
Educor Property Holdings (Pty) Ltd	RSA	Property ownership and development	-	42,00 %	276 914	31 December
Grey Jade Trade & Invest 69 (Pty) Ltd	RSA	Agriculture	-	33,00 %	68 602	31 March
Gurb Investment (Pty) Ltd	RSA	Special purpose vehicle for investment	-	10,00 %	84 200	31 March
Kefolile Health Investment (Pty) Ltd	RSA	Healthcare	-	30,00 %	15 568	30 June
Naturecell Africa (Pty) Ltd	RSA	Various	-	35,00 %	41 291	Last day of February
Razorrite Health and Rehabilitation Fund En Commandite Partnership	RSA	Healthcare	-	19,57 %	271 346	31 March
Razorrite Fund II En Commandite Partnership	RSA	Healthcare	-	60,00 %	755 721	31 March
Resultant Finance (Pty) Ltd	RSA	Asset rentals	(1 090)	15,00 %	1 045 372	Last day of February
South Point Management Services (Pty) Ltd	RSA	Student accommodation	-	40,00 %	460 230	Last day of February
The SA SME Fund Limited	RSA	Various	-	21,94 %	268 493	Last day of February
UIF Agri-Fund 1 En Commandite Partnership	RSA	Agriculture	-	100,00 %	493 130	31 December
Urban Lifestyle Investments (Pty) Ltd	RSA	Property development	-	42,00 %	798 948	31 December
			<b>(17 782)</b>		<b>5 442 288</b>	

## Notes to the Annual Financial Statements

Figures in Rand Thousand

### 13. Investments in associates (continued)

Preference shares in associates	Principal place of business	Nature of business	Shareholding %	Fair value R'000
Bright Glacier Trading (Pty) Ltd	RSA	Fast moving consumer goods	40,00 %	-
Kefolie Health Investment (Pty) Ltd	RSA	Healthcare	30,00 %	11 041
Clinix Health Group (Pty) Ltd	RSA	Healthcare	15,00 %	81 015
Daybreak Farms (Pty) Ltd - Pref A	RSA	Agriculture	33,00 %	119 200
Daybreak Farms (Pty) Ltd - Pref B	RSA	Agriculture	33,00 %	551 200
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 %	84 200
				<b>991 656</b>

### Summary of financial information

	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
Bright Glacier Trading (Pty) Ltd	18	302 698	-	(1 748 632)	(1 445 916)	-	190 918
Clinix Health Group (Pty) Ltd	246 879	795 822	(359 856)	(382 173)	300 673	1 071 594	34 115
Daybreak Farms (Pty) Ltd	1 190 556	871 292	(306 581)	(238 264)	1 517 003	2 963 744	283 772
Educor Property Holdings (Pty) Ltd	483 954	1 438 101	(208 533)	(1 057 019)	656 503	175 575	18 503
Grey Jade Trade & Invest 69 (Pty) Ltd	102 610	28 592	(393)	(117 746)	13 062	242 792	17 744
Gurb Investment (Pty) Ltd	1	145 000	(147 743)	-	(2 742)	-	(11 289)
Kefolie Health Investment (Pty) Ltd	678	28 161	(2 583)	(753 426)	(727 170)	58 149	(80 437)
LA Crushers (Pty) Ltd	38 677	17 710	(106 935)	(369 495)	(420 043)	320 802	(79 361)
Naturecell Africa (Pty) Ltd	19 649	96 484	(52 091)	(78 313)	(14 270)	-	(12 934)
Razorite Health and Rehabilitation Fund En Commandite Partnership	7 953	1 355 147	(177)	-	-	-	(102 286)
Razorite Fund II En Commandite Partnership	331 929	1 056 569	(358)	-	1 388 141	94 115	56 853
Resultant Finance (Pty) Ltd	225 234	92 129	(125 816)	(25 898)	165 648	88 924	57 638
South Point Management Services (Pty) Ltd	57 317	2 185 308	(170 876)	(828 315)	1 243 435	228 579	115 606
The SA SME Fund Ltd	848 762	483 661	(9 567)	(32 600)	1 290 256	71 814	(2 397)
UJF Agri-Fund 1 En Commandite Partnership	59 036	437 108	(3 014)	-	496 144	34 911	(15 170)
Urban Lifestyle Investments (Pty) Ltd	303 141	1 520 748	(48 906)	(1 224 223)	550 761	89 256	(13 239)



# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand

2022 R'000	2021 R'000
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### 13. Investments in associates (continued)

#### Application of GRAP 36 Investments in Associates and Joint Ventures

##### Kefolile Health Investments (Pty) Ltd

This investment is accounted for as an associate in accordance with GRAP 36 Investments in Associates and Joint Ventures as a result of the Fund having significant influence.

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

During the 2020 financial year the directors of the investee resolved to change the year end from 30 June to 31 March.

The investee presented audited AFS to the Fund for the year ended 31 March 2020 and March 2021.

The investee's auditors issued a disclaimed audit opinion on the basis that in their opinion the company is not a going concern.

The investee presented draft AFS to the Fund for the year ended 31 March 2022.

However, management of the investee does not believe that a technical insolvency situation casts significant doubt over the entity's ability to continue as a going concern.

Management of the investee has no intention to liquidate or cease trading.

The investee applies IFRS as its reporting framework.

Retrospective adjustments for differences in reporting dates, differences in reporting framework, differences between draft and audited financial information were processed as prior year adjustments where required. The investee applied the same accounting policies from prior years and no material differences were identified between the Fund's accounting policies and that of the investee.

No further adjustments were necessary. The Fund did not recognise its share in the surplus/(deficit) of the investee since the investment is fully impaired. The Fund recognised its share in surplus/(deficit) of the investee in the financial year 2020 to the amount of R66,123 (R'000).

##### Urban Lifestyle Investment Holdings (Pty) Ltd

This investment is accounted for as an associate in accordance with GRAP 36 Investments in Associates and Joint Ventures as a result of the Fund having significant influence.

The investee presented audited consolidated AFS to the Fund for the year ended 31 December 2019 and 31 December 2020 respectively. The investee's auditors issued unqualified audit opinions on these AFS.

Retrospective adjustments for differences in reporting dates, differences in reporting framework and differences between draft and audited financial information were processed as prior year adjustments.

The investee applied the same accounting policies from prior years and no material differences were identified between the Fund's accounting policies and that of the investee.

No further adjustments were necessary, the Fund proceeded to equity account for its share in the investee's surplus/(deficit) by recognising a deficit of R19,248 (R'000) (2021 deficit; R5,560 (R'000)).

No impairment loss was recognised for the investment.

Equity accounting

# UNEMPLOYMENT INSURANCE FUND

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Figures in Rand Thousand	2022 R'000	2021 R'000
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### 13. Investments in associates (continued)

No further adjustments were necessary. The Fund proceeded to equity account for its share in the investee's surplus / deficit by recognising a deficit of R6 million (2020: R8 million).

#### *Impairment consideration*

No impairment loss was recognised for the investment.

#### **Bright Glacier Trading (Pty) Ltd**

This investment is accounted for as an associate in accordance with GRAP 36 Investments in Associates and Joint Ventures as a result of the Fund having significant influence.

The investee presented audited AFS to the Fund for the year ended 30 June 2019, draft AFS for the years ended 30 June 2020, 30 June 2021 and management accounts for the period 1 July 2021 to 31 March 2022. The auditors issued a disclaimer opinion on AFS of the investee based on their opinion that the investee is not a going concern.

Management of the investee has no intention to liquidate the company.

The investee applies IFRS as its reporting framework.

Retrospective adjustments for, differences in reporting dates, differences in reporting framework, and differences between draft and audited financial information were processed as prior year if adjustment if required.

The investee applied the same accounting policies from prior years and no material differences were identified- between the Fund's accounting policies and that of the investee.

No further adjustments were necessary. The Fund did not recognise its share in the surplus/(deficit) of the investee since the investment is fully impaired. The Fund recognised its share in the surplus/(deficit) of the investee in the financial year 2020 to the amount of R202,133 (deficit).

#### **Grey Jade Trade & Invest 69 (Pty) Ltd**

This investment is accounted for as an associate in accordance with GRAP 36 Investments in Associates and Joint Ventures as a result of the Fund having significant influence.

The investee presented audited AFS to the Fund for the year ended 31 March 2019, 31 March 2020 and draft AFS for 31 March 2022.

The investee applies IFRS for SME's as its reporting framework.

Retrospective adjustments for, differences in reporting dates, differences in reporting framework, and differences between draft and audited financial information were processed as prior year if adjustment if required.

The investee applied the same accounting policies from prior years and no material differences were identified between the Fund's accounting policies and that of the investee.

No further adjustments were necessary. The Fund recognised its share in the surplus/(deficit) of the investee to the amount of R2,387 (R'000) (2021: R5,855 (R'000)).

### 14. Payables from exchange transactions

Payables	413 413	677 094
Accrued bonus	43 075	42 667
Accrued leave pay	76 378	94 227
Deposits received	493	342
Uncleared deposits	20 586	303 843
	<b>553 945</b>	<b>1 118 173</b>

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand	2022 R'000	2021 R'000
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### 14. Payables from exchange transactions (continued)

#### 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.

### 15. Provisions

Reconciliation of provisions for 2022	Opening Balance	Adjustment provision for the year	Utilised during the year	Total
Benefits payable - ABNP	9 575 027	2 980 750	(3 657 226)	8 898 551
Benefits payable provision - RBNA	3 169 791	2 439 168	(2 486 732)	3 122 227
Benefits payable provision - IBNR	5 499 214	4 725 756	(4 371 894)	5 853 076
Benefits payable provision - COVID-19 TERS	3 803 263	(1 774 058)	-	2 029 205
Benefits payable provision - WABU	-	32 770	-	32 770
Capped leave	21 485	(2 441)	(145)	18 899
	<b>22 068 780</b>	<b>8 401 945</b>	<b>(10 515 997)</b>	<b>19 954 729</b>

Reconciliation of provisions for 2021	Opening Balance	Adjustment provision for the year	Utilised during the year	Total
Benefits payable - ABNP	8 993 365	4 202 946	(3 621 284)	9 575 027
Benefits payable provision - RBNA	2 660 839	2 236 328	(1 727 376)	3 169 791
Benefits payable provision - IBNR	4 161 376	4 275 662	(2 937 824)	5 499 214
Benefits payable provision - COVID-19 TERS	2 507 339	1 295 924	-	3 803 263
Capped leave	25 873	(4 270)	(118)	21 485
	<b>18 348 792</b>	<b>12 006 590</b>	<b>(8 286 602)</b>	<b>22 068 780</b>

Non-current liabilities	18 899	21 485
Current liabilities	19 935 830	22 047 295
	<b>19 954 729</b>	<b>22 068 780</b>

#### Benefits payable provision - RBNA

Claims Reported But Not Approved (RBNA) are received at reporting date but not approved yet.

#### Benefits payable provision - IBNR

Incurred But Not Reported claims have not yet been received but the incident date occurred at the reporting date.

#### Benefits payable provision - COVID-19 TERS

These are the COVID-19 TERS relief benefit claims Reported But Not Approved yet and/or Incurred But Not Reported yet.

#### Benefits payable - Outstanding claims liability - approved but not fully paid

#### COVID-19 Temporary Employee/Employer Relief Scheme (TERS)

On 15 March 2020 the President declared a national state of disaster in South Africa in terms of the Disaster Management Act, 2002, following the declaration of the global COVID-19 pandemic by the World Health Organisation. Government had to act swiftly to minimise the economic impact of the pandemic. On the 23 March 2020, the President announced a national lockdown for 21 days from 27 March 2020.

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand	2022 R'000	2021 R'000
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### 15. Provisions (continued)

On 25 March 2020 the Minister of Employment and Labour issued a Directive in terms of Regulation 10 (8) of the regulations issued by the Minister of Corporative Governance and Traditional Affairs in terms of Section 27 (2) of the Disaster Management Act 2002, to implement steps in respect of the administration of the COVID-19 through the COVID-19 Temporary Employee/Employer Relief Scheme to prevent escalation of the COVID-19 infections funded through the National Disaster Benefit.

The Fund was mandated to create a special benefit as per the COVID-19 Temporary Employee/Employer Relief Scheme (COVID-19 TERS).

Directive 1 signed on 26 March 2020: The introduction of the National Disaster Benefit to be used for social security during the lockdown period meant to assist employers and employees that suffer financial distress as a direct result of COVID-19 pandemic.

Directive 2 signed on 6 April 2020: The amendment of Directive No 1 to enhance the COVID-19 TERS benefit and clarification of sliding scale (38%-60%) and R 3 500 (absolute) minimum wage.

Directive 3 signed on 9 April 2020: The amendment of Directive No 1 and 2 after consultation with Social Partners to legalise and compel employers to apply on behalf of their employees.

Directive 4 signed on 26 April 2020: The amendment of Directive No 1, 2 and 3 to remove section 12 on calculation of COVID-19 TERS benefits to top up the salaries of employees who received income from their employers.

Directive 5 signed on 30 April 2020: Make provision for employees to apply for COVID-19 TERS for themselves if their employer is unable to or refuses to apply for them.

Directive 6 signed on 25 May 2020: To define a contributor; or an employee as defined by the UI Act who should have received benefits under this Directive.

Directive 7 signed on 11 August 2020: To extend the COVID-19 TERS benefit effective from 01 July 2020 until 15 August 2020.

Directive 8 signed on 04 September 2020: To extend the COVID-19 TERS effective from 16 August 2020 and shall remain in operation for as long as the declaration of the COVID-19, as a national disaster subsists or until withdrawn by the Minister, whichever comes first.

Disaster Management Act: Directions: Coronavirus COVID-19 Temporary Employee/Employer Relief Scheme: Withdrawal published on 27 November 2020: withdrawal of Temporary Employee/Employer Relief Direction with effect from 15 October 2020.

### Outstanding claims liability

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) claims. The outstanding claims liability of R9 575 million (2020: R8 993 million) reflects the ABNP portion per the actuarial valuation report. The IBNA portion is included as part of the provisions of The Fund.

### Capped leave

Capped leave is 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 the 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.

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.

# UNEMPLOYMENT INSURANCE FUND

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## Notes to the Annual Financial Statements

Figures in Rand Thousand	2022 R'000	2021 R'000
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### 15. Provisions (continued)

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.

### 16. Benefits Payable

#### Benefits payable - Normal benefits - approved

Opening balance	43 886	22 744
Claims approved	18 050 307	17 054 766
Payments made	(18 055 980)	(17 033 624)
	<b>38 213</b>	<b>43 886</b>

#### Benefits payable - COVID-19 TERS benefits - approved

Opening balance	136	-
Claims approved	3 808 456	57 442 060
Payments made	(3 808 550)	(57 441 924)
	<b>42</b>	<b>136</b>

#### Benefits payable - Workers Affected By Unrest Benefit - approved

Claims approved	14 148	-
Payments made	(14 148)	-
	<b>-</b>	<b>-</b>

#### Benefits payable - Total benefits - approved

Opening balance	44 022	22 744
Claims approved	21 872 911	74 496 826
Payments made	(21 878 678)	(74 475 548)
	<b>38 255</b>	<b>44 022</b>

Benefits payable consists of Vouchers that are Open and not paid as of 31 March 2022 which amounts to R38,255 (R'000) and 2021: R44,022 (R'000).

### 17. Technical reserve

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.

The Fund's benefit structure is such that contributions received in one year entitles employees to earn benefits Contributions over a four-year period assuming enhanced benefits as per the UI Amendment Act, 2016

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 external independent actuaries. The technical reserve is made up of the Unexpired Premium Reserve (UPR), Unexpired Risk Reserve (URR) and Additional Unexpired Risk Reserve (AURR).

The Unearned Premium Reserve is the proportion of the salaries that provide entitlement for future financial periods which is determined for each of the past 48 months' salaries (derived from applying the known contribution rate to the monthly contributions received by The Fund). The portions that provide cover for the period post-valuation date is the Unearned Premium Reserve.

The Premium Inadequacy Reserves consist of the Unexpired Risk Reserve (URR) which allows for the extent to which claims are expected to be different to the UPR and the Additional Unexpired Risk Reserve (AURR) which is determined where it is expected that future premiums (yet unearned and therefore distinct from the UPR) will be insufficient.

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### 17. Technical reserve (continued)

For this valuation, based on recent experience, it was assumed that the UPR would be sufficient to cover claims and expenses with the consequence that both the URR and AURR were zero.

#### The technical reserve created from the accumulated surplus:

Unexpired Premium Reserve (UPR)	46 613 594	44 233 305
Unexpired Risk Reserve (URR)	-	13 920 391
Additional Unexpired Risk Reserve (AURR)	-	1 328 445
	<b>46 613 594</b>	<b>59 482 141</b>

### 18. Financial instruments disclosure

#### Categories of financial instruments

##### 2022

Financial Assets	At fair value	At amortised cost	Total
Bonds	63 281 867	-	63 281 867
Unlisted Equity	-	726 420	726 420
Unlisted Financial Instruments	55 321	8 484 368	8 539 689
Listed Equity	25 533 895	-	25 533 895
Bills and NCDs	1 134 234	-	1 134 234
Fixed deposits	-	9 706 146	9 706 146
Investment Income Receivable	-	286 956	286 956
Cash and Cash Equivalents	-	8 888 653	8 888 653
	<b>90 005 317</b>	<b>28 092 543</b>	<b>118 097 860</b>

Financial Liabilities	At amortised cost	Total
Deposits received	493	493
Service bonus accrual	43 075	43 075
Trade and payables from exchange transactions	413 413	413 413
Uncleared deposits	20 586	20 586
	-	-
	<b>477 567</b>	<b>477 567</b>

##### 2021

Financial Assets	At fair value	At amortised cost	Total
Bonds	38 833 610	-	38 833 610
Unlisted financial instruments	273 037	7 616 888	7 889 925
Cash and cash equivalents	-	23 110 510	23 110 510
Listed equity	40 477 513	-	40 477 513
Unlisted equity	-	517 098	517 098
Investment income receivable	-	398 094	398 094
	<b>79 584 160</b>	<b>31 642 590</b>	<b>111 226 750</b>

# UNEMPLOYMENT INSURANCE FUND

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## Notes to the Annual Financial Statements

Figures in Rand Thousand

2022  
R'000

2021  
R'000

### 18. Financial instruments disclosure (continued)

#### Financial Liabilities

	At amortised cost	Total
Deposits received	342	342
Service bonus accrual	42 667	42 667
Trade and payables from exchange transactions	677 094	677 094
Uncleared deposits	303 843	303 843
	<b>1 023 946</b>	<b>1 023 946</b>

### 19. Revenue from non-exchange transactions

Contributions received	21 894 419	18 870 925
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Revenue consists of unemployment insurance contributions, interest and penalties from registered employers in terms of the UI Contributions Act (Act No.4 of 2002).

### 20. Benefit payments

#### Benefit payments to beneficiaries

Benefit payments - WABU	14 148	-
Benefit payments - COVID-19 TERS	3 808 456	57 442 060
Benefit payments - unemployment	15 270 134	15 020 834
Benefit payments - illness	394 575	294 309
Benefit payments - maternity	1 629 428	1 335 592
Benefit payments - adoption	467	245
Benefit payments - dependants	755 703	403 786
	<b>21 872 911</b>	<b>74 496 826</b>

#### Changes in Benefit Payables

Provision for WABU	32 770	-
Provision for Covid-19 TERS Benefits	(1 774 058)	1 295 925
Change in provision for normal benefits	(370 178)	2 428 455
	<b>(2 111 466)</b>	<b>3 724 380</b>

#### 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 receives contributions and calculates the insurance benefits and liabilities.

Section 13(3) of the UI Act states: "... a contributor's entitlement to benefits in terms of the Chapter accrues at a rate of one day's benefit for every completed five days of employment as a contributor is subject to a maximum accrual of 365 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.

#### COVID-19 TERS benefits

The Fund was mandated to create a special benefit as per the COVID-19 Temporary Employee/Employer Relief Scheme (COVID-19 TERS). Refer to Note 15 - Benefits payable, for further detail on these benefits.

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## Notes to the Annual Financial Statements

Figures in Rand Thousand

2022  
R'000

2021  
R'000

### 20. 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 years 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.

### 21. Unemployment Alleviation Schemes

Training and social plan funding	651 872	610 083
Temporary Employer/Employee Relief Scheme	52 955	158 888
	<b>704 827</b>	<b>768 971</b>

### 22. Other revenue from exchange transactions

Rental income	4 377	3 766
Recovery on overpayment written off	22 836	23 422
Other recoveries	2 450	34
Proceeds on disposals	11	-
	<b>29 674</b>	<b>27 222</b>

### 23. Auditors remuneration

Fees	21 169	17 292
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### 24. Depreciation, amortisation and impairments

#### Depreciation and amortisation

Computer software	4 916	6 157
Furniture and fixtures	1 040	1 255
IT equipment	14 223	12 753
Leasehold improvements	591	594
Motor vehicles	186	230
Office equipment	290	274
Telecom equipment	545	545
Lease right: Unilim student village	193	112
	<b>21 984</b>	<b>21 920</b>



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Figures in Rand Thousand

2022  
R'000

2021  
R'000

### 25. Employee costs

Basic	1 426 198	1 394 501
Housing benefits and allowances	54 388	52 713
Long-service awards	2 222	2 153
Other short term costs	881	770
Overtime payments	31 921	37 645
	<b>1 515 610</b>	<b>1 487 782</b>

### Government Employee Pension Fund

Employees of the Fund are members of Government Employee Pension Fund (GEPF) which is a defined benefit fund that has to adhere to strict regulations governing its financial liability to members and pensioners. GEPF, as a defined benefit fund is different from defined contribution funds.

### 26. Administrative costs

Bank charges	16 537	20 404
Bad debts written off	117 408	270 556
Computer expenses	133 616	186 059
Commission paid to SARS for the collection of contributions	321 490	275 932
Printing and stationery	9 302	7 908
Advertising, marketing and exhibitions	7 346	23 660
Fuel cost	6 392	4 413
Consulting fees - Internal Audit	3 365	1 159
Fees for services - Board Members	1 878	2 122
Legal fees	3 461	1 647
Training and staff development	8 134	3 429
Other	4 377	1 733
	<b>633 306</b>	<b>799 022</b>

Included in bad debts written off are the following:

#### Allowance for impairment

Rent receivable	926	-
Sundry receivable	15 062	28
Transactions under investigation	(40 715)	121 460
Disallowances on overpayment	71 301	100 021
Legal claims	(2 796)	1 110
Covid19 TERS	6 162	3 335
<b>Amounts written off</b>		
Disallowances and overpayment debt	65 526	44 194
Legal claims	1 914	408
Sundry debt	28	-
	<b>117 408</b>	<b>270 556</b>

### 27. Operating expenses

Computer services - U-filing	26 144	19 157
Consulting fees - administration and support	117 887	27 054
Consulting fees - contractors and special services	354 500	219 910
Lease rentals on operating lease	192 370	159 097
Investment portfolio - management fees	60 970	63 934
Investment portfolio - transaction cost	18 968	21 871
Municipal services	26 320	22 226
Other operational costs	18 537	22 521
Telephone and fax	50 008	41 780
Travel and subsistence	55 867	25 360
	<b>921 571</b>	<b>622 910</b>

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R'000 2021  
R'000

### 28. Investment revenue

#### Interest revenue

Bank	528 706	425 078
Interest received - other	737 263	1 150 843
Listed financial assets	4 646 184	4 173 063
Other financial assets	976 940	982 787
	<b>6 889 093</b>	<b>6 731 771</b>

#### Investment revenue earned on financial assets by category

Interest earned on financial assets at fair value	4 646 183	4 173 063
Dividends earned on financial assets at fair value	976 940	982 787
Interest earned on financial assets at amortised cost	1 265 970	1 575 921
	<b>6 889 093</b>	<b>6 731 771</b>

#### Rates of interest

	Fixed or floating rate	Effective weighted average rate 2022	Effective weighted average rate 2021
Cash and cash equivalents	Floating rate	6,25 %	6,25 %
Financial bonds	Fixed rate	9,02 %	9,33 %
Fixed deposits - First National Bank	Floating rate	4,54 %	3,91 %
Fixed deposits - PIC	Floating rate	5,01 %	-
Government bonds	Fixed rate	5,88 %	5,01 %
Manufacturing bonds	Fixed rate	-	9,49 %
Parastatal bonds	Fixed rate	6,94 %	7,42 %
Parastatal bonds	Floating rate	-	5,78 %
Service bonds	Fixed rate	-	9,30 %
Treasury bills	Fixed rate	4,75 %	-

### 29. Fair value adjustments

Investment property (Fair value gain/(loss))	(286 582)	116 934
Other financial assets		
• Investments at fair value (gain/(loss))	540 854	27 982 289
	<b>254 272</b>	<b>28 099 223</b>

#### Fair value per asset category

Bills	(639)	(13 040)
Bonds	446 142	13 941 375
Foreign instruments	456 958	1 815 903
Listed equity	(632 232)	12 699 382
Negotiable certificates of deposit	-	(8 384)
Social responsibility investments	270 625	(452 947)
Investment property	(286 582)	116 934
	<b>254 272</b>	<b>28 099 223</b>

#### Breakdown of foreign portfolio fair value adjustments into components

Fund movement	551 218	2 909 108
Forex movement	(94 260)	(1 093 205)
	<b>456 958</b>	<b>1 815 903</b>

Independent valuations of all the Social Responsible Investments were performed at 31 March 2022 and all the market values adjusted.

# UNEMPLOYMENT INSURANCE FUND

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## Notes to the Annual Financial Statements

Figures in Rand Thousand	2022 R'000	2021 R'000
<b>29. Fair value adjustments (continued)</b>		
<b>Realised Gains/Losses on investments</b>		
Listed shares	3 716 627	729 561
Bonds	(352)	(9 466 818)
Foreign exchange	-	(41)
Social responsibility investments	(54 915)	-
	<b>3 661 360</b>	<b>(8 737 298)</b>
<b>30. Income from equity accounted investments</b>		
<b>Joint ventures</b>		
Matseke Medical Consultants CC	(5)	-
<b>Associates</b>		
Urban Lifestyle Investments (Pty) Ltd	(19 248)	(5 560)
Clinix Health Group (Pty) Ltd	(1 091)	6 823
Daybreak Farms (Pty) Ltd	9 784	27 802
Educor Property Holdings (Pty) Ltd	(40 886)	11 872
Grey Jade Trading and Invest 69 (Pty) Ltd	2 387	5 855
Gurb Investments (Pty) Ltd	-	(629)
Naturecell Africa RF (Pty) Ltd	(497)	(4 527)
Razorite Health and Rehabilitation Fund En Commandite Partnership	1 482	(20 017)
Razorite Fund II En Commandite Partnership	48 895	34 112
Resultant Finance (Pty) Ltd	1 426	8 646
Southpoint Management Services (Pty) Ltd	12 392	46 242
The SA SME Fund Ltd	(5 272)	(526)
UIF Afgri Fund 1 en Commandite Partnership	14 630	(15 170)
	<b>23 997</b>	<b>94 923</b>
<b>31. Impairment of other financial assets</b>		
<b>Impairments</b>		
Other financial assets	481 920	2 772 591
<b>Reversal of impairments</b>		
Other financial assets	(1 131 768)	(41 510)
<b>Total impairment losses recognised</b>	<b>(649 848)</b>	<b>2 731 081</b>
<b>32. Finance costs</b>		

Amounts for interests paid as per closing balances were on various UIF FNB bank accounts. Mainly the Fund's Bank Charges bank accounts have a unfavourable balances monthly due to the fact that the charges are levied after the bank accounts were swept. Bank charges transactions levied are paid on the 1st of each month. Total interest expense, calculated using the effective interest rate, on bank balances that were in overdraft on the 1st of April 2022 relating to 31 March amounted to R88.92 (2021: R94.09).

# UNEMPLOYMENT INSURANCE FUND

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<b>33. Cash generated from (used in) operations</b>		
Surplus/(Deficit)	9 770 709	(39 606 809)
<b>Adjustments for:</b>		
Movement in property, plant and equipment	22 074	22 261
Income from equity accounted investments and interests	(23 998)	(94 923)
Impairment of investments in associates and joint ventures	51 953	22 841
Reversal of impairment of other financial assets	(1 131 768)	(41 510)
Impairment of other financial assets	481 920	2 772 591
Fair value adjustments	(254 272)	(28 099 223)
Realised gains/losses on investments	(3 661 360)	8 737 298
Movement in lease liability	20 401	(823)
Reversal of transfers to DEL	-	(8 260)
Change in provisions and reserves	(2 114 051)	12 713 353
<b>Changes in working capital:</b>		
Statutory receivables from non-exchange transactions	(323 544)	37 883
Movement in prepayments	(400 651)	(23 004)
Movement in receivables from exchange transactions	(75)	579 108
Movement in payables	(569 987)	(8 480 287)
	<b>1 867 351</b>	<b>(51 469 504)</b>
<b>34. Commitments</b>		
<b>Already contracted for but not provided for IT enablement</b>		
• 2 Identity	1 884	1 884
• Baraka IT Solutions	68 954	99 766
• Emerge Customer Flow Management	-	286
• Interfile	66 677	98 040
• Sizwe Africa IT Group	-	1 147
<b>Unemployment Alleviation Schemes</b>		
• TERS	27 084	73 524
• Employability	1 916 663	1 253 839
• Business Turnaround and Recovery (BT&R)	41 308	81 141
<b>Actuarial services</b>		
• True South	-	8 340
<b>Professional services</b>		
<b>Professional services</b>		
• Altimax	-	1 003
• Maine Management and Chartered Accountants	6 984	-
• Nexia SAB&T	8 009	21 430
• Vindhya Systems	4 635	1 176
<b>Other commitments</b>		
• African Mobility Solutions	-	84 767
• Delta Cleaning	54	-
• Hassler Business System	85	-
• GEN2 Enterprise Software	1 151	5 838
• Manabo Hygiene Services	417	154
• Metrofile	4 586	5 675
• Nashua Communications	4 037	13 785
• Powerful Cleaning	900	3 093
• Predicate Logistics	533	-
• Procure Trading	40	47
• Newsclip Media	38	-
	<b>2 154 039</b>	<b>1 754 935</b>

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## Notes to the Annual Financial Statements

Figures in Rand Thousand	2022 R'000	2021 R'000
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### 34. Commitments (continued)

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 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.

#### Operating leases

##### Operating leases - as lessee (expense)

##### Minimum lease payments due

Opening balance	23 867	2 556
Deferral rental	(1 733)	(823)
	<b>22 134</b>	<b>1 733</b>

2022	Buildings and other fixed structures R'000	Machinery and equipment R'000	Mobile Busses	Total R'000
Not later than 1 year	24 579	177	27 941	52 697
Later than 1 year and not later than 5 years	-	-	37 105	37 105
	<b>24 579</b>	<b>177</b>	<b>65 046</b>	<b>89 802</b>

2021	Buildings and other fixed structures R'000	Machinery and equipment R'000	Mobile Busses	Total R'000
Not later than 1 year	23 992	5 444	-	29 436
Later than 1 year and not later than 5 years	-	177	-	177
	<b>23 992</b>	<b>5 621</b>	<b>-</b>	<b>29 613</b>

Operating lease payments represent rentals payable by the Fund for buildings, parking, machinery and equipment. The building lease is for a period of 36 month and ends in November 2021. The payments escalate annually with 8%. The parking lease is for a period of 24 month and ends in April 2022. The payments escalate annually with 6.6%. The machinery and equipment lease is for a period of 36 months and end in September 2021. The payments are fixed and has no escalation. No contingent rent is payable for any of the leases.

##### Operating leases - as lessor (income)

##### Minimum lease payments due

- within one year	-	2 520
- in second to fifth year inclusive	-	4 794
	<b>-</b>	<b>7 314</b>

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 (remainder extent) of Erf 43, Thohoyandou 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.

# UNEMPLOYMENT INSURANCE FUND

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### 35. Contingencies

#### Litigation overview

One hundred and six (106) cases against and by the Fund were attended to during the financial year 2021/2022 including cases carried over which were still pending against the Fund during the 2020/2021 financial year. The cases include disputes for the payments of UIF benefits, Covid-19 TERS, Contractual disputes, Normal TERS, Refund of the amount paid in error to the UIF and paid to the applicants for Covid-19 benefits, Labour Relations Dispute, Legislative compliance, specific performance and the Promotion to Access of Information Act (PAIA).

#### Contingency liability - Cases against the Fund

Sixty-one (61) of the cases relate to the unemployment's benefits in which 38 cases has a total amount of R754,130.49 and 23 cases' total amount are still to be determined. Three cases for maternity benefits to the amount of R25,342.83. One cases for Illness benefits is still to be determined. Three cases for death benefit, two of these cases have a total of R111,593.16 and one case is still to be determined.

Four cases of contractual disputes, in which two cases has total amount of R43 585 240,83 and the other two cases are for specific performance. One case relates to the confirmation of the payment uif benefit and one case for refund of the R30 089.89 amount deposited to the Fund bank account by error, one case of Normal Ters benefit with a total amount of R1 700 131.08. Fourteen cases relate to Covid-19 Ters, in which two cases were instituted against the Fund for a total amount of R21 951 657.00.

#### Contingent assets - Cases in favour of the Fund

One case instituted by the fund to recovery an amount of R220 552 995,88. Counter application by respondent and also, counter application by the applicant. And fifteen cases still to be determined.

#### Cases relating to specific performance

One case relates to Legislative compliance for specific performance. Ten cases relate to PAIA request still to be finalised. One case relates to Labour relations dispute still to finalised.

#### COVID TERS Contingent Liability

The accounting implications of the COVID-TERS benefit payment are pervasive for the UIF; the effects cover Accounts Receivable, Revenue, Current Income, Retained Income, Bank, Actuarial Reserves as well as off – Statement of Financial Position Effects. It is for this pervasive reason that the note on COVID-TERS and related contingencies needs to be elevated.

- Events - Contingent Asset

- Existence (of an asset) to be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of the entity.

The Follow the Money Investigations, Financial Intelligence Centre Investigations (including SIU) UIF Internal verifications, joint collaborations with financial institution to trace benefit payments Investigations underway will reveal the true extent of the overpayment, whistleblowing reports from affected parties (example aggrieved employees). The uncovering of the overpayment shall give rise to the Receivable. The settlement of the receivable shall give rise to the Asset, Cash and Cash Equivalent.

The enhancement of the total COVID-TERS solution is closely associated with the realization of the contingent event in that it assures realization of the user requirements to deliver COVID-TERS. Management believes that the investigations should be viewed together with the enabling ICT development currently carried out.

The UIF envisages a prolonged period of investigations. Notwithstanding the experienced and possible future delays, management believes the process to investigate and recover the funds as received from the AODs and the sequestration of debtor assets will last over three years. For this reason, the contingent asset will be realized over the next three years. The main drivers in the realization of the associated asset are as follows:

**Notes to the Annual Financial Statements**

Figures in Rand Thousand	2022 R'000	2021 R'000
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**35. Contingencies (continued)**

- The extent and pace of the recalculation and quantification of the overpayment and any other error
- Posting of the overpayment
- Tracing of overpayment debtors
- Raising of Acknowledgement of Debtors associated with the debtors
- Receipt and correct Allocation of funds associated with overpayment and debtors
- Possible correction and adjustment of debtor balances

**Underpayments - Possible Liabilities**

To the extent that there may be computed errors which will be uncovered as part of the investigation exercises; a contingent liability may result in future.

**Difficulties in allocating repayments of overpayments through the Bank**

The UIF has encountered difficulties in linking or associating repayments received in the bank to the beneficiaries and the related iteration that gave rise to the overpayment. The difficulties occur where the beneficiaries repay the UIF by depositing the funds in the UIF bank without sufficient information to enable the UIF to allocate the receipt to the overpayment. It is important to link the repayment of the overpayment to the beneficiary so as to ascertain the true extent of the balance of the Accounts Receivable from the beneficiary (since Accounts Receivable is Opening Overpayment Less any Amounts received from the Beneficiary Less any Adjustment made to the Beneficiary's Debt to the UIF).

The UIF, with the assistance of the AGSA and a panel of six service providers were appointed to trace and recover overpayments managed to recover an amount. In an attempt to investigate, uncover and claw back the overpaid amounts; the UIF sought to procure services of a panel of service providers for the exercise. The appointment was halted by litigation from an unsuccessful bidder. The litigation has therefore delayed the UIF's attempt to uncover the true extent of the Accounts Receivable.

**Acknowledgement of Debts**

The Acknowledgement of Debts are followed by the Law Enforcement Agencies and the Follow the Money Teams. The AODs are not raised on the face-value of the AODs since the debt is raised at the value of the benefit initially paid to the beneficiary. The AOD value is treated as a reference value to the amount ultimately received from the debtors.

**Treatment of the unmatched deposits**

The unmatched deposits are categorized as a unidentified / single debtor in the UIF systems of record. It is only after conclusion of an investigation that an identified and unmatched deposit is raised as an Account Receivable associated to a specified beneficiary for a particular COVID-lockdown iteration. Therefore, the direct relationship between the investigation (leading to identification and classification of source beneficiary and iteration of unmatched deposit) and the value of the Accounts Receivable.

**Treatment of subsequent unmatched deposits (unmatched after the investigation)**

It is envisaged there will be unmatched deposits after the investigation exercise (subsequent unmatched deposits). To extinguish the credit balance from the subsequent unmatched deposits, UIF will apply principles of Prescription. The prescription process will comply the legislative prescripts of prescription along with the UIF Risk Management Framework. The prescription process shall require approval at the board level or a body so delegated. This approval shall be for the quantum proposed as well as the process proposed. The credit balanced will be recognized to Income in the year of prescription.

**Related amounts for monitoring and consideration**

Amounts to be accounted for as part of the preparation of the note and to be reported on as part of the Financial Report of the UIF.

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-	-

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand

2022  
R'000

2021  
R'000

### 35. Contingencies (continued)

#### Litigation against the Fund - 2021

Twenty-one (21) cases against and by the Fund were attended to during the 2020/2021 financial year, including cases carried over from the prior year, which were still pending against the Fund during the 2019/2020 financial year with regards to the adjudication of benefit payments, specific performance, refunds of amounts paid by error, COVID-19 TERS benefits and alleged areas on rental.

Three (3) of the cases relate to Death Benefits, two (2) cases for Maternity Benefits, one (1) case for Illness Benefits, one (1) case for the amount deposited to the Fund bank account by error, one (1) case for alleged rental areas, five (5) cases for specific performance, four (4) cases for COVID-19 TERS whereas the other four cases relate to Unemployment Benefits.

For the four (4) cases of Unemployment Benefits, the total amount claimed against the Fund is R85,518.40 for two (2) cases, with an unknown amount of two (2) cases relating to 161 mine workers which are still pending and to be determined by the court and in and one (1) matter that still needs to be determined. One (1) case for Unemployment Benefits with the claimed amount of R1,518.40 and two (2) cases with unknown claimed amounts are still pending.

Two (2) cases are for Maternity Benefits with the claimed amount of R16,153.46 and these matters are still pending. Three (3) cases are for Death Benefits with the claimed amounts of R48,626.35 for two (2) cases with an unknown amount for one case - one case was paid in favour of the applicant with the amount of R20,136.36, while the other two (2) cases with the claimed amount of R28,489.99 and the one (1) case with an unknown amount are still pending.

One (1) case is for Illness Benefits with the claimed amount to be determined by the court and it is still pending. One (1) case for the amount of R38,357,978.21 alleged to be the areas of rental by the Fund at the Absa building by Vantage, the matter is pending in court.

Four (4) cases for COVID-19 TERS benefits with the amount of R2,207,680.00 for two (2) cases with an unknown amount for the other two (2) cases which will be determined by the court. All four (4) cases are still pending in court. Five (5) cases are for specific performance emanating from COVID-19 TERS. Of the five (5) cases, two (2) were finalised and they were ruled in favour of the Fund by the court whereas three (3) cases are pending. The total amount claimed against the Fund is R39,227,935.57 and this includes the amount ruled in favour of the Fund, finalised cases, pending cases and excludes the amount for the pending cases which are not mentioned on the court papers which will be determined by the court ruling.

### 36. Related parties

#### Relationships

Joint ventures

Refer to note 12

Associates

Refer to note 13

Close family member of key management

Name

Members of key management

Name

#### 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 Business Turnaround and Recovery Programmes to companies that want to improve their productivity. These services have also been extended to companies that are in distress through funding from the Fund.



# UNEMPLOYMENT INSURANCE FUND

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Figures in Rand Thousand	2022 R'000	2021 R'000
<b>36. Related parties (continued)</b>		
<b>Related party balances</b>		
<b>Amounts included in trade receivables regarding related parties</b>		
Department of Employment and Labour	249 032	-
<b>Amounts included in trade payables regarding related parties</b>		
Department of Employment and Labour	(167 369)	(326 945)
<b>Related party transactions</b>		
<b>Administration fees incurred by (incurred in respect of) related parties</b>		
Department of Employment and Labour	418 363	337 390
<b>Employee costs incurred by (incurred in respect of) related parties</b>		
Department of Employment and Labour	1 536 212	1 442 132
<b>Other operating expenses incurred by (incurred in respect of) related parties</b>		
Department of Employment and Labour	22 691	6 617
<b>IT equipment transferred</b>		
Department of Employment and Labour	-	369

Related parties for the Fund are Government Institutions and all receivables from and payables to these institutions arise from services rendered in pursuit of the mandate of the Fund. Due to the Public Service nature of the relationship between the Fund and its Related Parties, amounts owed to or owed by the Fund are not secured. Consequently, no guarantees are given or received and no provision is made for doubtful debts on outstanding amounts. No bad or doubtful debts were recorded in respect of Related Party balances

Department of Employment and Labour incurs expenditure on behalf of the Unemployment Insurance Fund daily on an ongoing basis. In this regard, the Fund pays an advance to the Department to cover expenditure estimated at approximately two months taking into consideration the time required for processes relating to claiming and settlement of the claim.

# UNEMPLOYMENT INSURANCE FUND

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## Notes to the Annual Financial Statements

Figures in Rand Thousand

### 36. Related parties (continued)

#### Directors' emoluments

2022	Fees for services as a member of management	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Post-employment benefits	Other benefits received	Total
<b>Name</b>							
Aderibigbe HA (Director: Budgets, Expenditure and Bank Recons)	1 March 2005	1 116	39	94	16	-	1 265
Briedenhann L (Director: Reporting)	1 October 2008	1 185	-	93	-	-	1 278
Buthelezi GM (Director: Communications)	1 June 2014	992	79	100	5	-	1 176
Duma P (Director: Labour Activation Programmes)	1 February 2018	994	8	96	-	-	1 098
Fololo Z (Director: Income and Accounts Receivable)	1 December 2013	869	139	99	17	-	1 124
Fourie ASC (Director: Treasury, Investments and Actuarial Services)	1 June 2014	1 101	72	97	33	-	1 303
Kumbi J (Chief Director: Operations)	1 March 2012	1 095	139	98	23	-	1 355
Makgamatho MR (Director: Compliance)	1 November 2014	1 033	36	100	16	11	1 196
Maphatane TI (Director: Risk Management)	1 March 2018	936	74	96	-	-	1 106
Maruping TS (UI Commissioner)	1 December 2016	1 422	-	138	-	-	1 560
Mathabela AC (Director: Organisational Effectiveness)	1 February 2018	1 015	14	97	23	-	1 149
Mconywa NB (Chief Director: Labour Activation Programmes)	1 March 2013	1 203	70	105	9	-	1 387
Mkhonto LD (Adv) (Director: Legal Services)	1 October 2020	963	3	96	36	-	1 098
Monakali X (Chief Information Officer)	1 August 2015	1 051	-	96	-	-	1 147
Mokgahla TME	1 April 2021	1 004	-	96	-	-	1 100
Mthalande TN	1 July 2021	721	-	72	-	-	793
Naicker S (Director: Call Centre)	1 June 2019	996	9	96	-	-	1 101
Nape MW (Director: Labour Activation Programmes)	1 April 2016	1 053	3	98	-	-	1 154
Puzi TS (Chief Financial Officer)	1 April 2016	1 228	162	112	34	-	1 536
Ragavaloo PA (Director: Provincial Support)	1 July 2016	942	119	98	-	-	1 159
Ramoshaba M (Director: Supply Chain Management)	1 December 2017	1 019	-	97	-	-	1 116
Roux P (Director: Human Resource Management)	1 April 2016	1 009	36	99	8	-	1 152
Tshabalala N	1 June 2021	914	-	-	-	-	914
Van Wyk L (Director: Office of the UIC)	1 September 2015	903	242	99	-	-	1 244
Yawa EM (Adv) (Chief Director: Corporate Services)	1 April 2019	939	266	114	-	-	1 319
Zungu SF (Director: Labour Activation Programmes)	1 April 2016	988	1	96	17	11	1 113
		<b>26 691</b>	<b>1 511</b>	<b>2 482</b>	<b>237</b>	<b>22</b>	<b>30 943</b>

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand

### 36. Related parties (continued)

#### 2021

Name	Fees for services as a member of management	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Post-employment benefits	Commission, gain or surplus sharing arrangements	Total
Aderibigbe HA (Director: Budgets, Expenditure and Bank Recons)	1 March 2005	1 082	17	94	16	-	1 210
Briedenhann L (Director: Reporting)	1 October 2008	1 098	2	93	-	-	1 194
Buthlezi GM (Director: Communications)	1 June 2014	913	80	99	5	-	1 098
Duma P (Director: Labour Activation Programmes)	1 February 2018	961	4	96	-	-	1 062
Fololo Z (Director: Income and Accounts Receivable)	1 December 2013	834	141	99	17	-	1 092
Fourie ASC (Director: Treasury, Investments and Actuarial Services)	1 June 2014	856	73	96	33	-	1 059
Khumalo DJ (Director: Monitoring and Evaluation)	1 November 2006	476	55	54	11	-	597
Kumbi J (Chief Director: Operations)	1 March 2012	1 005	126	98	23	-	1 253
Makgamatho MR (Director: Compliance)	1 November 2014	944	30	99	16	-	1 090
Maphatane TI (Director: Risk Management)	1 March 2018	901	69	96	-	-	1 067
Maruping TS (UI Commissioner)	1 December 2016	1 383	-	138	-	-	1 522
Mathabela AC (Director: Organisational Effectiveness)	1 February 2018	938	-	96	23	-	1 058
Mconywa NB (Chief Director: Labour Activation Programmes)	1 March 2013	1 165	70	105	9	-	1 350
Mkhonto LD (Adv) (Director: Legal Services)	1 October 2020	493	-	48	18	-	560
Monakali X (Chief Information Officer)	1 August 2015	961	14	96	-	-	1 072
Mulindi V (Director: Internal Audit)	1 January 2014	411	92	50	-	-	554
Naicker S (Director: Call centre)	1 June 2019	961	22	96	-	-	1 080
Nape MW (Director: Labour Activation Programmes)	1 April 2016	982	8	98	-	6	1 095
Puzi TS (Chief Financial Officer)	1 April 2016	1 129	156	112	34	-	1 432
Ragavaloo PA (Director: Provincial Support)	1 July 2016	865	119	98	-	-	1 083
Ramoshaba M (Director: Supply Chain Management)	1 December 2017	961	5	96	-	-	1 063
Roux P (Director: Human Resource Management)	1 April 2016	932	36	98	8	-	1 075
Van Wyk L (Director: Office of the UIC)	1 September 2015	752	228	98	-	-	1 079
Yawa EM (Adv) (Chief Director: Corporate Services)	1 April 2019	902	238	114	-	-	1 255
Zungu SF (Director: Labour Activation Programmes)	1 April 2016	943	3	96	17	-	1 060
		<b>22 848</b>	<b>1 588</b>	<b>2 363</b>	<b>230</b>	<b>6</b>	<b>27 060</b>

# UNEMPLOYMENT INSURANCE FUND

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## Notes to the Annual Financial Statements

Figures in Rand Thousand

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R'000

2021  
R'000

### 36. Related parties (continued)

#### Management class: Councillors

2022	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Post-employment benefits	Other benefits received	Total
<b>Name</b>						
Board members	26 691	1 511	2 482	237	22	30 943
	<b>26 691</b>	<b>1 511</b>	<b>2 482</b>	<b>237</b>	<b>22</b>	<b>30 943</b>

2021	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Post-employment benefits	Commission, gain or surplus sharing arrangements	Total
<b>Name</b>						
Board members	22 848	1 588	2 363	230	6	27 060
	<b>22 848</b>	<b>1 588</b>	<b>2 363</b>	<b>230</b>	<b>6</b>	<b>27 060</b>

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Figures in Rand Thousand

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R'000

2021  
R'000

### 36. Related parties (continued)

#### Non-executive Board Members fees

2022	Fees for services as a member of management	Fees for services R'000	Expense allowances R'000	Total
<b>Board Members</b>				
Gaarekewe O	Appointed: 1 May 2021	-	2	2
Josopu T	Appointed: 1 May 2021	53	4	57
Khumalo D	Appointed: 1 May 2021	24	2	26
Mfulo T	Appointed: 1 Jun 2021	80	8	88
Miya V	Appointed: 1 May 2021	32	4	36
Ntsinde D	Appointed: 1 May 2021	8	-	8
Specht L	Appointed: 1 May 2021	84	8	92
Thobejane E M	Appointed: 1 May 2021	103	8	111
<b>Audit and Risk Committee</b>				
Dala P	Appointed: 23 June 2020	463	2	465
De Kock C	Resigned	33	1	34
Nkosi J	Appointed: 23 June 2020	247	-	247
Skeepers N	Appointed: 21 September 2021	441	-	441
Terhoeven CF	Appointed: 23 June 2020	151	-	151
<b>Appeals Committee</b>				
Leyden S	Regional	10	1	11
Makhado F	Regional	5	-	5
Nkosi AN	Regional	10	1	11
Saku EM	Regional	10	8	18
Sethusha L	Regional	7	-	7
Zwane T	Regional	10	-	10
		<b>1 771</b>	<b>49</b>	<b>1 820</b>

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## Notes to the Annual Financial Statements

Figures in Rand Thousand		2022 R'000	2021 R'000	
<b>36. Related parties (continued)</b>				
<b>2021</b>				
	Fees for services as a member of management	Fees for services R'000	Expense allowances R'000	Total
<b>Board Members</b>				
	Re-appointed: 1 November 2017	234	7	241
Kganyago L*				
	Appointed: 1 November 2017	76	10	86
Mahlangu J				
	Appointed: 1 November 2017	-	3	3
Maphoto D				
	Appointed: 1 November 2017	32	3	35
Matshani M				
	Appointed: 1 November 2017	98	10	108
Mchunu M				
	Appointed: 1 November 2017	4	-	4
Mthlane D				
	Re-appointed: 1 November 2017	141	8	149
Nwedo NE *				
	Re-appointed: 1 February 2019	47	3	50
Nzimande WZ				
	Appointed: 1 November 2017	80	13	93
Tshefuta T				
<b>Audit and Risk Committee</b>				
	Appointed: 1 February 2017	599	6	605
Dala P				
	Appointed: 1 October 2018	76	-	76
De Kock C				
	Appointed: 23 June 2020	143	-	143
Nkosi J				
	Appointed: 1 October 2018	378	7	385
Skeepers N				
	Appointed: 23 June 2020	148	-	148
Terhoeven CF				
<b>Appeals Committee</b>				
	Regional	2	-	2
Barichievu BA				
	Regional	1	-	1
Kula N				
	Regional	30	-	30
Mabuza TS				
	Regional	1	-	1
Mokoena T				
	Regional	2	-	2
Mpulu N				
	Regional	5	-	5
Ngqaneka A				
	Regional	1	-	1
Tibane M				
	Regional	3	-	3
Williams T				
		<b>2 101</b>	<b>70</b>	<b>2 171</b>

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.

Ms M Bronkhorst was appointed during September 2020 as Acting UIC. Her remuneration is paid by Department of Employment and Labour. No performance bonus payments were made to Directors during the period under review.

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## Notes to the Annual Financial Statements

Figures in Rand Thousand	2022 R'000	2021 R'000
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### 37. Transactions under Investigation - Non-exchange

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, incorrect COVID TERS payments 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.

Actual fraud detected - benefits	10 880	10 851
Actual fraud detected - non-benefits	369	362
Transactions under investigation - COVID TERS	80 482	121 233
	<b>91 731</b>	<b>132 446</b>

Actual Fraud detected 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 transactions under investigation for COVID TERS are impaired on a recovery rate for the year, which is calculated based on the debtor balance of COVID TERS and the COVID TERS receipts. 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.

### 38. Write-off of Overpayments

All amounts are rounded to the nearest million.

#### 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 (2021: R44 million) for irrecoverable overpayments which were written off during the financial year.

#### Overpayments written off

Irrecoverable overpayments	65 526	44 194
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#### 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.

### 39. Irregular expenditure

Opening balance as previously reported	111 133	93 149
Add: Irregular Expenditure - current	-	16 220
Add: Irregular Expenditure - prior period	-	1 764
<b>Closing balance</b>	<b>111 133</b>	<b>111 133</b>

## UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

### Notes to the Annual Financial Statements

Figures in Rand Thousand

#### 39. Irregular expenditure (continued)

##### Details of Irregular expenditure

Details of Irregular expenditure	Date reported to Accounting Authority	Confirmed amounts of irregular expenditure R'000	Investigation status	Losses to be recovered by the Fund	Disciplinary action to be taken	Awaiting condone-ment
Company 1: Non-application of Instruction Note 32 dd 31 May 2011, the original value was exceeded with 15%	06/10/2017	80	Completed	N/A	In progress	N/A
Company 2: Non-application of Instruction Note 32 dd 31 May 2011, the original value was exceeded with 15%	06/10/2017	122	Completed	N/A	In progress	N/A
Company 3: Contract addendum, exceeded the 15% as per NT	31/03/2018	1 547	Completed	N/A	In progress	N/A
Company 4: Contract continued beyond 36 months	21/12/2018	11	Completed	N/A	In progress	N/A
Company 5: Amount paid exceeded the approved deviation	06/10/2017	2 730	Completed	N/A	In progress	N/A
Company 6: Non-compliance to TR 16A 3.2 (a)	06/10/2017	58	Completed	N/A	In progress	N/A
Company 7: No order issued, however, the publication was made	25/05/2018	13	Completed	N/A	N/A	In progress
Company 8: Services rendered outside the validity period of the contract	31/03/2018	430	Completed	N/A	In progress	N/A
Company 9: Contract addendum, exceeded the 15%	06/10/2017	361	Completed	N/A	In progress	N/A
Company 10: Non-application of Instruction Note 32 dd 31 May 2011, the original value was exceeded with 15%	23/11/2016	36	Completed	N/A	In progress	N/A
Company 11: Irregular deviation	08/03/2021	6 144	Completed	N/A	In progress	N/A
Company 12: Non-application of Instruction Note 32 dd 31 May 2011, the original value was exceeded with 15%	06/10/2017	2 017	Completed	N/A	In progress	N/A
Company 13: Price increase exceeded 30%	09/07/2019	7	Completed	N/A	N/A	Not condoned - request submitted for transaction to be removed
Company 14: Amount paid exceeded the approved deviation	06/10/2017	433	Completed	N/A	Yes	In progress
Company 15: Contract addendum, exceeded the 15% as per NT	10/08/2018	11	Completed	N/A	N/A	Not condoned - request submitted for transaction to be removed
Company 16: Contract extension occurred automatically	21/12/2018	186	Completed	N/A	N/A	In progress
Company 17: Irregularities in the appointment of service provider	25/02/2021	96 947	Completed	N/A	In progress	N/A
		<b>111 133</b>				



# UNEMPLOYMENT INSURANCE FUND

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## Notes to the Annual Financial Statements

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### 39. Irregular expenditure (continued)

#### Cases under investigation

The following amounts are still under investigation to determine whether irregular expenditure has been incurred or not:

Opening balance	6 712	8 857
Irregular expenditure incurred under investigation	-	21 451
Irregular expenditure confirmation adjustment	-	(5 611)
Expenditure confirmed to be irregular	-	(17 985)
	<b>6 712</b>	<b>6 712</b>

#### Details of irregular expenditure under investigation

Company 1 Status of investigation: Investigation in progress	1 475
Company 2 Status of investigation: Investigation in progress	6
Company 3 Status of investigation: Investigation in progress	5 231
	<b>6 712</b>

Forensic audit is a highly specialised area. 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 appointed 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. No material losses occurred during the financial year through irregular expenditure.

### 40. Fruitless and wasteful expenditure

Opening balance	128 718	237
Add: Fruitless and Wasteful expenditure confirmed -current year	985	128 481
Less: Credit note	(73)	-
	<b>129 630</b>	<b>128 718</b>

#### Details of fruitless and wasteful expenditure confirmed in prior years

Case description	
Company 1 Status of investigation: Disciplinary action in progress	73
Company 2 Status of investigation: Disciplinary action in progress	237
Company 3 Status of investigation: Investigation finalised	4 558
Company 4 Status of investigation: Investigation finalised	123 850
	<b>128 718</b>

No material losses occurred during the financial year through fruitless and wasteful expenditure. A total number of 5 cases was deemed as fruitless and wasteful in the 2021/2022 financial year to the value of R956.386.29. The remaining 2 cases are under pre-determination and investigation.

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<b>40. Fruitless and wasteful expenditure (continued)</b>		
<b>Details of cases still under investigation</b>		
<b>Case description</b>		
Company 5	11	
Status of investigation: Investigation in progress		
Company 6	17	
Status of investigation: Pre-determination in progress		
Company 7	187	
Status of investigation: Investigation in progress		
Company 8	3	
Status of investigation: Investigation in progress		
Company 9	762	
Status of investigation: Investigation in progress		
Company 10	5	
Status of investigation: Pre-determination in progress		
	<b>985</b>	

### 41. Risk management

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

#### Risk management structure

The Accounting Authority is ultimately responsible for identifying and controlling risks, however there are separate bodies and business units responsible for managing and monitoring risks, as per section 51(1)(a)(i) of the PFMA.

#### Unemployment Insurance Board (UIF 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 (UIF 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 UIF Board. The Investment Committee also makes recommendations to both the UIF 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 investment risks are primarily performed based on investment objectives expressed in a detailed investment mandate, based on actuarial asset and liability studies. The managing of this mandate include (but not limited to) factors such as portfolio size, risk parameters, strategic asset allocation, diversification and performance benchmark tracking. This mandate is presented and explained to the UIF Board that makes the necessary recommendations to the Accounting- and Executive authority for approval

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### 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.

#### Regulatory framework

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 16 offset by cash and cash equivalents as detailed in Note 8) and equity of the Fund (comprising of the Technical reserve and Accumulated surplus).

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

Benefits payable	38 255	44 022
Cash and cash equivalents	(8 888 666)	(23 110 554)
<b>Net benefits payable</b>	<b>(8 850 411)</b>	<b>(23 066 532)</b>
Technical reserve	46 613 594	59 482 141
Accumulated surplus	58 363 618	35 724 364
<b>Equity</b>	<b>104 977 212</b>	<b>95 206 505</b>

#### 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 Modelling (ALM) studies. The Fund's Investment Committee commission regular Asset and Liability Modelling studies to ensure an appropriate investment policy and mandate.

The principle technique of the Fund's ALM is to match assets to the liabilities arising from administering 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 administering 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 risks such as a change in environment and technology are monitored through the Fund's strategic planning processes.

#### 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.

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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.

### Technical reserve

Unearned Premium Reserve (UPR)	46 613 594	44 233 305
Unexpired Risk Reserve (URR)	-	13 920 391
Additional Unexpired Risk Reserve (AURR)	-	1 328 446
	<u>46 613 594</u>	<u>59 482 142</u>

### Total outstanding claims

Approved but not paid	8 898 552	10 015 339
Received but not approved	3 122 228	3 169 791
Incurred but not reported	7 915 051	8 862 166
	<u>19 935 831</u>	<u>22 047 296</u>

### 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 is used to achieve the target tracking error set at 1% relative to the benchmark.

# UNEMPLOYMENT INSURANCE FUND

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### 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 portfolios.

### Market risk: Summary of components

For the Fund, market risk consists of the following components determined as the worst 1-in-200 year loss per the Reserve Bank's Prudential Standards:

R'million	31 March 2022	31 March 2021
Concentration risk	5 139	4 697
Currency risk	2 585	2 448
Diversification benefit	(11 192)	(10 881)
Equity risk	9 864	17 418
Interest rate risk	5 548	3 622
Property risk	818	691
Spread and default risk	2 240	5 603
<b>Market risk</b>	<b>15 002</b>	<b>23 598</b>

### 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:

Counterparty	31 March 2022		31 March 2021	
	Exposure R'million	Concentration risk R'million	Exposure R'million	Concentration risk R'million
RSA Government	56 324	-	38 505	-
Robeco Fund	8 616	5 067	8 159	4 652
Firststrand	5 217	643	1 637	-
Eskom	5 398	498	5 686	510
Standard Bank	4 107	299	21 511	395
ABSA	3 541	72	-	-
Independence credit	-	(1 439)	-	(859)
<b>Total</b>		<b>5 139</b>		<b>4 698</b>

### 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.

### 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.

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### Concentration and Movement of Risk per asset class

Asset class	2022	2021	Movement
<b>Total cash and money market</b>			
<b>Cash (Settlement Accounts)</b>			
Standard Bank	3,68 %	20,09 %	(16,41)%
First Rand	1,05 %	0,91 %	0,14 %
<b>Money Markets (Term Investments)</b>			
ABSA	2,06 %	- %	2,06 %
First Rand	4,96 %	1,56 %	3,39 %
Nedbank	2,01 %	- %	2,01 %
Standard Bank	2,01 %	- %	2,01 %
Investec	1,36 %	- %	1,36 %
Treasury	1,04 %	- %	1,04 %
<b>Capital Markets</b>			
Government Bonds	23,25 %	5,21 %	18,04 %
Parastatals/SOE	5,17 %	9,06 %	(3,90)%
Corporate Bonds	1,03 %	1,25 %	(0,22)%
Inflation-linked Bonds	28,85 %	22,39 %	6,46 %
<b>Domestic &amp; Foreign Equity Holding</b>			
Domestic & Foreign Equity Holding	23,52 %	39,51 %	(16,00)%
	<b>100,00 %</b>	<b>100,00 %</b>	

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.

### Market risk: Equity risk

Equity portfolio value R13,786 million (2021: R29,692 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 2022			31 March 2021		
	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)	13 786	6 617	48 %	29 692	13 361	45 %
Foreign (listed)	8 616	3 877	45 %	8 159	3 916	48 %
Other	-	-	-	2 249	1 147	51 %
Diversification benefit	-	(630)	-	-	(1 006)	-
	<b>22 402</b>	<b>9 86</b>	<b>44 %</b>	<b>40 100</b>	<b>17 418</b>	<b>43 %</b>

Date	Holding R'000	Cost R'000	Market R'000	Unrealized Profit/(loss) R'000
31 March 2022	165 624	11 452 384	13 786 105	2 333 721
31 March 2021	388 836	26 219 128	29 691 838	(3 472 710)

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### Market risk: Interest rate risk

Bond portfolio value R63,282 million (2021: R38,834 million).

Bills, Promissory Notes and Negotiated Certificates of Deposit portfolio value R1,134 million (2021: R990 million).

Fixed deposit portfolio value R69,706 million (2021: R0 million).

Interest rate risk arises when the market value of assets is 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 2022:

	31 March 2022 Market value R'million	31 March 2021 Market value R'million
Government bonds (fixed interest)	26 404	8 725
Government bonds (index-linked)	28 394	21 780
Corporate bonds (fixed interest)	5 857	5 740
Corporate bonds (index-linked)	2 627	2 588
Loans (other)	-	10 796
Short term instruments (banks)	13 064	2 590
Short term instruments (government)	1 527	-
<b>Total interest-rate sensitive assets</b>	<b>77 873</b>	<b>52 219</b>

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.

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:

Asset duration (months)	Market value R'million	31 March 2022			31 March 2021		
		Interest rate risk R'million	As % of market value	Market value R'million	Interest rate risk R'million	As % of market value	
<3 years	26 032	584	2	19 591	629	3	
3 - 6 years	15 775	2 065	13	10 087	1 188	12	
6 - 9 years	20 268	3 968	20	11 024	2 011	18	
9 - 12 years	8 020	1 449	18	8 162	1 908	23	
12 - 15 years	2 926	677	23	2 036	538	26	
15 - 18 years	1 448	432	30	1 320	472	36	
>18 years	3 403	1 073	32	-	-	-	
Liabilities	-	(3 419)	-	-	(4 477)	-	
Diversification benefit	-	(1 282)	-	-	1 353	-	
	<b>77 872</b>	<b>5 547</b>	<b>7</b>	<b>52 220</b>	<b>3 622</b>	<b>7</b>	

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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.

### 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:

	31 March 2022			31 March 2021		
	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	3 272	818	25	2 762	691	25

### 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:

	31 March 2022			31 March 2021		
	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	8 616	2 585	30 %	8 159	2 448	30 %



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Currency risk can also lead to an adverse impact on the valuation of foreign denominated investments. The Fund manages its currency risk exposure through the following interventions:

1. The Fund'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 three 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.

	31 March 2022			31 March 2021		
	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	2 993	449	15	2 499	375	15
Default risk: Type 3	5 139	224	4	21 511	936	4
Spread risk	77 872	1 568	2	52 220	4 292	8
<b>Total</b>	<b>86 004</b>	<b>2 241</b>	<b>3</b>	<b>76 230</b>	<b>5 603</b>	<b>7</b>

### Liquidity risk

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

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### The new investment structure is as follows

Asset Class	Lower Bound		Interim Strategic		Upper Bound		Benchmark
Cash and money market	2,00	%	13,50	%	31,00	%	STEFI Composite
Capital markets: Inflation Linked Bonds	17,00	%	27,00	%	37,00	%	ALBI
Capital market: Nominal bonds	17,00	%	26,00	%	36,00	%	CILI
Domestic equity	-	%	8,00	%	14,00		JSE CAPPED SWIX
International Equity	-	%	2,00	%	8,00	%	MSCI World Index
Listed property	-	%	2,50	%	5,00	%	J253
Unlisted property	1,00	%	4,00	%	6,00	%	IPD Index
Other unlisted instruments	10,00	%	17,00	%	20,00	%	CPI + 3
			<b>100,00</b>	<b>%</b>			-

### Portfolio Compliance

Financial Assets 2022	Value R'000	Actual Asset allocation
Listed equity	25 533 895	21,62 %
Unlisted equity	726 420	0,62 %
Bonds	63 281 867	53,58 %
Bills & NCD's	1 134 234	0,96 %
Fixed deposits	9 706 145	8,22 %
Unlisted financial instruments	8 539 690	7,23 %
Investment income receivable	286 956	0,24 %
Cash and cash equivalents	8 888 653	7,53 %
<b>Total value of Fund's portfolio</b>	<b>118 097 860</b>	<b>100,00 %</b>

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.

### Maturity profile on financial assets

2022 R'000	Receivable on demand	0 - 12 months	1 - 3 years	3 - 7 years	>7 years	Total
Capital market	-	1 652 075	9 899 958	11 412 980	40 316 854	63 281 867
Cash and cash equivalents	8 888 313	-	-	-	-	8 888 313
Listed equity	-	25 533 895	-	-	-	25 533 895
Money market	-	10 840 380	-	-	-	10 840 380
Unlisted Investments	-	-	-	-	13 500 789	13 500 789
	<b>8 888 313</b>	<b>38 026 350</b>	<b>9 899 958</b>	<b>11 412 980</b>	<b>53 817 643</b>	<b>122 045 244</b>

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					2022 R'000	2021 R'000
<b>2021</b>						
<b>R'000</b>	<b>Receivable on demand</b>	<b>0 - 12 months</b>	<b>1 - 3 years</b>	<b>3 - 7 years</b>	<b>&gt;7 years</b>	<b>Total</b>
Capital market	-	4 618 844	9 068 962	9 413 457	15 732 347	38 833 610
Cash and cash equivalents	23 110 554	-	-	-	-	23 110 554
Listed equity	-	40 477 513	-	-	-	40 477 513
Money market	-	990 035	-	-	-	990 035
Unlisted Investments	-	-	-	-	12 812 223	12 812 223
	<b>23 110 554</b>	<b>46 086 392</b>	<b>9 068 962</b>	<b>9 413 457</b>	<b>28 544 570</b>	<b>116 223 936</b>

### Maturity analysis on financial liabilities

The following table analyses the Fund's financial liabilities which will be settled on a gross basis:

<b>2022</b>	<b>Payable on demand</b>	<b>Within 1 month</b>	<b>Within 3 months</b>	<b>Within 12 months</b>	<b>Total</b>
<b>R'000</b>					
Bank overdraft	14	-	-	-	14
Deposits received	342	-	-	-	342
Payables	-	748 934	-	-	748 934
Service bonus accrual	-	7 162	13 431	22 074	42 667
Uncleared deposits	304 012	-	-	-	304 012
	<b>304 368</b>	<b>756 096</b>	<b>13 431</b>	<b>22 074</b>	<b>1 095 969</b>

<b>2021</b>	<b>Payable on demand</b>	<b>Within 1 month</b>	<b>Within 3 months</b>	<b>Within 12 months</b>	<b>Total</b>
<b>R'000</b>					
Bank overdraft	13	-	-	-	13
Deposits received	361	-	-	-	361
Payables	-	635 637	-	-	635 637
Service bonus accrual	-	7 320	13 726	22 559	43 605
Uncleared deposits	1 302	-	-	-	1 302
	<b>1 676</b>	<b>642 957</b>	<b>13 726</b>	<b>22 559</b>	<b>680 918</b>

### 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.

# UNEMPLOYMENT INSURANCE FUND

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## Notes to the Annual Financial Statements

Figures in Rand Thousand	2022		2021	
	R'000		R'000	
<b>At fair value through surplus or deficit</b>	<b>Carrying value</b>	<b>Fair value</b>	<b>Carrying value</b>	<b>Fair value</b>
	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Listed equity	20 980 058	25 533 895	25 232 708	40 477 513
Unlisted equity	5 387 945	726 420	714 136	517 098
Bonds	57 790 602	63 281 867	34 359 053	38 833 610
Unlisted financial instruments	18 326 610	55 321	510 270	273 037
Bills and Negotiable Certificate of Deposits	1 103 999	1 134 234	1 018 356	-
	<b>103 589 214</b>	<b>90 731 737</b>	<b>61 834 523</b>	<b>80 101 258</b>

<b>At amortised cost</b>	<b>Carrying value</b>	<b>Carrying value</b>
	<b>2022</b>	<b>2021</b>
	<b>R'000</b>	<b>R'000</b>
Investment income receivable	286 956	398 094
Unlisted financial instruments	8 484 369	7 616 889
Fixed deposits	9 706 146	-
	<b>18 477 471</b>	<b>8 014 983</b>

### 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 prepare financial statements for each financial year in accordance with generally accepted accounting practice, unless the ASB approves the application of generally recognised accounting practice for the Fund.

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.

**Notes to the Annual Financial Statements**

Figures in Rand Thousand	2022 R'000	2021 R'000
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**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.

**42. Going concern**

The basis for the calculation of the Fund continuing to be a going concern is the Financial Soundness Basis.

To determine whether the Fund is in a financially sound position as at 31 March 2022, the financial position was determined as per the basis that would have applied to it had it been and insurer regulated by the South African Reserve Bank. For purposes of this assessment, this basis is referred to as the "Financial Soundness Basis".

The principles for determining the actuarial estimates as well as the methodology for calculating the Risk Margin is set out in a document published by the South African Reserve Bank entitled "Prudential Standard SF11 for financial soundness for insurers". The capital requirement (against which the accumulated surplus on the Financial Soundness basis is compared) is derived per the Financial Soundness basis as prescribed.

Based on the Fund's independent actuarial assessment of financial soundness/solvency as at 31 March 2022, the Fund was in a financially sound position. This is based on the Financial Soundness ratio being higher than 125% which is set as the minimum capital requirement per asset liability methodology.

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.

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 2022/2023 financial year:
  - Worker credits for the next 48 months (four years);
  - Expected benefit payments in the 12 months after the reporting date;
  - 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 assessment for the current financial year indicated that the contributions are sufficient to pay claims and expenses, therefore an Unexpired Risk Reserve and an Additional Risk Reserve was not required.
- The Fund's actuaries assessed a projected financial soundness position for the next 10 financial years up to the 2031/2032 financial year on the basis that would have applied to if it had been an insurer regulated by the South African Reserve Bank. The projection indicates a consistent solvency ratio until 2032.
- 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 UI 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 NRF 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.

## Notes to the Annual Financial Statements

Figures in Rand Thousand	2022 R'000	2021 R'000
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### 43. Events after the reporting date

The Fund intervened during 2020 pandemic and introduced a new benefit -Covid-19 TERS, an achievement the Fund hail with aplomb, as the money contributed towards much-needed sustenance for workers, businesses, and our economy. While the Fund is pleased to have made such a great contribution to our country with speed and competence, it was rather unfortunate and regrettable that some of the Covid-19 TERS payments landed in the wrong hands due to fraud and corruption that was made easy by inadequate control measures in the new and hastily developed system.

Subsequently, the Fund began implementing the recommendations of the Auditor-General, and cooperated with financial institutions, law enforcement agencies, and other government departments to validate accounts and ID numbers to avoid fraudulent payments. The Fund enhanced its system and upgraded the security controls. From the beginning of Covid-19 TERS, the Fund was aware of possible fraud hence the "follow the money" project to audit all payments.

Through Phase 1 of the "follow the money" project and joint efforts with the HAWKS, Special Investigating Unit (SIU), National Prosecuting Authority (NPA), Financial Sector Conduct Authority (FSCA), as well as the banking institutions, the Fund managed to suppress the fraud, paving the way for the arrest of at least 30 suspects to date. 10 others have been convicted and sentenced to direct imprisonment or handed suspended sentences for fraudulently claiming the Covid-19 TERS. This includes the high profile 20 years' direct imprisonment of Bookkeeper, Lindelani Gumede, for R11 million Covid-19 TERS fraud.

Through the "follow the money", the Fund's partnerships with law enforcement, and honest employers who received more than was due to them and subsequently refunded the Fund, an amount of about R3,4 billion was recovered and collected by the Fund.

The Fund has already commenced phase 2 of the "follow the money" which is supported by over 360 forensic auditors from six auditing firms appointed by the Fund to ensure that every amount is accounted for. As a the UIF, the Fund has learned crucial lessons from the implementation of the Covid-19 TERS benefits.

AODs (Acknowledgement of Debts) from the SIU (Special Investigations Units)

The matters pertaining to the AODs are adjusting in nature because

- These events occurred between the reporting date and the date on which the financials were authorised
- These events relate to conditions which existed at or prior to the reporting date

Adjusting SIU AODs have been factored in the Statements. To the extent that it may be necessary to review some of the detailed investigator's reports at the provinces, the financial impact can not be reliably measured.

The extension of COVID-19 TERS benefits has only been approved until 25 July 2021. It is uncertain whether the payment of COVID-19 TERS benefits will be extended beyond 25 July 2021.

In addition to this provision the Fund has also estimated the destroyed, affected or looted workplaces temporary relieve estimate of the estimated payment that will be made to vulnerable workers who, because of the closure of a workplace, as a result of the unrest in July 2021, are not being paid remuneration. UIF management estimated that the benefit will be paid for the period 9 July 2021 to 15 December 2021 for 75 000 employees. The estimated amounts to R1.59 billion.

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand

2022  
R'000

2021  
R'000

### 44. Changes in accounting policies, estimates and errors

#### Statement of Financial Position

	As previously reported R'000	Correction of error R'000	Restated R'000
<b>Assets</b>			
<b>Current Assets</b>			
Other financial assets	52 815 615	(306 817)	52 508 798
Receivables from exchange transactions	399 215	(397 298)	1 917
Receivables from non-exchange transactions	856	186 984	187 840
Statutory receivables from non-exchange transactions	1 680 699	-	1 680 699
Prepayments	305 008	(225 054)	79 954
Cash and cash equivalent	23 110 554	-	23 110 554
	<b>78 311 947</b>	<b>(742 185)</b>	<b>77 569 762</b>
<b>Non Current Assets</b>			
Investment property	475 824	-	475 824
Property, plant and equipment	33 779	8 400	42 179
Intangible assets	92 601	218	92 819
Interests in joint ventures	64 945	-	64 945
Investment in associates	4 865 139	(278 884)	4 586 255
Other financial assets	35 607 443	-	35 607 443
	<b>41 139 731</b>	<b>(270 266)</b>	<b>40 869 465</b>
<b>Total Assets</b>	<b>119 451 678</b>	<b>(1 012 451)</b>	<b>118 439 227</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Operating lease liability	3 424	(1 691)	1 733
Payables from exchange transactions	1 190 182	(72 009)	1 118 173
Provisions	12 032 101	10 015 194	22 047 295
Benefits payable	100 810	(56 788)	44 022
Benefits payable - outstanding claims	10 015 339	(10 015 339)	-
Bank overdraft	14	-	14
	<b>23 341 870</b>	<b>(130 633)</b>	<b>23 211 237</b>
<b>Non Current Liabilities</b>			
Provisions	21 340	145	21 485
<b>Total Liabilities</b>	<b>23 363 210</b>	<b>(129 666)</b>	<b>23 232 722</b>
<b>Net Assets</b>	<b>96 088 468</b>	<b>(882 799)</b>	<b>95 206 505</b>
Technical reserve	59 482 141	-	59 482 141
Accumulated surplus	36 606 327	(881 963)	35 724 364
<b>Total Net Assets</b>	<b>96 088 468</b>	<b>(882 799)</b>	<b>95 206 505</b>

# UNEMPLOYMENT INSURANCE FUND

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## Notes to the Annual Financial Statements

Figures in Rand Thousand

2022  
R'000

2021  
R'000

### 44. Changes in accounting policies, estimates and errors (continued)

#### Statement of Financial Performance

	As previously reported R'000	Correction of error R'000	Restated R'000
Revenue from non-exchange transactions	18 870 925	-	18 870 925
Benefit payments	(66 522 195)	(7 974 631)	(74 496 826)
Changes in benefit payments	(12 010 861)	8 286 481	(3 724 380)
Unemployment Alleviation Schemes	(635 753)	(133 218)	(768 971)
<b>Gross surplus/(deficit)</b>	<b>(60 297 884)</b>	<b>178 633</b>	<b>(60 119 251)</b>
Other revenue from exchange transactions	27 222	-	27 222
Auditors remuneration	(17 256)	(36)	(17 292)
Depreciation, amortisation and impairment	(21 920)	-	(21 920)
Employee costs	(1 487 782)	-	(1 487 782)
Administrative costs	(684 317)	(114 705)	(799 022)
Operating expenses	(623 729)	819	(622 910)
<b>Operating deficit</b>	<b>(63 105 666)</b>	<b>64 711</b>	<b>(63 040 954)</b>
Investment revenue	6 731 437	334	6 731 771
Transfer of IT assets to the Department of Employment and Labour	(369)	-	(369)
Gains/losses on the disposal of property, plant and equipment	(182)	-	(182)
Fair value adjustments	28 092 325	6 898	28 099 223
Income from equity accounted investments and interests	89 068	5 855	94 923
Reversal of impairment of other financial assets	150 798	(109 288)	41 510
Impairment of other financial assets	(970 705)	(1 801 886)	(2 772 591)
Impairment of investments in associates and interests in joint ventures	(940 968)	918 127	(22 841)
Realised gains and losses on investments	(8 737 298)	-	(8 737 298)
<b>Surplus/(Deficit) for the year</b>	<b>(38 691 560)</b>	<b>(915 249)</b>	<b>(39 606 809)</b>



# UNEMPLOYMENT INSURANCE FUND

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## Notes to the Annual Financial Statements

Figures in Rand Thousand

2022  
R'000

2021  
R'000

### 44. Changes in accounting policies, estimates and errors (continued)

#### Cash Flow Statement

	As previously reported R'000	Correction of error R'000	Restated R'000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Cash receipts from contributors	18 870 925	(1 081 576)	17 789 349
Interest from banks	201 575	(201 575)	-
Other cash item	34	(34)	-
	<b>19 072 534</b>	<b>(1 283 185)</b>	<b>17 789 349</b>
<b>Payments</b>			
Employee cost and other compensation	(1 487 784)	2	(1 487 782)
Suppliers	(1 468 406)	16 428 778	14 960 372
Benefit payments	(66 522 195)	(16 209 248)	(82 731 443)
	<b>(69 478 385)</b>	<b>219 532</b>	<b>(69 258 853)</b>
<b>Net cash flows from operating activities</b>	<b>(50 405 851)</b>	<b>(1 055 546)</b>	<b>(51 469 504)</b>
<b>Cash flows from investing activities</b>			
Property, plant and equipment	9 223	(9 483)	(260)
Investment property	(306 260)	142 144	(164 116)
Intangible assets	(13 567)	7 456	(6 129)
Investment in joint ventures	4 620	(4 620)	-
Investments in associates	485 523	486 237	971 760
Investment in other financial assets	63 086 884	(63 086 884)	-
Dividends	946 085	(946 085)	-
Interest received on investments	5 805 803	(5 805 803)	-
Net acquisition of other financial assets	-	70 280 712	70 280 712
<b>Net cash flows from investing activities</b>	<b>70 018 311</b>	<b>1 063 674</b>	<b>71 081 966</b>
Net increase/(decrease) in cash and cash equivalents	19 612 463		
Cash and cash equivalents at the beginning of the year	3 498 077		
<b>Cash and cash equivalents at the end of the year</b>	<b>23 110 540</b>		

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand	2022 R'000	2021 R'000
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### 44. Changes in accounting policies, estimates and errors (continued)

#### Errors and reclassification

The following prior period errors adjustments occurred:

#### 1. Valuation amendments of other financial assets

The Fund amended the Market Value adjustment subsequent to performing a valuation of the Landbank default instrument by an independent valuation expert. The amendment was processed due to the updated valuation report by the valuation expert.

#### Statement of Financial Position

Decrease in other financial assets	(306 817)
Decrease in accumulated surplus	306 817

#### Statement of Financial Performance

Decrease in investment revenue	334
Increase in fair value adjustments	6 898
Increase in income from equity accounted investments and interests	5 855
Decrease in reversal of impairment of other financial assets	(109 288)
Increase in impairment of other financial assets	(1 801 886)
Decrease in impairment of investments in associates and interest in joint ventures	918 127
(Increase)/decrease in surplus/deficit for the year	979 960
	<u>-</u>

#### 2. Receivables from exchange transactions

Correction of investment income receivable. The Fund amended the Boabab rental income received in Financial Year 2023 relating to Financial year 2022. The Fund processed the reclassification of the Associate to GRAP104 Financial instrument subsequent to loss of significant influence as a result of liquidation of the investee.

#### Statement of Financial Position

Decrease in receivables from exchange transactions	(397 298)
Increase in accumulated surplus	397 298
	<u>-</u>

#### 3. Receivables from non-exchange transactions

Correction of prior year transactions under investigation receivables and provisions

During the year 2020/2021 the fund paid Covid19 TERS benefits which were in excess to what was due. The Fund has been undergoing a process of investigating the payouts that were made for these benefits. The findings resulted in an increase in debtors due to the refunds due from fraudulent transactions. During the year 2021/2022, the Fund corrected the misstatement, and loaded the transactions under investigation receivables detected in the previous financial year. Subsequently, the transactions were also impaired in the previous financial year. The comparative amounts for 2020/2021 have been restated as summarised below:

#### Statement of Financial Position

Increase in transactions under investigation debt	304 058
Increase in allowance for impairment - transactions under investigation debt	(121 459)
Decrease in accumulated surplus	(182 599)
	<u>-</u>

#### Statement of Financial Performance

Increase in impairment of transactions under investigation	182 599
Decrease in surplus	(182 599)
	<u>-</u>

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand	2022 R'000	2021 R'000
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### 44. Changes in accounting policies, estimates and errors (continued)

#### Correction of prior year Covid19 TERS Receivable, Covid19 TERS provisions

During the year 2020/2021 the fund paid Covid19 TERS benefits which were in excess to what was due. The receivables were not accounted for in the 2020/21 financial year, which is the year in which the error occurred, the reporting year which affected the opening balance for current reporting year. During the year 2021/2022, the Fund corrected the misstatement, and loaded the COVID-19 TERS receivables detected in the previous financial year. Subsequently, the transactions were also impaired in the previous financial year.

The comparative amounts for 2020/2021 have been restated as summarised below:

#### Statement of financial position

Increase in COVID TERS receivables	7 720
Increase in impairment of COVID TERS	(3 335)
Increase in accumulated surplus	(4 385)
	<hr/>
	-

#### Statement of financial performance

Impairment of COVID TERS	(3 335)
Decrease in surplus	3 335
	<hr/>
	-

### 4. Prepayment Adjustments

The prior period error was based on the audit finding that was raised by the Auditor General (AG). AG identified that prepayments made were not reallocated to expenditure when services were rendered by partners. Management also identified a reallocation journal erroneously processed twice instead of once.

The comparative amounts for 2020/2021 have been restated as summarised below:

#### Statement of financial position

Decrease in prepayments	(225 054)
Decrease in accumulated surplus	225 054
	<hr/>
	-

### 5. Property, plant and equipment

The following adjustments occurred as a result of calculations errors in 2020/21 financial year :

#### Statement of financial position

Increase in property, plant and equipment	8 400
Increase in accumulated surplus	(8 400)
	<hr/>
	-

### 6. Intangible assets

The following adjustments occurred as a result of calculations errors in 2020/21 financial year:

#### Statement of financial position

Increase in intangible assets	218
Increase in accumulated surplus	(218)
	<hr/>
	-

# UNEMPLOYMENT INSURANCE FUND

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## Notes to the Annual Financial Statements

Figures in Rand Thousand	2022 R'000	2021 R'000
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### 44. Changes in accounting policies, estimates and errors (continued)

#### 7. Correction of investments in associates

During the year the Fund made adjustments to the prior year amounts as audited AFS became available from some of its investments in associates. The comparative amounts for 2020/2021 have been restated. The effect of the restatement is as follows:

##### Statement of financial position

Decrease in investments in associates	(278 884)
Increase in accumulated surplus	278 884
	<u>-</u>

#### 9. Correction of prior year benefits payable, provisions and payables from exchange transactions

Adjustments were made to correct entries relating the COVID-TERS Receivable provision, payables from exchange transactions, benefit payables and outstanding claims liability.

##### Statement of Financial Position

Decrease in operating lease liability	1 691
Provisions - current	10 015 194
Provisions - non-current	145
Decrease in benefits payable - outstanding claims liability	(10 015 339)
Decrease in payables from exchange transactions	72 009
Decrease in benefits payable	56 788
Increase in accumulated surplus	(130 488)
	<u>-</u>

#### Benefit payments

Adjustments were made to adjust for the overpayments of COVID associated to AODs. A prior year approved journal was settled in the current year against the benefit expense and revised as changes in benefits.

##### Statement of Financial Performance

Increase in benefit payments	7 974 631
Decrease in changes in benefits payable	(8 286 481)
(Increase)/decrease in surplus/deficit for the year	311 850
	<u>-</u>

#### 10. Correction of auditors remuneration, administrative costs and operating expenses

A correction was made with regards to audit fees due to the understatement of the accrual in the prior year.

##### Statement of Financial Performance

Increase in auditors remuneration	(36)
Increase in administrative cost	(114 705)
Decrease in operating expenses	819
(Increase)/decrease in surplus/deficit for the year	113 922
	<u>-</u>

# UNEMPLOYMENT INSURANCE FUND

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## Notes to the Annual Financial Statements

Figures in Rand Thousand	2022 R'000	2021 R'000
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### 44. Changes in accounting policies, estimates and errors (continued)

#### 11. Adjustment of Unemployment Alleviation Schemes

The prior period error was based on an audit finding raised by the Auditor General (AG).

#### Statement of Financial Performance

Increase in unemployment alleviation schemes	(133 218)
(Increase)/decrease in surplus/deficit for the year	<u>133 218</u>
	<u>-</u>

### 45. Reconciliation between budget and Statement of Financial Performance

Reconciliation of budget deficit with the deficit in the Statement of Financial Performance:

<b>Net deficit per the Statement of Financial Performance</b>	<b>9 770 709</b>
<b>Adjusted for:</b>	
Revenue from non-exchange transactions	(2 607 413)
Other revenue from exchange transactions	225
Investment Revenue	(589 026)
Benefit Payment	(16 458 371)
Change in Benefit Payments	12 289 973
Unemployment alleviation schemes	(1 667 441)
Auditors remuneration	(181)
Depreciation, Amortization and impairments	(124 351)
Employee Cost	(485 562)
Administrative Costs	(249 451)
Operating Expenses	(944 376)
Impairment of other Financial Assets/reversal of Impairment	(481 920)
Finance Cost	(3)
Loss on disposal of property, plant and equipment	90
Fair value adjustments	(254 272)
Income from Equity accounted for investment	(23 998)
Impairment of Investment in Associates	51 953
Realised gains/losses on investments	(3 661 360)
Technical reserve	<u>11 105 494</u>
<b>Net deficit</b>	<b><u>5 502 789</u></b>
Budget deficit as approved by the Minister	5 502 789
Capital and virements	<u>692 808</u>
<b>Net deficit per final budget</b>	<b><u>6 195 597</u></b>

### 46. Budget differences

#### Material differences between budget and actual amounts

##### 46.1 Revenue

Revenue from non-exchange transactions exceeded the budget by 13,5% reasons being that the Statistics South Africa reported economic growth of 1,3% in Q2 (April- June) and 1,2% in Q4 (Oct- Dec) as the result of rebounding economic activities after the easing of the COVID 19 lockdown restrictions. The Unemployment Insurance Fund also registered 51 000 new commercial and domestic employers.

##### 46.2 Benefit payments

The reassessment of claims project was not implemented as planned during the 2021/2022 financial year, this is due to the reprioritisation of resources at IT, hence there is an underspending of the Benefit of payments.

# UNEMPLOYMENT INSURANCE FUND

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### 46. Budget differences (continued)

#### 46.3 Unemployment Alleviation Schemes

70% underspending of budget is due to the employability projects that did not commence as planned, as the service provider needed to confirm employment post the LAP intervention. Payment is made upon receipt of invoice and to tranche deliverables as per funding agreement.

#### 46.4 Depreciation, amortisation and impairments

Depreciation is 85% less than the budgeted amount due to the capital IT projects that were not finalised during the financial year under review. The IT projects include infrastructure upgrades in the Labour centres.

#### 46.5 Employee costs

24% underspending is due to the Fund rolling -out the approved organisational structure of provinces offices and labour centres, furthermore the delays in finalisation of the provincial LAP structures in provinces.

#### 46.6 Administrative costs

##### Comp. Serv - Sita Data Line

35 % underspending is due to the delays with the DEL shared service claims submitted to UIF. The data lines contract are managed at the Department and the Fund receives claims on monthly basis to pay as per the approved split percentages.

##### Comp. Serv - Ext Software License

Underspending is due to the delays with the renewal of Microsoft Office Licences through the shared services at the Department of Employment and Labour.

##### Comp. Serv - Ext- Specialised Comp Serv.

31 % underspending of budget is due to SAP implementation system deployment delay and payment that is processed per delivered milestones. SAP payments were not processed as scheduled due to delays with the SAP Support and maintenance contract. Furthermore the underspending is due to the appointment of ICT contracts were delayed due to the circular by National Treasury to halt any procurement process by department.

#### 46.7 Operating expenses

##### Consult. Fees - Accountants & Auditors

72 % underspending of budget is due to delays in finalisation of the contract to appoint the service providers to follow the fraudulent payments (follow the money) to clients.

##### Consult. Fees - Profess. Agency

The underspending is due to the appointment of ICT support and maintenance contracts tenders that were delayed due to the proclamation by National Treasury to halt any procurement process by departments this led to 98% of the budget.

##### Comp. Serv - Ext - System Development

83% underspending is due to delays in the implementation of the SAP project. The project payments are per deliverables, milestones that are finalized and signed off by the Fund.

##### Communication - Cell Phones

42% underspending is due to the procurement is due to the declaration from National Treasury to stop any tender process had a great impact on the procurement and RT15 contract on cellphone for telephone in the Fund.

##### Operating Lease - Mobile Units

To improve the service delivery, the Fund has procured the mobile units to access the UIF clients in rural areas. 71% underspending is due to the lesser mobile units received than the anticipated as per the contract.

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand	2022 R'000	2021 R'000
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### 46. Budget differences (continued)

#### 46.8 Impairment of other Financial Assets/reversal of Impairment

As at reporting date the Fund performs objective valuation assessments (carried out by external valuation experts) on all its unlisted financial investment instruments. If these valuation assessments indicate an impairment loss on an instrument, the amount of the loss is measured and processed in accordance with GRAP. The outcome of these valuation assessments at reporting date cannot be estimated prior to the reporting date since events such as economic conditions, significant financial difficulty, a breach of contract, a default or delinquency in interest or principal payments, legal action instituted against or by the obligator, the investee enters sequestration or other financial reorganization cannot be predicted. The Fund therefore does not budget for Impairment losses or Reversal of Impairment losses (which occur if, in a subsequent reporting period, the amount of the impairment loss decreases due to any unpredictable event, the impairment loss is reversed).

#### 46.9 Impairment of investments in associates

As at reporting date the Fund performs objective valuation assessments (carried out by external valuation experts) on all its unlisted financial investment instruments. If these valuation assessments indicate an impairment loss on an instrument, the amount of the loss is measured and processed in accordance with GRAP. The outcome of these valuation assessments at reporting date cannot be estimated prior to the reporting date since events such as economic conditions, significant financial difficulty, a breach of contract, a default or delinquency in interest or principal payments, legal action instituted against or by the obligator, the investee enters sequestration or other financial reorganization cannot be predicted. The Fund therefore does not budget for Impairment losses or Reversal of Impairment losses (which occur if, in a subsequent reporting period, the amount of the impairment loss decreases due to any unpredictable event, the impairment loss is reversed).

#### 46.10 Fair value adjustments

The Fund does not budget for Fair value adjustments as it reflects market movements on investment instruments.

#### 46.11 Income from equity accounted for investments

The Fund can only equity account for investment in associates and interest in joint ventures at reporting date once the most recent financial information is received from these investees. Because events such as economic conditions, significant financial difficulty, a breach of contract, a default or delinquency in interest or principal payments, legal action instituted against or by the obligator, sequestration, other financial reorganization impacts the financial results of these investees at reporting date, the Fund cannot estimate, predict and/or budget for its share in investees surplus/deficit prior to the reporting date.

### 47. Changes made from the approved budget to the final budget

On 25 March 2020 the Minister of Employment and Labour issued a Directive in terms of Regulation 10 (8) of the regulations issued by the Minister of Corporative Governance and Traditional Affairs in terms of Section 27 (2) of the Disaster Management Act 2002, to implement steps in respect of the administration of the COVID-19 through the COVID19 Temporary Employee/Employer Relief Scheme to prevent escalation of the COVID-19 infections funded through the National Disaster Benefit. On 08 August 2021 the Minister of Employment and Labour issued a Directive in terms of Regulation 10 (8) of the regulations issued by the Minister of Corporative Governance and Traditional Affairs in terms of Section 27 (2) of the Disaster Management Act 2002, to implement steps in respect of the administration of the "Destroyed and Looted workplaces "Temporary Financial Relief Scheme 2021.

### Revenue

The R3.8 million upward revisions is due to the revenue from non-exchange transactions reasons being that the Statistics South Africa reported economic growth as the result of rebounding economic activities after the easing of the COVID 19 lockdown restrictions.

### Investment Revenue

Investments was revised up by R 2.2 billion due to improved economic conditions in the country and globally.

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand	2022 R'000	2021 R'000
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### 47. Changes made from the approved budget to the final budget (continued)

#### Benefit Payments

Benefit claims have been much lower than previously anticipated; this is due to the low COVID TERS applications received by the Fund hence the reduction by R9.7 billion.

#### Unemployment Alleviation Schemes

The Unemployment alleviation schemes budget was revised down by R554 million due to the employability projects that did not commence as planned. The delay was due to the additional mandate by the Department to ensure that the LAP training projects lead to employment.

#### Employee Cost

The budget for employee cost was revised up by R36 million to increase capacity in the provincial offices. The implementation of the LAP structures also led to the increase of the budget estimates.

#### Administrative Costs

Administrative costs budget was revised up by R78 million to procure goods and services that were delayed during the lockdowns, procurement process of new services was affected by the closure of service providers.

#### Operating Expenses

Operating expenses budget was revised up by R55 million, the opening of the economy and easing of lockdowns positively brought the increase in procurement of goods and services.

#### Technical Reserve

The decrease of technical reserve by R16, 8 billion is mainly as a result of the necessary reduction in reserves for benefit payments, as a high level of reserves were set aside during the previous actuarial valuation due to the anticipated high level of COVID-19 TERS claims and economic meltdown as a result of the COVID pandemic.

### 48. Comparative figures

Certain comparative figures have been restated. Refer to note 44 for details.

### 49. Accounting by principals and agents

The Fund is a party to various principal-agent arrangements.

#### Details of the arrangements are as follows:

##### Unemployment alleviation schemes

The following schemes fall under these principal-agent arrangements:

- Temporary Employer-Employee Relief Schemes (TERS)
- Employability
- Business Turnaround and Recovery Programmes (BT&RP)

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.



# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand

### 49. Accounting by principals and agents (continued)

The training is typically provided through various Sector Education and Training Authorities (SETAs), Technical Vocational Education and (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.

#### Fund as Principal

The principal recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement.

The Fund recognises assets and liabilities arising from the principal-agent arrangements in accordance with the requirements of other Standards of GRAP.

#### Resources (including assets and liabilities) of the entity under the custodianship of the agent

##### Unemployment Alleviation Schemes

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 has the ability to utilise all the resources that result from the transactions for its own benefit as they report on achievements of targets set in terms of the Shareholder Compact. The Fund provides the resources for 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 Fund is also exposed to variability in the results of the transaction because it will under achieve if the targets are not met.

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. 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.

No assets or liabilities are under the custodianship of the agent.

During the year, the following transactions were made with regards to the Unemployment Alleviation Schemes

##### Tranche payments made for the Unemployment Alleviation Scheme

TERS	52 956	158 888
Employability	612 039	586 653
BT&RP	39 833	23 430
<b>Public Investment Corporation (PIC)</b>		
Investment management fees payable to PIC	4 955	65 199
	<b>709 783</b>	<b>834 170</b>

# UNEMPLOYMENT INSURANCE FUND

Annual Financial Statements for the year ended 31 March 2022

## Notes to the Annual Financial Statements

Figures in Rand Thousand

### 49. Accounting by principals and agents (continued)

Commitments raised for the Unemployment Alleviation Scheme were included in note 34 relating to GRAP 109.

#### Commitments raised for Unemployment Alleviation Schemes

TERS	27 084	73 524
Employability	1 916 633	1 253 839
BT&RP	41 308	81 141
<b>Public Investment Corporation (PIC)</b>		
Investment expenditure payable to PIC	20 004	26 993
	<b>2 005 029</b>	<b>1 435 497</b>

Receivables raised in terms of the Unemployment Alleviation Schemes and Investment Income Receivable in note 4 were:

#### Receivables raised in terms of the Unemployment Alleviation Scheme

TERS	990	990
Employability	14 965	14 996
<b>Public Investment Corporation (PIC)</b>		
Investment income receivable from PIC	286 956	398 094
	<b>302 911</b>	<b>414 080</b>

Commitments raised for the Unemployment Alleviation Scheme were included in note 34 relating to GRAP 109.

#### 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.

In the event that the agreement with PIC is terminated, the PIC shall return all assets under management to the Fund and provide the Fund with a final statement of account to settle all outstanding receivables and payables. The PIC will then notify the Bank that its authority to act as the Fund's agent has ceased.

#### Contribution revenue from SARS

The Commissioner for SARS collects contributions from employers (registered in terms of the Fourth Schedule to the Income Tax Act) according to the UI Contribution Act. SARS shall pay all contributions, interest and penalties collected into the UIF as contemplated in section 9(3) of the UI Contribution Act.

The Fund is the principal in this arrangement and SARS is the agent in terms of the definition as per GRAP 109.

The terms and condition of the arrangement is that there should be periodic reports, regarding:

- The performance by SARS of its obligations
- Provision of information, as may be agreed upon, required by both parties to complete the relevant reports

There are no resources under the custodianship of an agent.

In accordance with the UI Contribution Act, the compensation fee paid to SARS:

- One and half percentage of the total amount collected or
- Where the actual expense exceeds one and half percent of that amount, the actual costs will be paid.



The page features a large, abstract graphic in the top-left corner consisting of overlapping blue and dark blue rounded shapes. Below these, there are two diamond-shaped icons: a red one and a blue one. The background is a light gray gradient with a white diagonal line. In the bottom-right corner, there is a large red triangle pointing upwards.

# **PART F: BUSINESS OPERATIONS AND LABOUR ACTIVATION PROGRAMME**

# 1. BUSINESS OPERATIONS

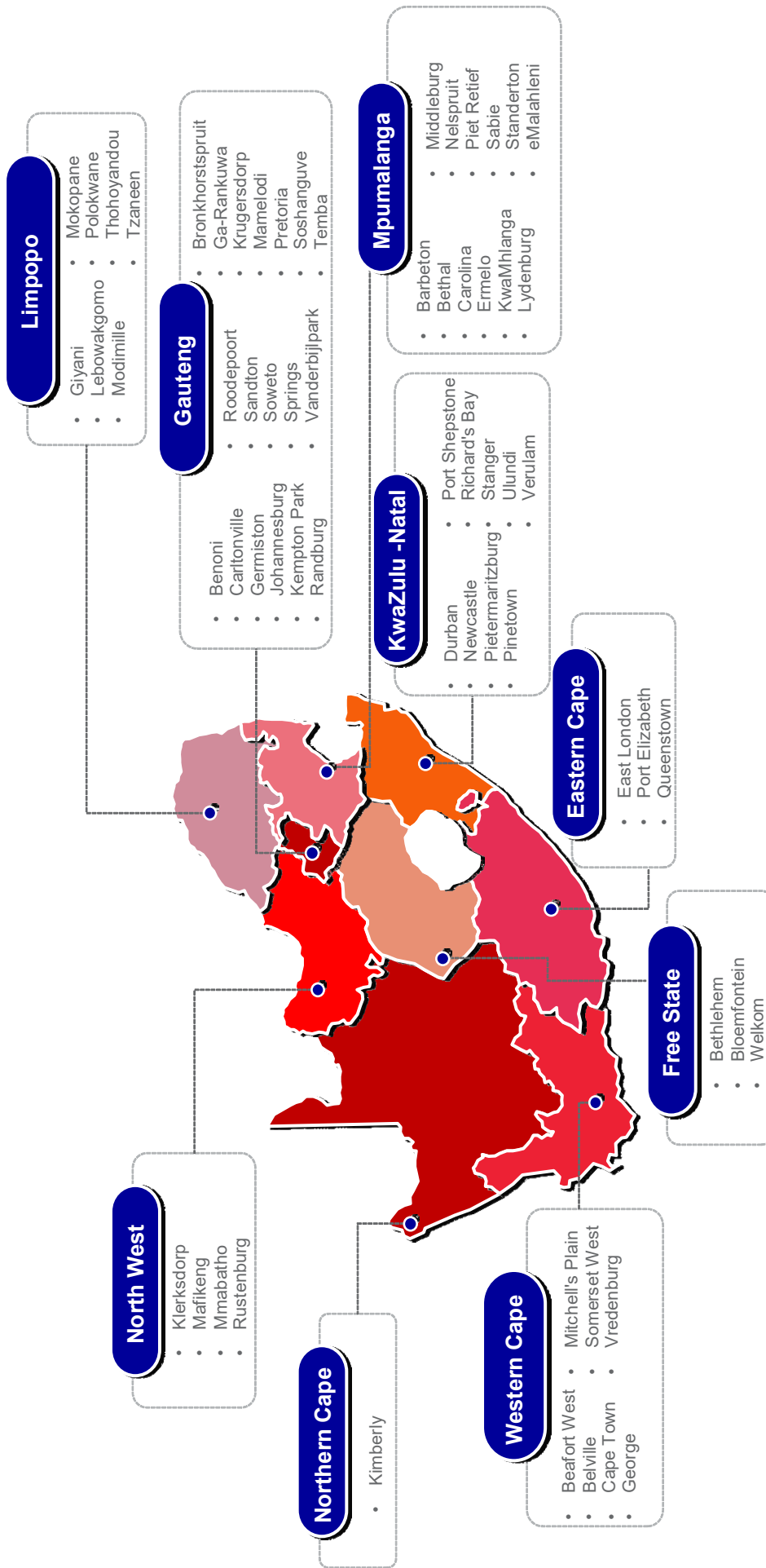
The Business Operations Directorate of the Fund continues to enable the Fund to fulfil its mandate through the provision of the following functions:

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

The operations of the Fund are delivered through various Labour Centres, Satellite offices (visiting points) and Mobile units (UIF Busses). There are currently 126 Labour Centres through which members of the public can access UIF services. These Labour Centres further service almost 820 visiting points within their geographical location, and 3 busses travel the length and breadth of the country rendering UIF services to underserved areas.

## 1.1 UIF Processing Offices

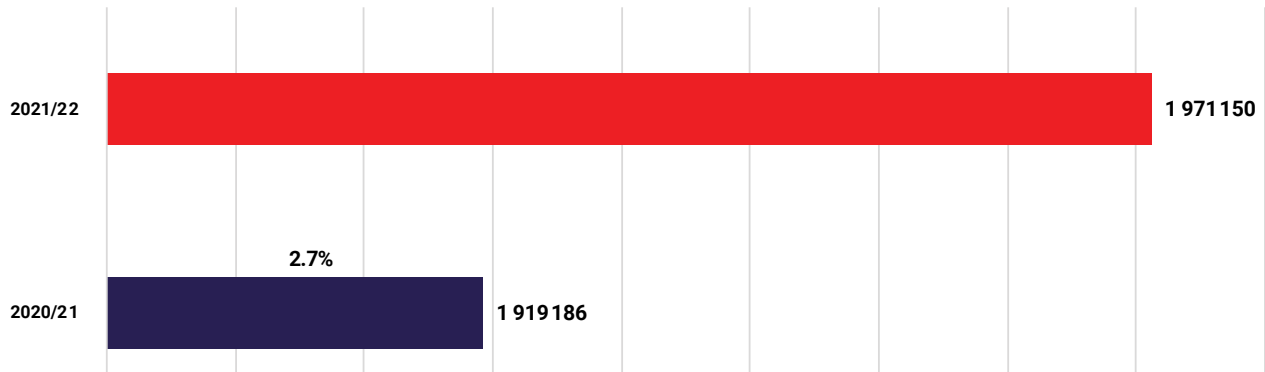
The table below reflects the centres which have claims processing capacity within the various provinces:



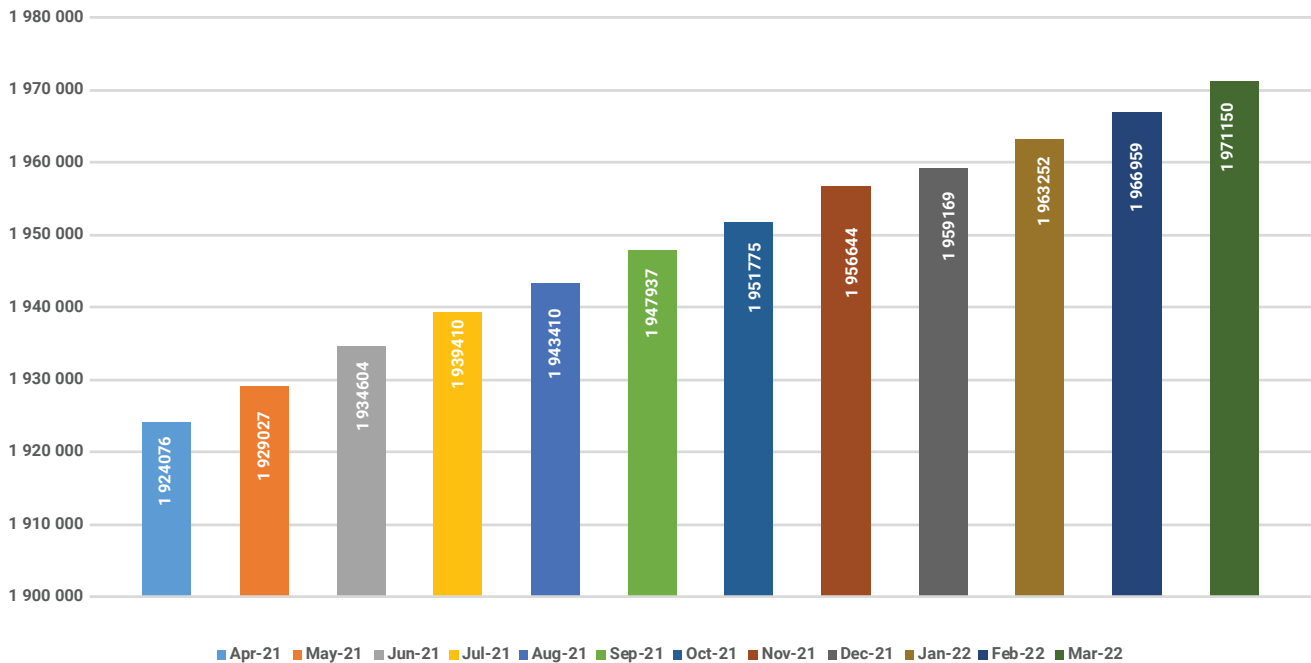
## 1.2 Registration of Employers

A total of 1 971 150 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 registration. This evidenced by negligible increase in registrations during the past year.

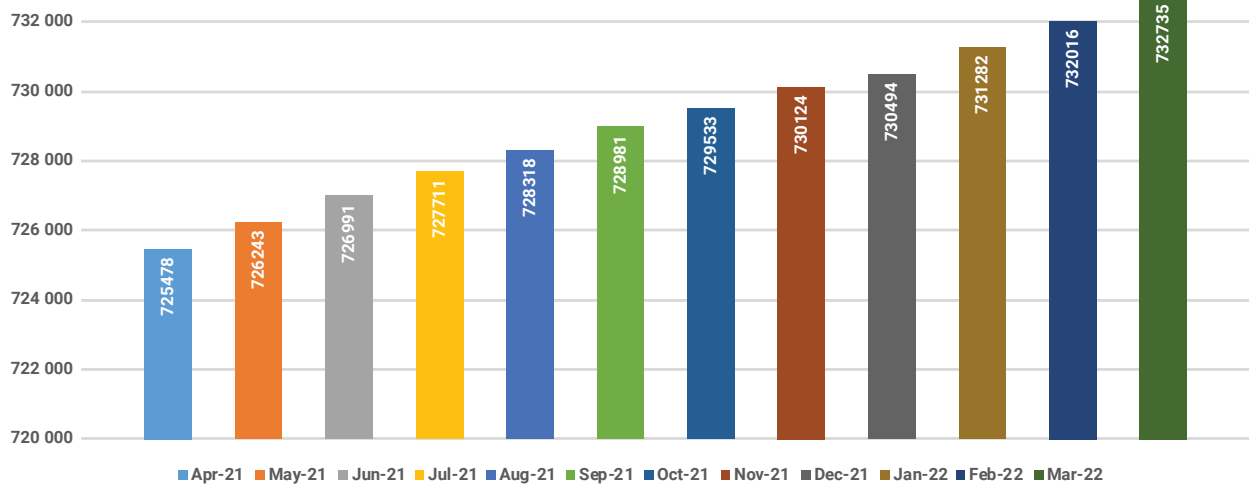
### Overall Employers



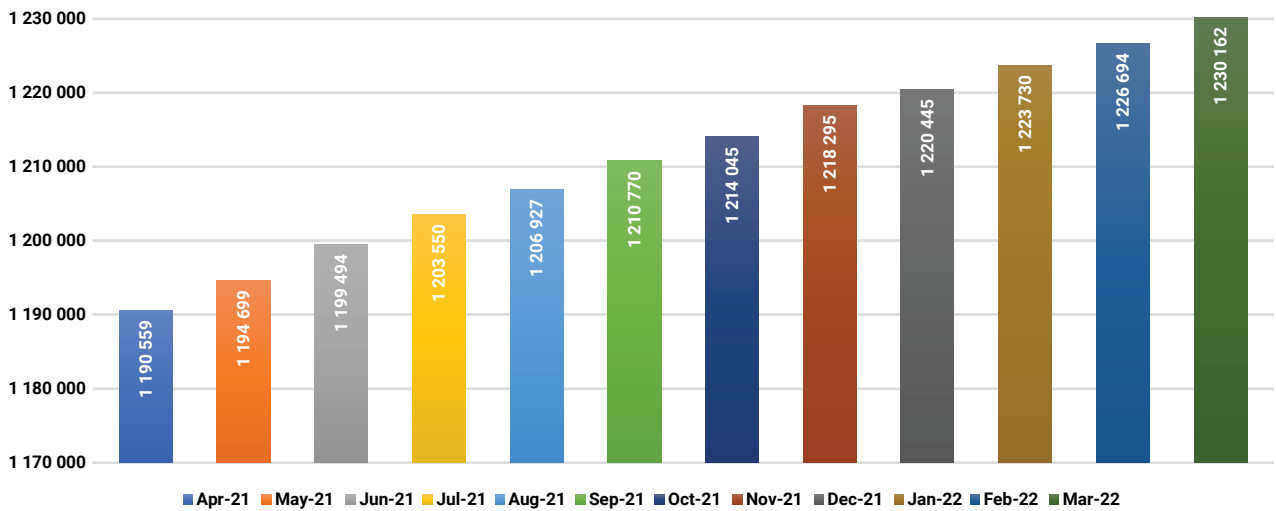
### Total Number of Employers Registered as per the Fund’s Database



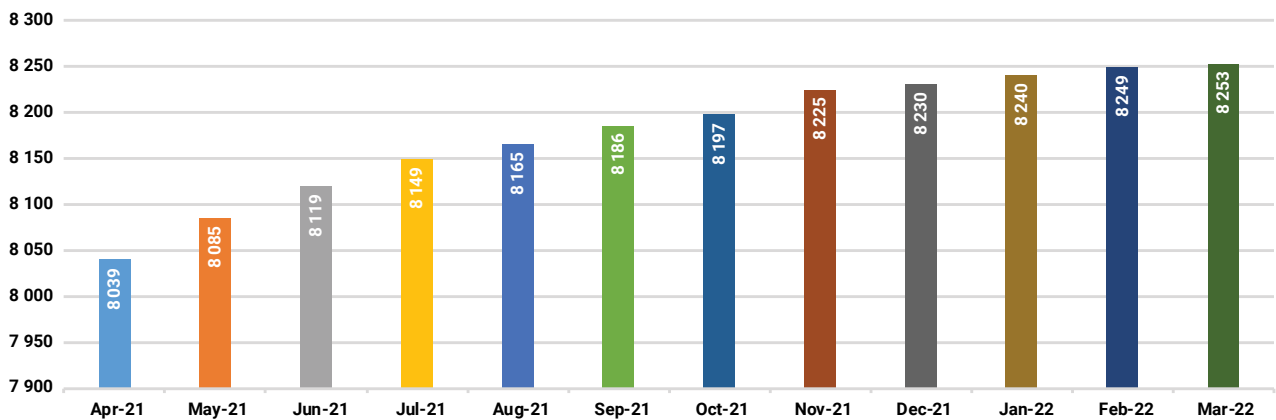
## Number of Domestic Employers



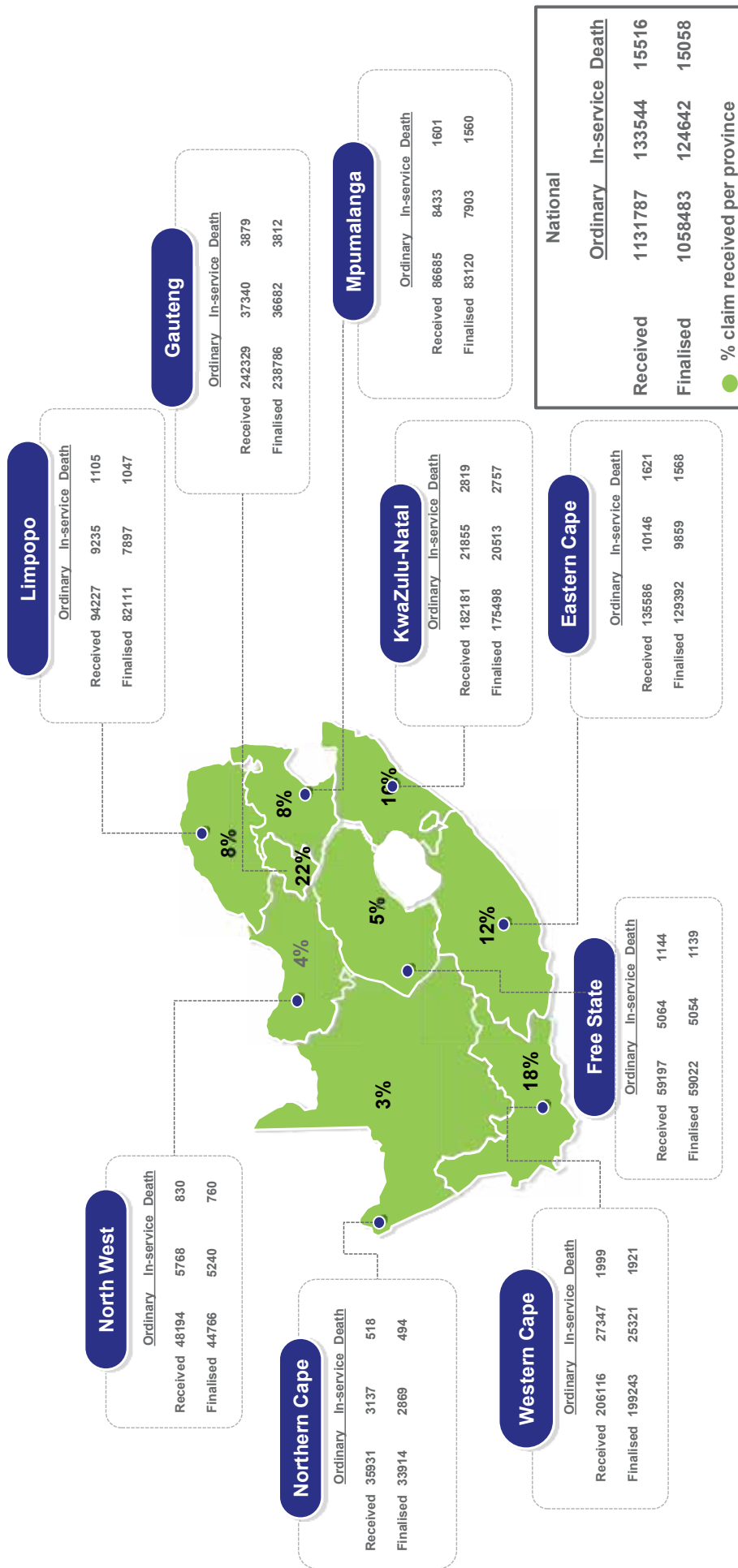
## Number of Commercial Employers



## Number of Taxi Employers







### 1.3 Assessment of Claims and Payment of Benefits

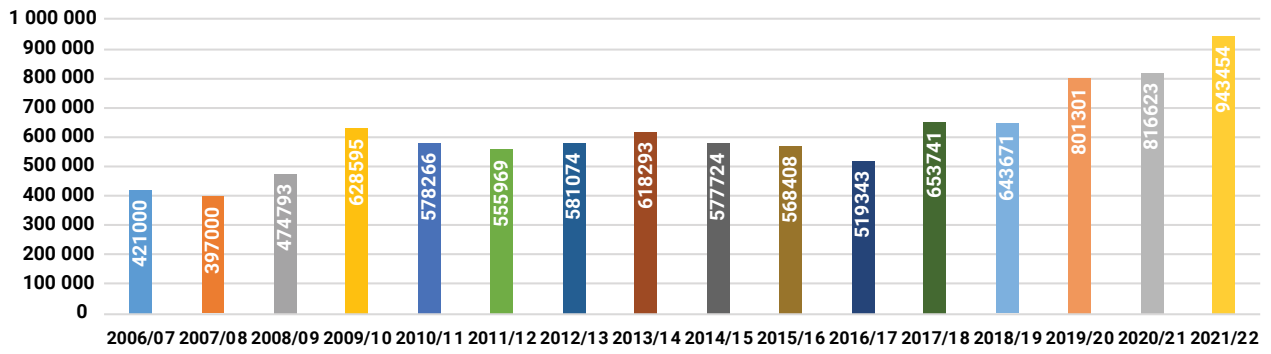
The Fund provides benefits to workers who lost their jobs as a result of unemployment, illness, maternity, adoption leave or when the spouse, or life partner or children in the event of the death of a contributor. A total of 1 280 847 claims were received in the year under review compared to 1 102 901 received in the 2020/2021 financial year. This reflects an increase of 177 946 claims (16.1%). A total of 1 073 548 claims were approved, which translates to 84% approval rate and rejected 207 299 (16%).

Benefit Types	2020/2021		2021/2022		
	Received	Approved	Received	Approved	Approval Rate
Adoption Benefits	24	24	58	21	36%
Death/Dependant Benefits	13 212	13 212	15 516	15 514	100%
Illness Benefits	13 980	13 980	19 095	14 663	77%
Maternity Benefits	91 185	91 185	114 391	99 896	87%
Ordinary/Unemployment Benefits	959 871	959 871	1 098 071	916 138	83%
ReducedTime/ Unemployment Benefits	24 629	24 629	33 716	27 316	81%
<b>Grand Total</b>	<b>1 102 901</b>	<b>1 102 901</b>	<b>1 280 847</b>	<b>1 073 548</b>	<b>84%</b>

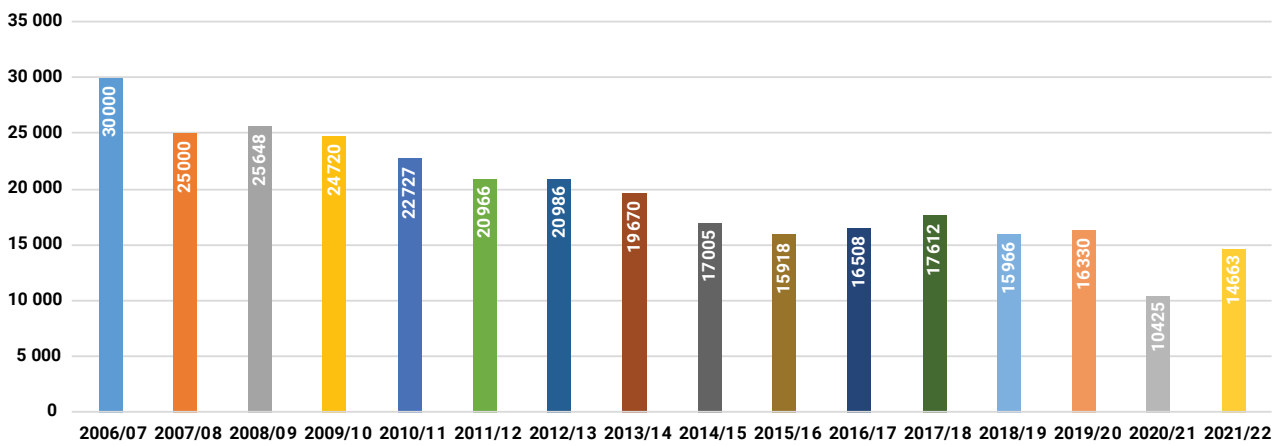
### 1.4 Total Number of Claims Received

Year	Unemployment	Illness	Maternity / Adoption	Dependents	Total
2006/07	421 000	30 000	96 000	25 000	<b>572 000</b>
2007/08	397 000	25 000	89 000	16 000	<b>527 000</b>
2008/09	474 793	25 648	94 336	15 959	<b>610 736</b>
2009/10	628 595	24 720	104 529	21 760	<b>779 604</b>
2010/11	578 266	22 727	104 042	27 123	<b>732 158</b>
2011/12	555 969	20 966	104 407	24 513	<b>705 855</b>
2012/13	581 074	20 986	106 339	22 732	<b>731 131</b>
2013/14	618 293	19 670	105 021	19 670	<b>762 654</b>
2014/15	577 724	17 005	97 232	16 506	<b>708 467</b>
2015/16	568 408	15 918	90 562	16 468	<b>691 356</b>
2016/17	519 343	16 508	98 538	16 708	<b>651 097</b>
2017/18	653 741	17 612	110 745	16 500	<b>798 598</b>
2018/19	634 283	15 979	106 446	13 836	<b>770 544</b>
2019/20	801 302	16 330	109 150	15 336	<b>942 118</b>
2020/21	816 623	10 425	78 656	13 212	<b>918 916</b>
2021/22	1 131 787	19 095	114 449	15 516	<b>1 280 847</b>

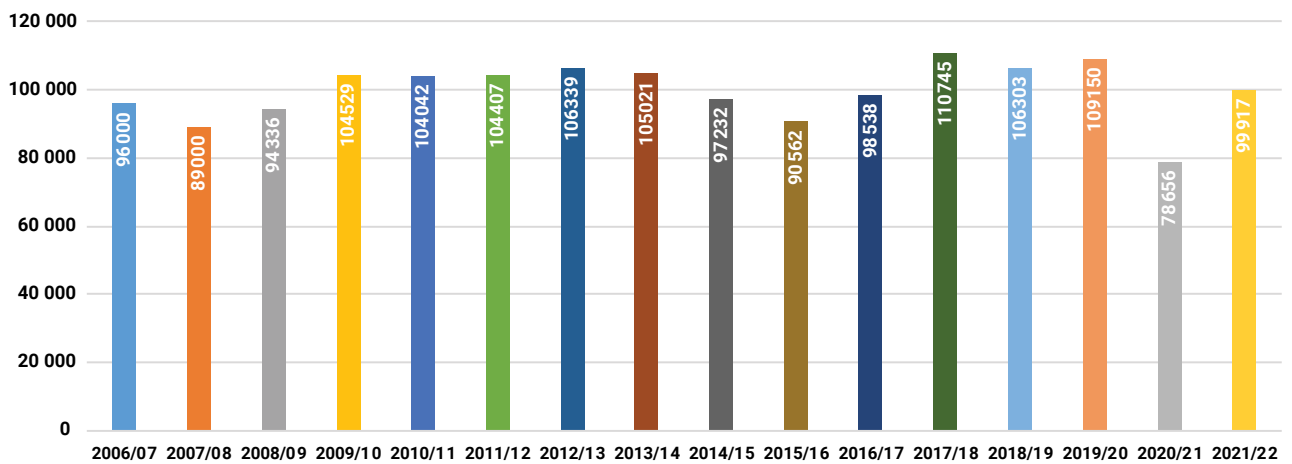
## Unemployed Claims Approval



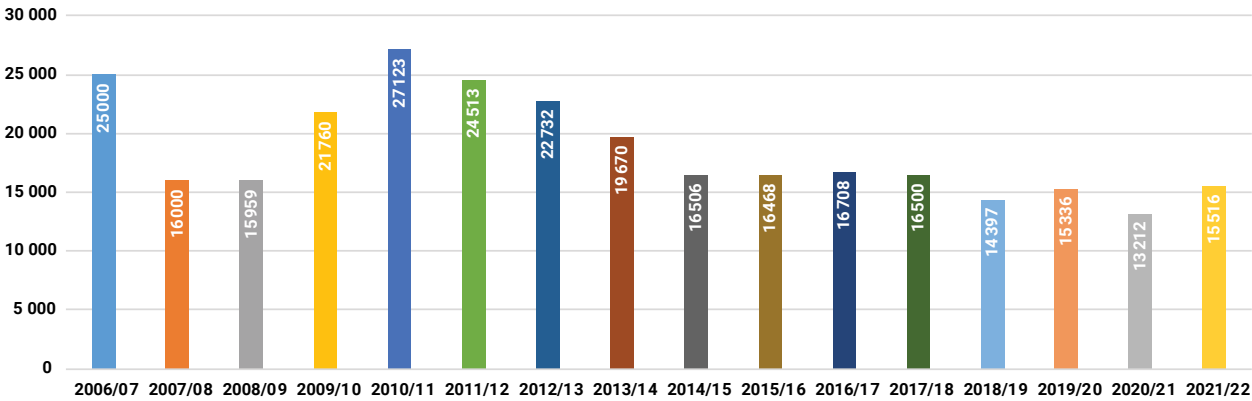
## Illness Claims Approval



## Maternity/Adoption Claims Approved



# Dependants Claim Approved



## 2. LABOUR ACTIVATION PROGRAMMES

### **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.

### **Section 5(d) of the UI Amendment Act, No.10 of 2016**

Section 5(d) of the UI Amendment Act provides that the Fund must be used for financing of the retention of contributors in employment and the re-entry of contributors into the labour market and any other scheme aimed at vulnerable workers.

The Fund provides funding for Employability, Temporary Employer/Employee Relief Scheme (TERS) and Business Turnaround and Recovery Programmes (BT&R) through funding agreements with LAP partners. The funding agreements provide for the terms and obligations for funding. The funding agreements make provision for, amongst other terms, prepayments to be made to LAP partners

### **Temporary Employer-Employee Relief Schemes (formerly named Training lay-off schemes)**

The scheme is intended to provide support to distressed companies and their workers who are at risk of retrenchment. Under the scheme, the Fund funds 75% of a worker's basic salary which may not exceed the threshold earnings as determined by the Minister from time to time in terms of section 6(3) of the Basic Conditions of Employment Act. Currently, the maximum amount a worker may receive is an amount of R12 849 (R17 119.44 x 75%) per month. The duration for a company to participate in TERS may not exceed 12 months. A condition to benefiting from TERS is that the distressed employer must conclude an agreement with its workers undertaking that no retrenchments will occur and that the employer will pay all social security contributions for its workers. Furthermore, an employer applying to participate in TERS must submit a turnaround strategy demonstrating how the employer intends to turn around the entity from its distressed state. If approved for participation in TERS, an employer may be referred to the Business Turnaround and Recovery Programme (BT&RP) which is administered and managed by Productivity South Africa.

The TERS applications are received and processed by the Commission for Conciliation, Mediation and Arbitration (CCMA), thereafter the applications are adjudicated by the Single Adjudication Committee, which is comprised of representatives from the CCMA, Productivity South Africa, the Department of Trade Industry and Competition, and the Fund. The Fund concludes the funding agreements with the approved companies in respect of the TERS allowances payable to the workers.

Committed funds are disclosed under commitments until the project is exhausted or cancelled and actual expenditure is presented in the Statement of Financial Performance under Unemployment Alleviation Schemes.

### **Employability (Formerly known as Training of the Unemployed Schemes (TOU))**

#### **LABOUR ACTIVATION PROGRAMMES**

The Fund has invested in training and up-skilling programmes which are aimed at integrating the unemployed people back into the labour market and enhancing their employability. The Employability programmes are executed in partnerships with the training institutions, the various Sector Education and Training Authorities (SETAs) and other government departments engaged in poverty / unemployment alleviation initiatives

During the year under review, the Fund has prioritised the funding of Employability programmes that will result in meaningful employment for the programme beneficiaries, as well as enterprise development initiatives that have resulted in the establishment of cooperatives and Small, Medium and Micro-Enterprises (SMMEs) for the programme beneficiaries.

### **Business Turnaround & Recovery Programme (formerly known as Social Plan Funding)**

The social plan is implemented through Productivity South Africa. Productivity South Africa implements the BT&RP for the benefit of companies that seek to improve their productivity. These services of the BT&RP have also been extended to companies that are in distress and are participating in the TERS programme

**LABOUR ACTIVATION PROGRAMME AND EXPENDITURE**

SCHEMES	EXPENDITURE
	2021/22' R000
Training of the Unemployed/ Employability	R612 124
Temporary Employer Employee relief scheme	R52 870
Business Turnaround & Recovery (Job preservation)	R39 833
<b>TOTAL</b>	<b>R704 827</b>



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UNEMPLOYMENT INSURANCE FUND  
**ANNUAL REPORT**  
2021/22



**employment & labour**

Department:  
Employment and Labour  
**REPUBLIC OF SOUTH AFRICA**

